ASA INTERNATIONAL GROUP PLC
ANNUAL REPORT & ACCOUNTS 2020

Our clients' resilience is our way forward

ASA INTERNATIONAL

OUR PURPOSE

We have a strong commitment to financial inclusion and socioeconomic progress.

WHO WE ARE

ASA International is one of the world's largest international microfinance institutions providing small, socially responsible loans to low-income entrepreneurs, most of whom are women, across Asia and Africa.

ASA International is listed on the premium segment of the London Stock Exchange.

FOR MORE INFORMATION VISIT:
www.asa-international.com

STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

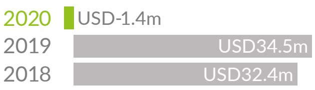
Cover photo: A client in Ghana

HIGHLIGHTS

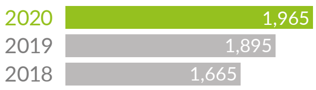
Financial highlights

2.4m
CLIENTS

-$1.4m
NET PROFIT (USD)



1,965
BRANCHES



$415.3m
OUTSTANDING LOAN PORTFOLIO (USD)

HIGHLIGHTS

- The Company's operational and financial performance was substantially affected by the impact of the COVID-19 pandemic, including the associated disruption and measures taken by government authorities, as well as the ensuing provisioning across all operating companies.
- As a result, the Company showed a net loss of USD 1.4m in 2020 compared to a net profit of USD 34.5m in 2019.
- The reduction in profitability was primarily caused by (i) a USD 27.2m expense for expected credit losses in FY 2020 compared to USD 4.2m in FY 2019, (ii) lower interest income as the Group was not able to charge interest in most markets on (a) the payment holidays provided during lockdowns, moratoriums and (b) increased overdue amounts and (iii) a modification loss of USD 3.5m at the end of the year due to loan extensions for the payment holidays provided to clients on account of COVID-19 related lockdowns and moratoriums.
- The immediate health impact on staff and clients remained relatively low with no deaths amongst approximately 12.5K employees and 25 deaths amongst 2.4 million clients due to COVID-19.
- Following the end of the lockdowns in the operating countries, the Group granted many clients a temporary moratorium of the payment of one or more loan instalments (which, in effect, extended the related loans for the moratorium period), which peaked at USD 16.9m in June with 485K clients benefiting from the moratorium.
- PAR>30 increased to 13.1% (excluding loan instalments under moratorium) by the end of December 2020.
- As of 31 December 2020, the Group had approximately USD 101m of unrestricted cash and cash equivalents, with a funding pipeline reaching approximately USD 225m.
- The Group successfully raised USD 163.9m in debt funding across its operations in 2020, with total debt growing to USD 337.6m.
- The Company has identified a material uncertainty in respect of going concern in relation to existing and projected covenant breaches on its borrowings due to increased overdue and provisions for expected credit losses. The Company refers to notes 2 and 32 of the financial statements for the details.

APPROVAL OF STRATEGIC REPORT

The Strategic Report for the year ended 31 December 2020, set out on pages 1 to 55, was approved by the Board of Directors on 31 May 2021.

By order of the Board,

DIRK BROUWER
CHIEF EXECUTIVE OFFICER
ASA INTERNATIONAL GROUP PLC
31 May 2021

CHAIRMAN'S STATEMENT

The COVID-19 crisis brought out the best in our people

"As Chairman from 1 January this year, I am proud and humbled to have taken over from Shafiq Choudhury, our co-founder, who tragically passed away in February 2021. He has been an inspiration to our senior staff in Dhaka and beyond, as well as to the Board, and is sorely missed."

GUY DAWSON
CHAIRMAN, ASA INTERNATIONAL

2020 was an exceptionally hard year due to the impact of COVID-19 which affected millions across the globe and caused major social and economic disruption. Our first priority was to respond to the health crisis and take the necessary measures to protect our staff and secure safe interactions with our clients. We are proud of the commitment and professionalism of all our employees and thank our staff, especially our loan officers, who went out into their communities to meet and support our clients and were often faced with challenging and difficult circumstances.

I am glad to say that to date, the health of our staff and clients, who are relatively young, has not been badly affected. On the other hand, the economic livelihood of many of our clients has been badly affected, through a combination of lockdowns and other COVID related disruptions, compounded by weather and political crises in some of our markets. This, of course, has impacted on our collections and on the profitability of the Group. In most of our operating countries I am glad to say that our clients and their ability to make normal repayments has substantially recovered, but this is happening at a slower pace than anticipated in two of our key markets, India and the Philippines.

If 2020 was a year characterised by crisis management, in 2021, we are hopeful that the external environment in all our markets will continue to improve, and that this will be underpinned over time by the roll out of COVID-19 vaccines. In the meantime, management is doing all it can to secure the health and potential of the business, for example by improving its operating systems; investing in digital financial services; and making continued progress in securing banking or deposit-taking licences, all while increasing our CSR programmes to support our clients in communities where this is most needed, by providing vital goods and services. The quality of our loan portfolio is not at the high level which we expect and we are doing everything to ensure that this will soon be recovered.

We have a strong management team and governance. In December last year, we strengthened our Board by appointing Dr Salehuddin Ahmed, a former Governor of Bangladesh Bank, as an independent Non-Executive Director. Dr Ahmed is already making a very valuable contribution to our Board discussions.

On behalf of the Board, I wish to thank all staff for their commitment during these times of hardship, in particular in nurturing relationships with our clients. We are also grateful to our shareholders, lenders and other key stakeholders for their understanding during this difficult time. We remain committed to our fundamental purpose of financial inclusion through serving female micro-entrepreneurs. We will continue to expand and improve our services to enable our clients to grow their businesses, and thus empower them in their communities, in the spirit of our former Chairman.

GUY DAWSON
CHAIRMAN, ASA INTERNATIONAL
31 May 2021

MEMORIAL TO MD. SHAFIQUAL HAQUE CHOUDHURY

A visionary microfinance leader

"We want to see the end of poverty."

MD SHAFIQUAL HAQUE CHOUDHURY
1949-2021

On 12 February 2021, ASA International's Co-founder and President and the founder and President of ASA NGO Bangladesh ('ASA'), Md Shafiqual ('Shafiq') Haque Choudhury, passed away.

Shafiq is widely recognised as one of the world's most important pioneers and global leaders in the field of microfinance and financial inclusion. He dedicated his life to improving the livelihoods of the poor and disadvantaged. In 1978, Shafiq founded ASA, the Association of Social Advancement, which initially focused on overcoming social injustice of the poor in rural Bangladesh by organising various community-based programmes.

In 1992, he transformed ASA into a microfinance institution after realising that microfinance could be equally, if not more, effective in achieving his social mission. Shafiq revolutionised the world of microfinance by introducing the 'ASA Model of Microfinance' (the 'ASA Model'), an extremely low-cost and highly efficient credit delivery model with a simple but very effective credit assessment process. Moreover, Shafiq was the first to abandon 'joint liability'. He decided that loans should be granted to clients individually, contrary to many other microfinance institutions that required clients to form a group whereby each client becomes jointly liable for the repayment of loans granted to other members of these groups.

With more and more institutions around the world deciding to follow his microfinance model or some close derivative of it, Shafiq's radical and continuous drive towards innovation accelerated financial inclusion. ASA has supported these microfinance institutions across the globe, and in 2007, Shafiq co-founded ASA International, which allowed him to pursue his social mission currently in 13 countries across Asia and Africa.

Besides transforming the world of microfinance, Shafiq was an inspiring and devoted leader and a guardian to many. Yet throughout all his achievements, he remained a humble and down-to-earth person who never lost sight of his social mission. His legacy will live on.

Md Shafiqual Haque Choudhury (1949-2021).

Forever in our thoughts.

"Shafiq was a transformative and inspiring leader and a guardian for many, yet he remained a humble person, never losing sight of his social mission. He will be dearly missed."

DIRK BROUWER
CEO

"Shafiq will continue to inspire many in the pursuit of social and economic change. We will continue to honour his work by successfully strengthening the Company in the years to come."

GUY DAWSON
CHAIRMAN

COMPANY OVERVIEW

Strong commitment to financial inclusion and socioeconomic progress

ASA International is a global microfinance leader. The Company has a strong and well-established commitment to improving financial inclusion and enabling socioeconomic progress.

THE COMPANY'S CLIENTS

The Group's clients are economically active, low-income female micro-entrepreneurs who are over 18 years of age and earn on average around USD 3.20 per day. They do not have access to credit from traditional banks to start or grow their businesses.

Their businesses are active across services, trading, manufacturing and agricultural activities in predominantly urban/semi-urban areas.

The Company engages with them through client group meetings and at the branches, which are situated in or near the communities where its clients live and work, and are the centre of their ecosystem. The Company targets 1,600 clients per branch.

Read more on page 20

THE COMPANY'S EMPLOYEES

The Company now employs 12,535 staff members, most of whom started post-graduation with ASA International as their first employer. Their local field staff have been trained in-house and work alongside highly-skilled senior managers who offer coaching and mentoring. They are eligible for promotion to more senior positions over time.

The Company's operating procedures require staff to provide services in a responsible manner and prevent inadvertent over-borrowing of clients.

In the Group's risk control framework, branch staff and area, regional and district managers form a key part of the first line of defence at the microfinance institution level and are responsible for client retention and credit risk.

Read more on page 21

THE COMPANY'S ASA MODEL

The ASA Model is highly scalable, cost-efficient and easily replicable across markets. Decision-making is highly decentralised, at the branch level in the communities where the Company's clients work and live.

DISTINCTIVE FEATURES:

- Group selection without joint liability
- Loans granted exclusively for income-generating activities
- Full repayment via instalments before eligibility for new loan
- No incentives or bonus payments for operating staff
- Frequent client interaction through weekly collections
- Ongoing assessment of client needs, benefits and satisfaction
- Repeat loan cycles with set limits
- Small size loan

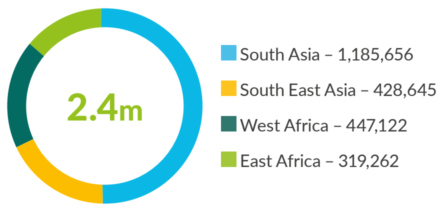
Read more on page 14

CLIENTS
2.4m

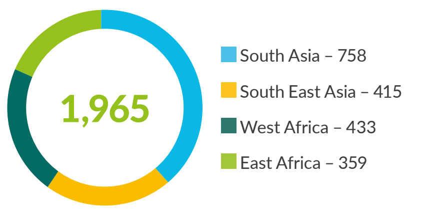
COUNTRIES
13

EMPLOYEES
12.5k

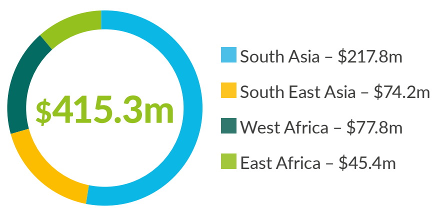
CLIENTS



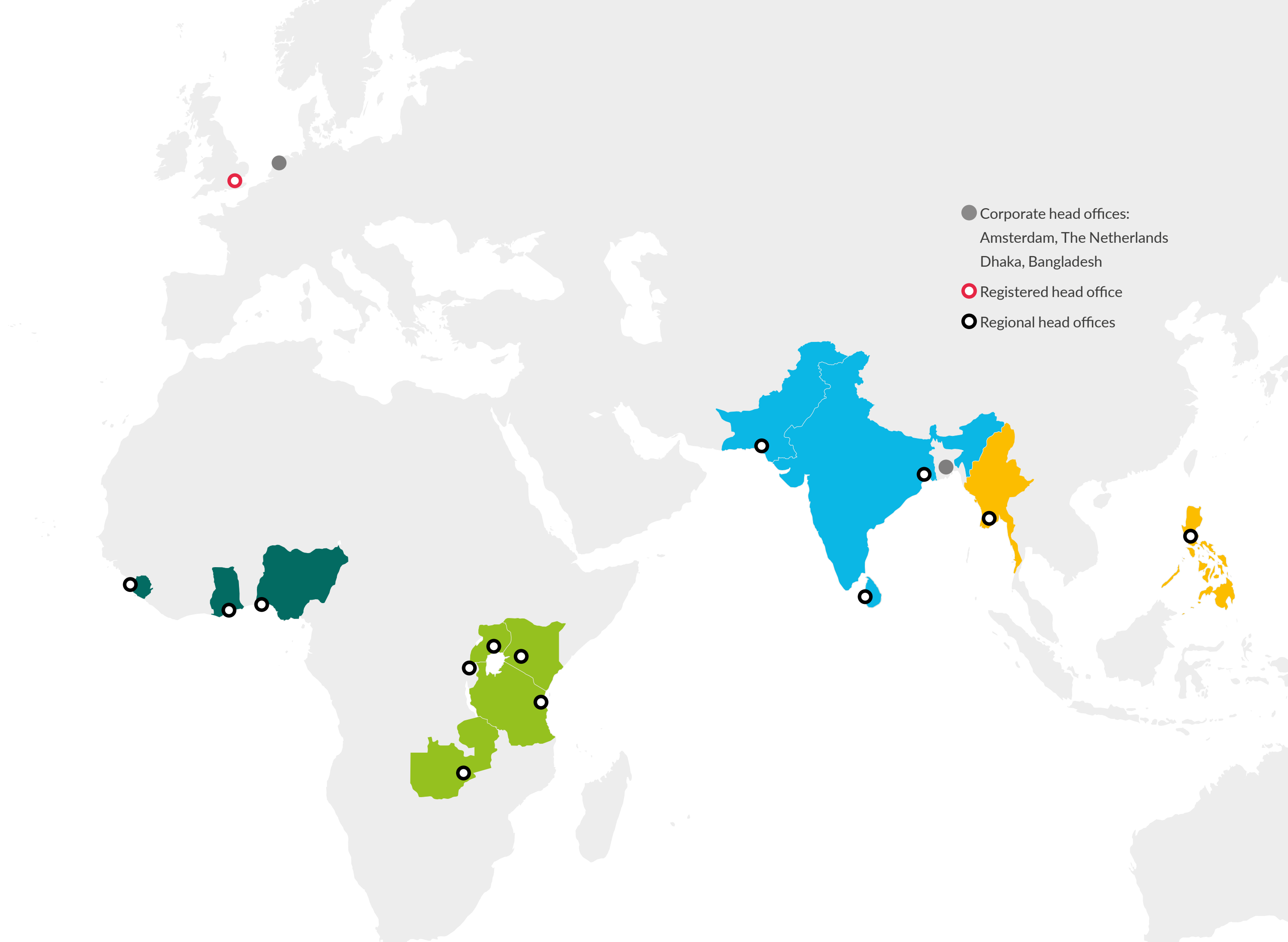
BRANCHES



OUTSTANDING LOAN PORTFOLIO* (USD)



* Includes off-book Business Correspondence loans and Direct Assignment loans in South Asia, excludes interest receivable, unamortised loan processing fees, and deducts modification losses and ECL provisions from Gross OLP.



WEST AFRICA

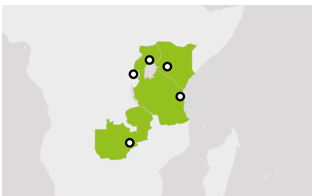
The Group has operations in three countries: Nigeria, Ghana and Sierra Leone.

Clients: 447,122

Branches: 433
Nigeria: 263
Ghana: 129
Sierra Leone: 41

Outstanding loan portfolio (USD): $77.8m

Read more on page 52



EAST AFRICA

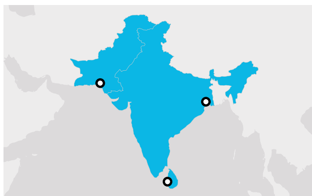
The Group has operations in five countries: Tanzania, Uganda, Kenya, Rwanda and Zambia.

Clients: 319,262

Branches: 359
Tanzania: 121
Uganda: 98
Kenya: 100
Rwanda: 30
Zambia: 10

Outstanding loan portfolio (USD): $45.4m

Read more on page 53



SOUTH ASIA

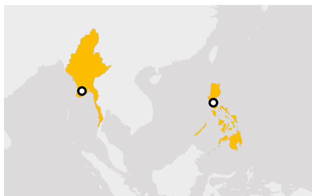
The Group has operations in three countries: India, Pakistan and Sri Lanka.

Clients: 1,185,656

Branches: 758
India: 400
Pakistan: 292
Sri Lanka: 66

Outstanding loan portfolio (USD): $217.8m

Read more on page 50



SOUTH EAST ASIA

The Group has operations in two countries: the Philippines and Myanmar.

Clients: 428,645

Branches: 415
The Philippines: 322
Myanmar: 93

Outstanding loan portfolio (USD): $74.2m

Read more on page 51

OUR HISTORY

Our path to becoming fully regulated microfinance institutions

The Company's goal is to become fully regulated microfinance institutions in each operating country with the capacity to mobilise deposits.

2007
- ASA International Holding incorporated
- Pagasa Philippines established

2008
- ASA Pakistan established and ASA India commenced operations
- Acquisition of Lak Jaya Micro Finance in Sri Lanka
- Association for Social Improvement and Economic Advancement in Nigeria ('ASIEA') established
- Operations in Ghana commenced through ASA Ghana (NGO)

2009
- ASA Pakistan commenced operations
- ASHA Microfinance Bank established in Nigeria
- ASA Savings & Loans established in Ghana

2010
- ASHA Microfinance Bank commenced operations in Nigeria

2012
- ASA Savings & Loans received a savings and loan bank licence
- ASA Tanzania established
- ASA Uganda established
- ASA Kenya established

IT Developments

2017
- Tablets rolled out to all loan officers

2019
- Loan officers, area and district managers use tablets which simplifies loan administration
- AMBS real-time implementation completed in nine out of 13 countries
- Real-time digital app has been rolled out for loan officers in countries where real-time AMBS is implemented. It is used for collection, client admission and loan application processing

2020
- Implementation completed in four remaining countries (the Philippines, Pakistan, Sierra Leone and Zambia) of the AMBS real-time software

2013
- ASA Myanmar established
- ASA Uganda and ASA Kenya commenced operations

2014
- ASA Myanmar and ASA Tanzania commenced operations
- ASA Rwanda established

2015
- ASA Sierra Leone established

2016
- ASA Rwanda and ASA Sierra Leone commenced operations

2018
- ASA International Group plc listed on the main market of the London Stock Exchange
- ASA Zambia established
- ASA India received MFI Licence
- Pagasa Philippines received a finance company licence

2019
- Lak Jaya became a deposit-taking microfinance company in Sri Lanka
- ASHA Microfinance Bank obtained nationwide licence; ASHA Microfinance Bank and ASIEA merger began progress in Nigeria
- ASA Zambia commenced operations

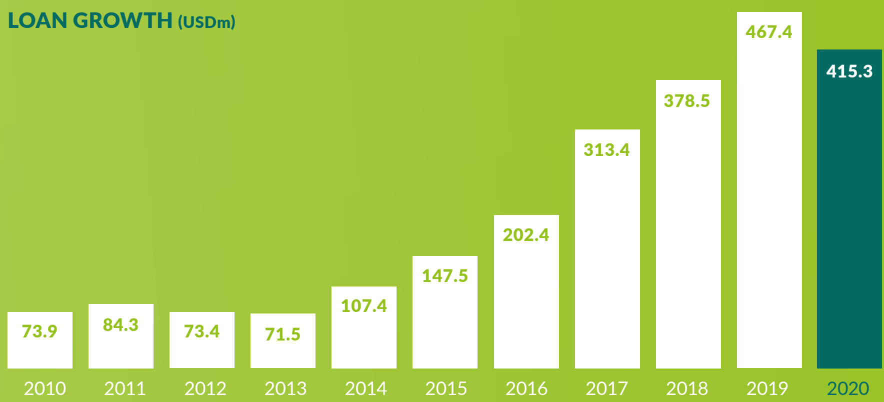
2020
- ASA Pakistan received a no objection certificate from the State Bank of Pakistan to become a microfinance bank
- ASA Myanmar received a full deposit-taking licence
- ASA Nigeria established following the merger of ASIEA and ASHA Microfinance Bank Limited

Key drivers for future growth

- Continuing the path to transforming lending institutions into deposit-taking microfinance banks
- Securing the microfinance bank licence in Pakistan
- Expanding in existing and new countries
- Introducing digital financial services, including but not limited to loans, current and savings accounts and payment services. As part hereof the Company will be upgrading its ASA Microfinance Banking System (AMBS)

For 2021 priorities and longer-term focus, see page 8

LOAN GROWTH (USDm)



OUR STRATEGY

Sustainable growth

The Group's objective is to increase financial inclusion whilst delivering sustainable growth and returns for shareholders.

The growth strategy of the Group is based on the following strategic pillars:

1. **Expansion strategy**: growing its loan portfolio and expanding the Company's geographic footprint. By further building organically upon its greenfield strategy, and by diversifying into more markets, the Group strengthens its risk profile.
2. **Funding strategy**: aligning the growth in assets and liabilities and reducing the cost of funds by becoming fully regulated, deposit-taking institutions in all markets.
3. **Digital strategy**: enhancing its digital platform and staying competitive by being at the forefront of any digital finance initiatives.

For a feature about our digital services in Kenya, see pages 36 to 37

To mitigate the impact of COVID-19, the Company focused on its clients, delivering operational efficiency and cost savings across the business, as well as preserving cash. Simultaneously, contingency plans were adjusted across all regions.

The Group's priorities to address the impact of COVID-19 in 2021:

- Strengthening client interaction by (smart) phone or other digital devices, collecting through the group leader where possible, increasing digital collections, switching from weekly to bi-weekly or monthly collection where appropriate.
- Staying in close contact with its lenders.
- Continuing with its community projects, where possible, with a focus on disaster relief efforts, in support of its clients.

Read more on pages 13, 18 and 19

STRATEGIC PILLARS	2020 PROGRESS
Grow loan portfolio • Increase the number of clients per branch in existing branches • Gradually increase the loan size per client in existing branches	• The number of branches across the Company increased by 4% from 1,895 to 1,965 enabling to reach 2.4 million clients. The number of clients per branch decreased to 1,212. The net outstanding loan portfolio decreased 11% to USD 415.3m. The Gross OLP/Client increased from USD 186 to USD 187.
Expanding geographic footprint • Open new branches in existing countries of operation • Gradual expansion of geographical footprint in new countries	• 70 new branches began operations in existing countries. • Due to COVID-19 the Company has not commenced operations in new countries.

Link to risk
1 Regulatory risk
2 Credit risk
3 Liquidity risk
4 Exchange rate/currency risk
5 Growth risk
6 Information and technology risk
7 Human resources risk
8 Competition risk
9 Interest rate risk
10 Social and environmental risk
11 Reputational risk

2021 PRIORITIES	LONGER-TERM FOCUS	KPIs	LINK TO RISK
• In all countries, the Company continues to focus on the health and safety of its staff and clients and further adjust field operating procedures if and when new disruptions occur. • A high-quality portfolio is the Group's highest priority. The Company remains cautious and is focused on reducing the amount of overdue loans. In the month of April of 2021, Moratoriums on loan repayments were granted to clients and amounted to 0.3% of the Group's Gross OLP. The Company will continue to provide moratoriums only in those countries where clients are unable to repay their loans due to measures such as restrictions instituted by governments. These moratoriums are treated as a 'payment holiday'. • In a number of existing operating countries, the Group continues growing the branch network, client base and loan portfolio (per client) at a sustainable rate, making sure that clients continue to be able to repay their loans and branch staff can manage client and loan portfolio growth without impacting negatively the quality of the loan portfolio.	• The Group plans to continue growing its client base and loan portfolio in existing countries as well as in new countries.	**77.6%** CLIENT RETENTION 2019: 75% 2018: 73% **0.89m** NEW CLIENTS 2019: 1.7m 2018: 1.5m **USD 187** AVERAGE GROSS LOAN PER CLIENT 2019: USD 186 2018: USD 174	1 2 3 4 5 6 7 8 9 10 11
• The Company will look at new markets, however due to COVID-19, the focus in the short term is on fully restoring the current businesses.	• The Group expects to continue expanding their branch network, in existing countries as well as exploring opportunities in new countries.	**70** NEW BRANCHES 2019: 230 2018: 278	1 2 3 4 5 6 7 8 9 10 11

OUR STRATEGY CONTINUED
SUSTAINABLE GROWTH CONTINUED

STRATEGIC PILLARS	2020 PROGRESS
Align growth in assets and liabilities • Grow the deposit base of the Company's microfinance institutions to provide an alternative, stable, low-cost source of funding by securing deposit-taking licences in certain existing geographies	• Myanmar received a full deposit-taking licence in February 2020, which allowed the Company to collect voluntary savings. • In January 2020, the Company received a no objection certificate from the State Bank of Pakistan to transform into a microfinance bank, subject to meeting various conditions. In 2020 the Company progressed with fulfilling the conditions in order to receive the licence. • ASA Tanzania started the process with the central bank to upgrade the licence to a deposit-taking MFI.
Enhance digital platform • Proactive adoption and development of digital financial services and other technology offerings, to improve customer service and to increase client retention and productivity • Competitive advantage of direct client connection (high-touch model) combined with digital penetration, which increases collection capability and allows for a better balance of affordability and profitability • Utilise strong IT platform as a potential enabler for further growth; be at the forefront of any digital finance initiatives; leverage increasing smartphone/internet penetration within the customer base	• AMBS real-time implementation completed in all countries, gradually introducing doorstep banking and other digital financial services.

Link to risk
1 Regulatory risk
2 Credit risk
3 Liquidity risk
4 Exchange rate/currency risk
5 Growth risk
6 Information and technology risk
7 Human resources risk
8 Competition risk
9 Interest rate risk
10 Social and environmental risk
11 Reputational risk

2021 PRIORITIES	LONGER-TERM FOCUS	KPIs	LINK TO RISK
• Pakistan expects to complete its transformation into a microfinance bank before the end of June 2021. • Securing a deposit-taking MFI licence in Tanzania. • Continue to explore similar options in operating countries in East Africa.	• To become fully embedded in the local financial community in each of The Group's operating countries by, if possible, securing and operating central bank-regulated, deposit-taking financial institutions.	**USD 415.3m** NET OLP 2019: USD 467.4m 2018: USD 378.5m **USD 80.2m** GROSS DEPOSITS 2019: USD 78.1m 2018: USD 63.9m **USD 337.6m** TOTAL DEBT 2019: USD 317.8m 2018: USD 277.1m	1 2 3 4 5 6 7 8 9 10 11
• Progress with the finalisation of the integrated financial consolidation package for the Group. • Completing various IT projects including asset management system, internal audit management system and continuing to improve and build IT infrastructure to meet Information Security Management System as per ISO 27001 standard and strengthening business continuity plan at the country level. • Preparing for the roll out of digital financial services, including loans, current and savings accounts, and payment services, but also offering B2B solutions for its core banking functions, in view of complete digitisation of existing processes.	• The Company will pilot its digital financial services in at least two markets in view of offering a client app in all markets as soon as smartphones and internet connections are available to its clients. • The Group aims to enhance the application of the ASA Model with a state-of-the-art IT backbone that delivers first-class digital services. This results, amongst others, in increasingly cashless transactions and access to client information anytime, anywhere. The Company aims to introduce digital financial services based on local demand with the objective to further improve the efficiency and quality of its services, seize new market opportunities and further empower operating staff.		

CHIEF EXECUTIVE OFFICER'S REVIEW

Our staff and clients show resilience

BUSINESS REVIEW 2020

2020 was one of the most challenging years for our Company with lockdowns, curfews and many other measures taken by Governments to reduce the spread of COVID-19. We have been fortunate that up until now none of our 12,535 staff and few of our clients have died from COVID-19. Nevertheless, it has been difficult for many of our clients to run their businesses and for our staff to service them under these difficult and continuously changing circumstances.

As result of the disruption to our clients' businesses, we focused more on collection of outstanding instalments rather than disbursement of new 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 6% reduction of the gross outstanding loan portfolio from USD 471.4m by year-end 2019 to USD 445.3m as of 31 December 2020. From July 2020, the Group started to increase its loan disbursements across all markets, which led to renewed growth of the Group's loan portfolio.

We opened 70 branches from 1,895 to 1,965 (+4%) in Q1 2020, but halted further branch expansion during the remainder of the year. The number of clients went down from 2.5m to 2.4m (-6%) in 2020. The number of clients per branch decreased from 1,337 to 1,212 and Gross OLP per Client increased from USD 186 to USD 187.

In India and the Philippines, two of our larger markets in terms of number of clients, the disruption caused by COVID-19 caused our clients to struggle in meeting their financial obligations to our Company. Besides the ongoing disruption in the market places where many of our Indian clients usually trade, political activism in the State of Assam (India) against microfinance institutions with the threat of local government intervention as well as the long-term impact of cyclone Amphan, adversely affected the repayment discipline and capacity of many of our clients in Assam and various districts in West Bengal.

We have seen positive developments on the regulatory front with (i) ASA Pakistan securing an in-principal approval in January 2020 from the Central Bank of Pakistan ('SBP') to transform into a microfinance bank. Throughout the year ASA Pakistan completed the requirements for transforming into a microfinance bank. It is expected that the SBP will complete the inspection of its head office and operations during 2021, after which it is expected that the license will be granted, (ii) ASA Myanmar receiving approval for taking savings from its clients, and (iii) completing the transfer of the net assets of ASIEA NGO to ASHA Microfinance Bank, our nationwide microfinance bank in Nigeria on 1 April 2020.

The Company successfully completed the roll-out and implementation of the real-time version of its proprietary ASA Microfinance Banking System ('AMBS') in all of its operating countries, which will be essential for the gradual introduction of doorstep banking and other digital financial services to our clients in the next few years. In 2021 we are making a substantial investment in the development of our digital financial services platform with the intention to first launch a broad range of digital financial services to our clients in Ghana in 2022.

The competitive environment has not appeared to have changed much last year as a 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 by traditional microfinance institutions. We expect that many of our competitors face similar problems in terms of collections and overdue as we do. However, the messages we receive from the field, appear to indicate that many of our smaller competitors face more hardship than we do in terms of portfolio quality as well as funding. 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.

During 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 2020, with the exceptions of Kenya, Nigeria, and Zambia which have seen significant depreciation of their currencies.

DIVIDEND

Due to the impact of COVID-19 on the Group's financial performance during 2020 and the resulting uncertainty, the Board decided not to declare a dividend on earnings for the year 2020. The Company will review its dividend policy during the course of the year.

DIRK BROUWER
CHIEF EXECUTIVE OFFICER
31 May 2021

Q. How did COVID-19 impact your operations in 2020 and beyond?

The COVID-19 pandemic impacted the lives of all our staff, our clients and their businesses.

97 of our over 12,535 staff members have been confirmed infected since March 2020, but fortunately leading to no deaths. Since March 2020, confirmed infections amongst our 2.4m clients stood at 1,536 as at 31 December 2020, resulting in 25 deaths since the start of the pandemic. Apart from the health, safety and other operational measures we took across the Group, the COVID-19 crisis has been particularly disruptive to our operations due to the imposition of lockdowns, curfews, restrictions on movement and congregation of people, and the general fear and uncertainty caused by COVID-19, which has adversely affected the economies and the business activities of our clients in the countries in which we operate. At the publication of the Annual Report, restrictions resulting from COVID-19 have substantially reduced in almost all countries where we operate.

Q. What kind of operational measures did you take?

We know our clients very well and maintained an active dialogue with them over the phone during lockdowns and curfews. Once restrictions became more relaxed, our field staff informed and educated clients about the benefits and protection from health and safety measures instituted by the Group and encouraged clients to comply with the Group's measures while meeting the Group's staff and/or other clients. In addition, we decided to restructure the client group meetings into smaller groups and, in some cases, collection via the client group leader. Our focus has been to stay close to our clients and work with them if reduced business income made it more difficult for them to timely repay our loans. Generally, we treated lockdown periods as a 'payment holiday', during which only some interest was accrued on outstanding loan balances, so that clients would not feel pressurised to pay all missed instalments at once at the end of the lockdown. To further support our clients, they were not required to pay the accrued interest during the lockdowns until or near the end of each client's loan cycle. Clients were also given the opportunity to accelerate the payment of loan instalments near the end of the loan term, making them eligible to receive a new and possibly bigger loan sooner. Based on our experience and client feedback, we expect that the long-term operational impact will be limited assuming that our markets gradually normalise post COVID-19.

Q. What financial measures have you taken?

From the beginning of the pandemic, we ensured that we retained the financial flexibility to immediately respond to a crisis in any of our markets. For this reason, the Group maintained a relatively high cash balance of over USD 100m throughout the year. We also spent a lot of time briefing our wholesale lenders about the developments and progress in each of our operating countries. We have been impressed by the positive response by almost all our existing lenders, who have shown great support in ensuring that the flow of funding in and out of our Company stayed intact. As a result, we maintained a solid pipeline of available funds throughout the year, which enabled us to gradually rebuild our portfolio after the end of the lockdowns and moratorium periods.

Q. Can you update us on your activities in digital financial services?

During 2020, we completed the roll-out of our real-time core banking system in all our operating countries, which is a prerequisite for the introduction of digital financial services. In Kenya and Tanzania, we have already disbursed loans to many of our clients online for some years and also started to collect instalments online once M-Pesa, a mobile phone-based money transfer service, removed the minimum transaction charge during COVID-19. This is useful, but very different from where we want to go with the digital financial services platform which recently started to develop and which we plan to gradually roll out in 2022. The objective is to enable our clients to transact with us online, including the repayment of loan instalments, while still maintaining frequent and high-touch interaction with our clients which, over time, is increasingly expected to take place online as well. Our platform is premised on a high percentage of smartphone ownership by our clients. While this is not yet the case, we expect smartphone ownership to rapidly increase over the next few years due to the increasing availability of competitively priced smartphones and more affordable bandwidth. Once our clients are more or less permanently online, we also plan to support them in increasing their trading businesses by digital means.

Q. Have the local operations normalised and will they come out of this stronger?

We are optimistic that each of our microfinance institutions will succeed in fully restoring their operations. Many of our operating countries are doing well already with solid growth and a relatively high portfolio quality. Our operations in India and the Philippines have faced the most disruption, particularly, due to long lockdowns and, subsequently, long moratorium periods, which affected the regular loan repayment discipline. Nevertheless, we expect that the portfolio quality of these entities will gradually improve as well. Our operations in Myanmar have been disrupted by the military takeover of the government and it is unclear at this time when the situation will stabilise. Overall, we believe that 2021 will be a better year than 2020, but not yet delivering the level of performance we experienced in 2019. Once the businesses have fully normalised, we expect our business to continue to grow at a solid pace, which may further accelerate upon the roll-out of our digital financial services strategy across all markets over the next few years.

OUR INVESTMENT CASE

Investing in 13 emerging and frontier markets

Socially responsible lender committed to financial inclusion

WE PROVIDE LOW-INCOME FEMALE BUSINESS OWNERS WITH SMALL LOANS AND CHARGE MARKET-BASED INTEREST RATES

The average disbursement of the bulk of the loans (six to twelve-month loans) is USD 289. The Company prevents its clients from over-borrowing by evaluating the loan amount based on each individual borrower's capacity to repay. The Company regularly benchmarks loan interest rates against equivalent providers and currently charges in a range from 23% to 50% per annum, depending on the country, product and loan term. The interest rates offered are generally similar to those offered by other lending institutions for the same duration and loan sizes.

GROUP SELECTION WITHOUT JOINT-LIABILITY

The Company's lending methodology is without joint-liability. Borrowers receive individual loans. The Company incorporates the benefits of a group, while preserving each group member's personal aspirations, by making the group co-responsible only for non-financial obligations, such as proposing and screening of potential new clients. In addition, group members help foster financial discipline by encouraging each other to repay loans on a timely basis through social cohesion. Clients who comply with the terms of their loans and involvement within the group are never penalised for the poor performance of defaulting clients.

COLLATERAL FREE LOANS

The Company provides collateral free loans and offers a moratorium on loan repayments in emergency situations (e.g. lockdowns, natural disasters, death of family member etc.). Where it is customary and allowed under the current licence, the Company takes a security deposit.

LOANS FOR INCOME-GENERATING ACTIVITY ONLY

The Company only offers loans to start or grow businesses, rather than for general consumption purposes. To ensure compliance with this policy, loan officers visit a client's business as part of the initial loan application process, and review the use of prior loans when considering applications for future loans.

FULL REPAYMENT VIA INSTALMENTS BEFORE QUALIFYING FOR NEW LOANS

Only when a loan is repaid, clients will be eligible to apply for a new, often larger, loan to further develop their businesses, based on an assessment of client needs and business potential. This ensures that clients do not become over-leveraged, and therefore unable to repay an existing loan.

REPEAT LOAN CYCLES WITH SET LIMITS

There is a maximum increment and loan limit for each loan cycle, including follow-on loans, without the possibility of increasing the amount of existing loans before they are repaid in full. Follow-on loans are tailored to local conditions and take into account local inflation rates, as well as the earning capacity of the client's business. These follow-on loans are, on average, 20% to 50% larger than the previous loan.

OPERATING STAFF ARE NOT INCENTIVISED BY BONUSES

Local staff are well trained and work alongside highly-skilled senior managers. Almost all of the field staff have been trained in-house and are eligible for promotion to more senior positions over time.

Read more on page 21 and 32 to 33

Experienced management team executes proprietary ASA Model in 13 high-growth markets

The Group's risk profile is diversified across 13 high-growth markets in Asia and Africa. The COVID-19 pandemic occurred in every market where the Company operates simultaneously. The Group does, however, see that the impact on its clients was very different from country to country and the Company still benefited from this diversification.

The Group's experienced management makes sure the Company executes its proprietary microfinance 'ASA Model' in a disciplined way across all markets. The model is based on the following principles:

- All entities have the same policy and procedures for client mobilisation, selection, loan disbursement and collection.
- The risk management features embedded within the ASA Model, such as 'high-touch' client interaction, income-generating loans only and ongoing assessment of client needs and satisfaction, have a positive impact on the Group's returns and risk profile.
- The AMBS, which has been developed in-house, supports the scalability and the introduction to digital financial services if and when its clients are ready.

See Financial review, Risk management and Principal risks on pages 38 to 49 and 54 to 59

~31%
OF BRANCHES < 3 YRS OLD

13.1%
PAR>30 DPD

PAR>30 is the percentage of gross on-book OLP that have one or more instalment repayments of principal past due for more than 30 days, but less than 365 days, divided by total outstanding on-book gross loan portfolio. Credit exposure of the India off-book BC portfolio is capped at 5% of the outstanding portfolio amount. The off-book DA portfolio has no credit exposure.

See the Financial review on pages 38 to 49

~338m
PROSPECTS IN EXISTING COUNTRIES

-0.2%
RETURN ON ASSETS ('ROA')

Return on assets (ROA) is calculated by dividing the net profit after tax by the average of total asset. ROA is displayed as a percentage.

Nil
DIVIDEND

In light of the Company's financial results, the Board has decided not to pay a dividend for 2020.

Superior credit methodology

Managing credit risk is an integral part of the Company's operating methodology. Loan officers are in regular contact with clients through weekly, bi-weekly or monthly group meetings to collect loan instalments or deposits. The Company's 'high-touch' model fosters close client relationships, allowing branch employees to quickly identify any repayment or other issues experienced by clients and target the disbursement of higher value follow-on loans to clients who have successfully developed and expanded their businesses.

14 days
CLIENT SELECTION AND ASSESSMENT PROCESS

77.6%
CLIENT RETENTION RATE

"We know our clients very well."

The client selection and assessment process is thorough, based on physical visits to the client's house, business, neighbours, and family members and takes 14 days for a first-cycle loan. These mechanisms help in preventing 'ghost' or fake loans and ensure that clients are not over-leveraged.

Experience over the years has taught that in collateral-free lending situations, one of the key factors influencing timely repayment is the relationship between the clients and the institution.

See page 20

Licences

Twelve of the Group's thirteen microfinance institutions have a licence, except Pakistan, which is close to obtaining a microfinance bank licence. The Group aims to become fully regulated microfinance institutions in the countries where it operates, with the capacity to mobilise deposits, initially from its clients with the wider public to be included over time. Currently, the Company has deposit-taking licences in Ghana, Nigeria, Rwanda, Myanmar and Sri Lanka, which means it offers clients loans and savings products in these countries. Savings help the Company to increasingly fund its operations.

5
DEPOSIT-TAKING LICENCES

Read more on pages 50 to 53

BUSINESS MODEL

Our responsible business model

Resources and relationships

STRONG HERITAGE

Read more on pages 6 and 7

SOCIALLY RESPONSIBLE, HIGH-QUALITY LOANS

Read more on pages 14 and 24

EXTENSIVE BRANCH NETWORK

Read more on pages 4 and 5

SKILLED, EXPERIENCED EMPLOYEES

Read more on page 21

Scalable, decentralised branch model

GREENFIELD STRATEGY

The Group has a well-established greenfield strategy to expand its branch network and continue to create long-term sustainable value.

PROPRIETARY IT PLATFORM, PROCESSES AND KNOWLEDGE

Read more on pages 10 and 11

STRONG POSITION IN THE COMMUNITIES

Read more on page 22

SOUND GOVERNANCE AND DISCIPLINED RISK

Read more on pages 54 and 55

Our impact in 2020

717.4m
Total loan disbursed (USD)

N/A*
Client satisfaction rate

>0.5m
Community project spend (USD)

N/A*
Employee satisfaction

89%
Social Performance SP14

COMMUNITY LEVEL

FINANCIAL INCLUSION

EMPOWERING WOMEN

CLIENT PROTECTION PRINCIPLE

TRADING IN THE COMMUNITY
Clients trade with other businesses: purchasing goods for their shops and for consumption

COMMUNITY PROJECTS
The Company initiates and invests in community projects, such as boreholes, school materials, health check-ups etc.

COUNTRY LEVEL

Reporting to regulators and stakeholders. Contributing to microfinance networks and establishment of credit bureaus

Establishment institution with strong governance and high-quality reporting

TAXES PAID

JOB CREATION
The Company employs and trains >12,440 staff in its operating companies

INCREASED SPENDING

FUNDAMENTAL NEEDS
Clients and staff apply their income to fundamental needs: water, health, nutrition, education, sanitation and housing.

COMMUNITY LEVEL

SUSTAINABLE LENDING ENVIRONMENT
ASA International is part of the conversation with industry bodies, networks and institutions to support a sustainable business environment.

UN SDGS

The Group have identified the following United Nations Sustainable Development Goals (SDGs) that align with the Company's strategy and operations to help focus on and measure its impact.

- 1 NO POVERTY – Eradicate poverty
- 2 ZERO HUNGER – End hunger and achieve food security
- 3 GOOD HEALTH AND WELL-BEING – Promote health and well-being
- 5 GENDER EQUALITY – Achieve gender equality
- 8 DECENT WORK AND ECONOMIC GROWTH – Promote economic growth and jobs
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE – Support industry, innovation, and infrastructure
- 10 REDUCED INEQUALITIES – Reduce inequality

* Due to the impact of COVID-19 on the operations in the countries, the client and employee satisfaction surveys were not executed in 2020.

Our investments in the communities

As part of the Group's commitment to contributing to the general improvement of society in the communities in which it operates, the Group's regulated microfinance institutions engage in a variety of social initiatives in communities.

To this end, the Group has invested in several community programmes in 2020 that deliver true value to clients and to the broader community where they live and work. The Company's microfinance institutions allocate between 0.5% and 1% of its profit (except where regulation requires otherwise, as in India, where it is 2%) to these activities. In 2020, the Company spent more than USD 500,000 on community programmes, which benefited 2,300,588 people in the field of education, healthcare, sanitation and disaster relief.

For a feature on one of the Company's water sanitation programmes, see pages 34 to 35

Due to the severe health risks and country regulations related to the COVID-19 pandemic, most of its social initiatives have focused on COVID-19 support efforts in 2020, accounting for 60% of the spent budget and 98% of the reached beneficiaries. These efforts mainly involved distributing health and safety items such as face masks, hand sanitisers and anti-bacterial soap to prevent the contraction and transmission of the COVID-19 virus and the provision of food necessities such as flour, rice and oil.

60%

OF THE COMMUNITY INVESTMENT BUDGET WAS SPENT ON COVID RELATED SUPPORT

Kenya

In April 2020, to support clients in the pandemic's uncertain times, branch managers and loan officers in Kenya distributed food necessities such as flour, rice, oil, sugar, and hygiene products to over, 2,500 clients at 40 different branches. The distribution was accomplished with the assistance of the local government authorities.

Uganda

Many families were affected by the severe flooding in Western Uganda in 2020. In August, disaster relief efforts were made by five branches of ASA Uganda. Loan officers personally distributed approximately 2,500kg of food to 487 clients and victims of the floods in the Kasese District to assist them in these challenging times.

The Philippines

In December 2020, loan officers and branch managers at Marikina branch in the Philippines distributed bags with provisions to clients. The bags included, amongst others, rice, noodles, cans and coffee. Similar distribution efforts were repeated approximately 2,000 times over the course of 2020, reaching up to a total of over 17,000 beneficiaries.

Myanmar

On 25 May 2020, ASA Myanmar distributed COVID related health and safety items such as face masks, gloves, anti-bacterial soaps, medicine, and some emergency food such as rice, oil, noodles, canned fish etc., to 120 beneficiaries at the Bago and Thanatpin branches in the Bago Division. Provision of safety items and food was repeated in other branches over the year, reaching a total of almost 54,000 beneficiaries.

India

On 14 October 2020, ASA India, in collaboration with Narayana Health, launched a mobile unit as part of 'Program H.o.p.e' (Harnessing Oncological Preventive and Early Detection service). Common cancer types have high cure rates, and mortality is reduced when detected early and properly treated. The mobile healthcare minivan is driven to different parts of West Bengal state to provide free health check-ups and state-of-the-art early cancer detection services to communities in need.

> "We are constantly seeking feedback on the needs of the community and synchronise our investments to make a sustainable and positive impact."

AMINUR RASHID
EXECUTIVE DIRECTOR, OPERATIONS

SECTION 172 STATEMENT

Engaging with our stakeholders

The Board continues to uphold the highest standards of conduct by respecting the needs and views of its stakeholders. The disclosures set out on this page demonstrate how the Company has regarded the matters set out in Section 172(1)(a) to (f).

Due to COVID-19, a principal decision by the Board was made to move to virtual meetings, and working remotely where possible, which was considered to be an appropriate step to ensure the health and well-being of staff and clients.

Clients

HOW WE ENGAGE

Frequent client contact is at the heart of the Company's business: in the branch office where loans are disbursed and in regularly attended client group meetings, where instalments are collected and clients interact with the Company's loan officers and branch managers, but also during regular visits to clients' businesses as part of the loan acceptance process.

The Company's senior and middle management teams visit clients as part of their regular duties. Management, including Executive Directors, also attend group meetings on a regular basis. This offers the opportunity to speak to clients and hear their views about the use of funds, interest rates and how business is progressing. In 2020, due to measures enforced by governments in many operating countries as a result of the COVID-19 pandemic, staff have been restricted in their physical engagement with clients and client group meetings have been downsized. Field staff remained in contact with the majority of clients via mobile phones.

A Client Complaint Resolution Committee discusses any client issues, injustices, delay in services or unacceptable behaviour by staff.

WHY WE ENGAGE

Meeting clients in groups is not only an efficient way of collecting small loan repayment instalments; it also encourages social cohesion and promotes responsible payment behaviour. Regular visits to clients' businesses enhances the Company's credit assessment processes and allows the Company to protect existing and new clients by avoiding over-leveraging.

Regular contact in the field and at the branches provides clients with the opportunity to give the Company feedback.

WHAT IS IMPORTANT TO OUR CLIENTS

For clients, it's important that the Company understands their needs, and that the loans generate an economic benefit for the clients. Clients don't want to pay high interest rates, and therefore it is important to adequately explain the Company's products, including interest rates and larger loan sizes. It's important for their clients that the Company maintains a relationship with them and is actively present in their communities.

HOW WE ARE RESPONDING

1. By performing assessments of clients' needs and satisfaction on an ongoing basis.

See KPIs on page 30

2. By assessing a client's repayment capacity to protect them from over-leveraging and offer bigger size loans.
3. By offering moratoriums on loan repayments in emergency situations.
4. By conducting an annual survey to assess the economic benefit of its loans concerning the clients' loan costs.

   This Client Economic Yield ('CEY') Survey samples approximately 1% of total clients on their third or higher loan cycles. In 2020, as a result of the COVID-19 pandemic, the Company was unable to conduct this survey.
5. By being fully transparent in the pricing, terms and conditions of the loans to clients.

   The Company adopted the Client Protection Principles ('CPP') to consider client protection in all that is done. CPP describes the minimum protection that microfinance clients should expect from their loan providers, and also the protection that an institution should maintain to serve the best interests of its clients. The CPPs were developed by SMART Campaign, a leading industry body in the financial inclusion industry.
6. In order to ensure rates are not disproportionate to the risk being taken or out of line with the local market, the Company performs market assessments and compares rates to those of competitors.

PRINCIPAL DECISION

During the COVID-19 pandemic, a lockdown period was treated as a `payment holiday' during which only interest was accrued on outstanding loan balances, so that clients would not feel pressure to pay all missed instalments at once at the end of the lockdown. To further facilitate clients, the accrued interest did not need to be paid until the end of each client's loan cycle. Clients were also given the opportunity to accelerate the payment of loan instalments near the end of the loan term, which in some cases made them eligible to receive a new and possibly bigger loan sooner.

Mr Choudhury, late Chairman, and Mr Brouwer, CEO, speaking with employees and clients at the commencement of operations in the Philippines in 2008.

Employees

HOW WE ENGAGE

The Company commonly recruits young college graduates who wish to work with low-income people and communities.

The Company's training programme includes a one to two-week in-branch training followed by on-the-job training. Almost all field staff have been recruited and trained as loan officers by the Group and have been promoted to more senior positions over time. Staff generally live in the branch where they are employed.

The Company's operations are highly standardised through the use of an operations manual, which describes in detail the tasks and responsibilities of the branch staff. This offers staff transparency in respect of the roles and related details of duties.

Senior management from headquarters and the Executive Directors participated in local board meetings (as representatives from the Group) and engaged with local staff during virtual Board meetings.

In 2020, the Executive Directors mostly engaged with employees, both in the local head office and in the field through virtual meetings.

The Chair of the ARC engaged with Group and Country CFOs, and internal audit staff, through regular calls and virtual meetings.

WHY WE ENGAGE

The Group's microfinance institutions employs well-trained local staff, supported by experienced and highly-skilled senior managers. Over the last decade, this has enabled the Company to develop a deep pool of experienced local managers and loan officers. The Company aims to keep a low employee turnover rate by fostering a close working and learning environment that optimises branch performance. Since the Company's long-term success is highly dependent on its field staff, it is of utmost importance that they have the key skills to grow and develop in their role as they progress in their career. The Company's extensive and ongoing in-house training is essential in this regard, as well as enabling staff to vent their concerns through frequent surveys and other channels (e.g. Grievances Mitigation Committees).

WHAT MATTERS MOST TO OUR EMPLOYEES

For the Company's employees, a healthy and safe working environment along with the right benefits programme is of the highest priority. In addition, the possibility to develop and be promoted within the Company by training on the job is important. Through interactions, the Company assesses whether the right training and development structure is in place.

HOW WE ARE RESPONDING

1. Training courses and materials are regularly updated to meet the needs of staff.
2. HR policies, including remuneration and fringe benefits, are continuously assessed and updated.
3. Health and safety committees are formed to ensure a safe and healthy workspace across the Company's branch network and offices.
4. Effective grievance mitigation procedures are maintained.
5. Professional certifications are encouraged.
6. Cross-country training and conference participation have been implemented for local senior management.
7. Career opportunities are regularly assessed.
8. The Company conducts annual employee satisfaction surveys, which are shared with the Board.
9. Developing revised plans for the Group's Independent Non-Executive Directors to engage with employees directly, including virtual attendance at relevant meetings and physical attendance when circumstances permit.

Our Board Activities relating to our fulfilment of duties under Section 172 can be found on pages 64 and 67

SECTION 172 STATEMENT CONTINUED

Communities

HOW WE ENGAGE

The Company's branches are established close to the communities where clients live and work. The Company's field staff work closely with members of these communities, including community leaders and government officials. Group meetings and community referral is an integral part of the Company's model.

WHY WE ENGAGE

Since the commencement of its operations, the Company has been committed to improving its clients' and their families' socioeconomic progress. Its clients give the Company the positive feedback that it takes responsibility towards the communities in which its clients live and work.

WHAT MATTERS MOST TO THE COMMUNITIES

What matters most is that the Company's clients are doing well, which in turn benefits the communities, and this will then benefit its clients.

The Company is welcomed in the communities in which it is embedded, and it engages with the communities in an open and transparent manner.

HOW WE ARE RESPONDING

The Company supports communities by:

1. Empowering female entrepreneurs.
2. Postponing clients' repayment schedules and offering relief support during natural disasters or other calamities.
3. Investing in communities through community programmes in all markets.

See pages 18 to 19 and 34 for annual spend and examples of projects

Lenders

HOW WE ENGAGE

The Group's local and international financiers include commercial banks, development banks, financial institutions and microfinance loan funds. The Company meets lenders locally as well as internationally through various means, such as email, forums and face-to-face meetings at head offices and during field trips. In 2020, due to COVID-19, the Company only conducted virtual group meetings with its lenders, including regular updates by the CEO following the publication of Company business and trading updates.

WHY WE ENGAGE

Access to funding is essential in financing the Company's microfinance loan portfolio. Though savings constitute an increasing part of the Company's funding base, in most countries third-party funding constitutes the main component of our liabilities. The Group secures funding from stable and reliable financiers. It negotiates and opts for a lower cost of funding at the most reasonable terms.

The Group seeks a maturity profile with long-term funding of typically three to five years. Funding from international lenders at the holding company level is deployed to subsidiaries via intercompany loans to support expansion. Local funding is offered by local banks, local apex organisations that channel funding to MFIs and international lenders.

PRINCIPAL DECISION

The Group shall comply with all covenants at all times and avoid breaches of the terms of the loan agreements. In anticipation of potential covenant breaches with respect to certain covenants such as PAR>30 throughout the remainder of 2021, the Group is in discussions to extend waivers, no action or comfort letters from almost all its major lenders.

In 2020, a principal decision of the Board was to seek additional funding and waivers on existing loans where covenants had been breached, to secure liquidity in each country in which it operates. The Board considered this to be a benefit to stakeholders as it moves to respond to the challenges raised by the COVID-19 pandemic.

HOW WE ARE RESPONDING

1. By informing lenders on a regular basis and are in constant dialogue with them.
2. By participating in events and conferences to enhance the dialogue with new and existing parties.
3. By securing funding from multiple sources and avoid concentration from sources.
4. By negotiating the best possible terms, which translates to better rates for clients.

Shareholders and investors

HOW WE ENGAGE

Twice during the year, the Group conducts audio webcasts for the investor community to respond to any questions about its financial results' announcements. In addition, the Group publishes the Year-End Trading Update in February of each year. The Group publishes the RNS announcements and presentations on its dedicated investor website. In 2020, since the outbreak of the COVID-19 pandemic in its operating companies, the Group additionally updated the market on a monthly basis via business update RNS announcements, which included the health of staff and clients, operational measures, the Group's liquidity position and collection efficiency, moratoriums and loan growth in the individual countries.

The CEO, CFO, some management team members and Head of IR participate every year in several investor conferences, roadshows and field trip visits. In 2020, however, the Group has not organised any field trips due to the travel restrictions related to COVID-19 and only conducted meetings virtually.

Topics on which the Group engages includes its results, business strategy, issues, competition and social impact. Best practices and insights from the investor and shareholder perspective are discussed. The shareholders and investors viewpoint is essential in formulating the Group's strategy.

WHY WE ENGAGE

Shareholders and (potential) investors find it important to maintain open and constructive relationships with the Group. They need to understand the Company's goals, strategy and execution, and it's essential for the Group to receive their feedback and support and maintain its credibility as a Company.

WHAT MATTERS MOST TO OUR SHAREHOLDERS AND INVESTORS

Investors and shareholders benefit from regular updates on the performance of the business and the Group's long-term goals. That the Company is a socially responsible lender to low-income clients is especially important to the Group's impact investors.

HOW WE ARE RESPONDING

1. Shareholder and investor comments and feedback are adopted in the Group's strategy.
2. Results are explained to the investment community.
3. The business model and operational issues are explained.
4. The Group keeps highest levels of governance, compliance and transparency to ensure high levels of investor confidence.

See Engaging with shareholders on page 67

Regulators and governments

HOW WE ENGAGE

The Company's Country Heads have good working relationships with regulatory bodies such as central banks and securities and exchange commissions through established reporting lines and regular meetings. The Company also maintains relationships with local town councils, local law enforcement agencies, government agencies and local microfinance practitioner networks through regular meetings and social interactions.

WHY WE ENGAGE

The Group seeks full compliance with local rules and regulations. By being regulated, it demonstrates the highest level of governance and compliance.

The Group meets the regulatory bodies on a regular basis to understand the requirements and ensure its compliance is timely met. The Company regularly inform the regulator of its business and practices.

The Group finds it important to maintain open and constructive relationships to facilitate a sustainable lending environment for clients. It also helps the Company stay on top of the regulatory regime and present its views on new regulations proposed.

WHAT MATTERS MOST TO REGULATORS AND GOVERNMENTS

That the Group complies with local rules and regulations regarding financial supervision, consumer protection and environmental and social issues, and positively engage with initiatives taken by local governments and regulatory bodies.

HOW WE ARE RESPONDING

1. By timely meeting its reporting requirements. The Company actively monitors compliance with prudential regulations, including labour, environmental and other laws.
2. The Group's local corporate secretaries and legal advisers track any relevant changes in laws and regulations to ensure the Company is and remains compliant.
3. By reporting to local credit bureaus and relying on local credit information to ensure the Company does not over-leverage their clients.
4. The Group shares best practices across markets to achieve the highest levels of governance and compliance.

OUR CULTURE

Our people and culture

ASA International is a socially responsible lender

Underlying ASA International lies the vision of the Group's founder – Shafiqual Haque Choudhury – to improve the lives of underprivileged people and bring about social change, which ultimately led him to create the cost-efficient ASA Model in Bangladesh. ASA International has replicated the ASA Model internationally, in Asia and Africa, with the aim to further expand. The Company distinguishes itself by being a socially responsible lender in the way it treats its staff, clients and communities in which it operates.

The Group's values, practices and beliefs are linked to the vision of its founders, the strength of the ASA Model and the transparency of being a stock-listed Company.

FINANCIAL INCLUSION

The Group is driven by the mission to serve female micro-entrepreneurs in the lowest segment of society with little or no access to formalised credit.

FEMALE EMPOWERMENT

As women generally have good loan repayment behaviour and money management, the Group is convinced that by empowering women through business loans, the Group enhances these women's independence and decision-making stature at home and in their communities.

PREVENT OVER-BORROWING

The Group's loan officers not only assess the repayment capacity of a potential client, but also the earning capacity of the client's business. They also assess how the Group's loans could increase the client's earnings.

SOCIOECONOMIC PROGRESS

By providing working capital loans to women, the Group encourages the use of disposable income for the fundamental needs of the household, such as education, health, nutrition, sanitation and housing, which drive economic development.

COMPETITIVE PRICING

The Group regularly benchmarks loan interest rates against equivalent providers in its countries of operation and currently charges in a range from 23% to 50% per annum, depending on the country, product and loan term. The interest rates offered are generally similar to those offered by other lending institutions for the same duration and loan size.

THE COMPANY PROMOTES THE FOLLOWING PRINCIPLES IN ITS INTERACTIONS WITH PEOPLE:

01.

Maintain **integrity** which includes being honest, trustworthy, consistent and open, as well as always acting in accordance with the highest ethical standards.

02.

Show **respect** to others, actively listen, respond appropriately, work effectively with diverse peoples, and be willing to learn from others.

03.

Be **accountable** in responsibilities and committed to ensuring quality services, and find solutions through self-initiatives.

Measures the Company has taken to sustain its desired culture

The Company's leadership is aware that a sound corporate culture helps drive the execution of its strategy and hence grow the business. Talent is crucial to execute its strategy and a strong positive culture helps to attract and retain employees. The Group's leadership team has been working alongside the co-founders since the inception of ASA International. They promote desired practices through their day-to-day actions, which are an example for the rest of the team.

CULTURE QUESTIONNAIRE

The culture questionnaire is part of the Employee Satisfaction Survey, which is executed every two years. However, due to the impact of COVID-19 on the operations in the countries, it was not executed in 2020.

EMPLOYEE DEVELOPMENT PROGRAMME

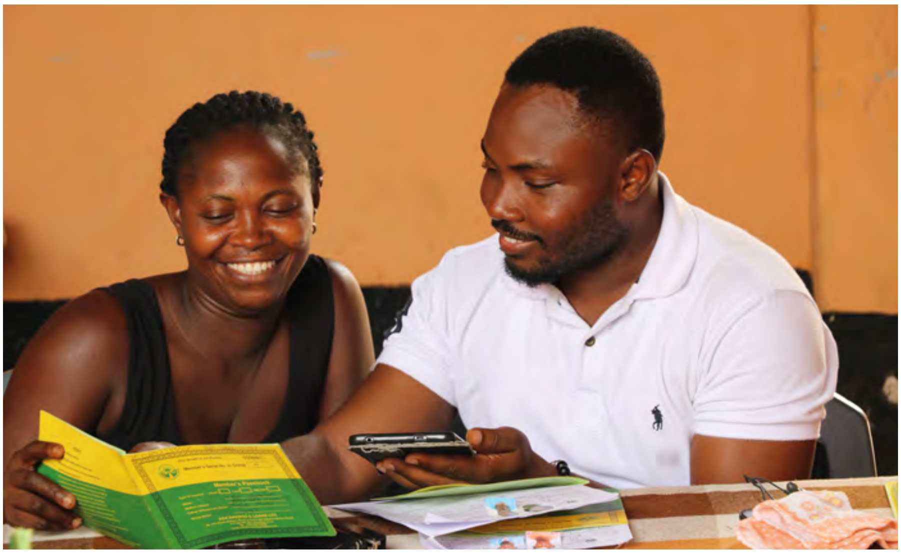
The Company deploys a recruitment process, focusing on hiring young college graduates interested in working with low-income communities. These recruits are generally from rural or semi-urban backgrounds. Training is primarily on-the-job. In 2020, 3,009 new employees underwent the introductory practical training, which is usually no longer than 12 days. In this training, they learn the Company's long heritage in the microfinance industry, its core values, code of conduct, HR policies and processes. This training is followed by continuous on-the-job training from colleagues, and regular in-branch mentoring and coaching from more experienced senior staff members, such as regional and district managers. This facilitates the training of large numbers of new loan officers to support expansion.

See pages 32 to 33 for a feature story on a staff member in India

INTERNAL JOB PROMOTION

Promotion is offered to those who have successfully incorporated the core principles of the ASA Model and have demonstrated their leadership skills in the field. There is a preference to promote those that have joined the Company as their first job and have successfully climbed through the ranks. The Company believes there is true strength in promoting their own staff which allows the next generation to obtain a better position within the Company. This not only supports the successful growth of the Company but also offers a real incentive to employees, which ultimately strengthens the capacity of the Company to expand.

See pages 32 to 33 for a feature story on a staff member in India



Loan officer and client (left) in Ghana

OPEN-DOOR POLICY

All staff are encouraged to offer suggestions and ideas, provide or solicit feedback, seek personal or professional counsel, or address concerns within the Company, the latter without fear of reprisal. In order to raise any work-related concerns or complaints, the Company established the Grievance Mitigation Committee ('GMC').

WHISTLEBLOWING

All staff are encouraged to report any activity that may constitute a violation of laws, regulations or Company policy to the senior management at the country head offices and the branch managers. Examples of staff concerns are improper or unethical business practices, health, safety and environmental issues or violations of their code of conduct. Staff are free to communicate their concerns to the Chairman of the Audit and Risk Committee locally, as well as at Group level.

See page 26 for Non-financial information statement

DIVERSITY

The Company aspires to be an inclusive and gender diverse organisation. In 2020, the Company had an overall 33% female representation, broken down in East Africa: 50%, West Africa: 40%, East Asia: 46% and South Asia: 12%. Due to cultural reasons in South Asia, hiring women still appears to be challenging, which has a negative impact on the Group's overall gender representation. The female representation at the senior leadership level is 17%.

See page 27 for Non-financial information statement

OUR COMMUNITY PROJECTS

Considering the branches of the Group's microfinance institutions are very much part of the communities in which it is located, and as part of its commitment to social welfare, the Group's microfinance institutions execute social impact activities in the communities. The origination of these projects lies with the field staff at the community branch level, and the projects themselves are highly regarded by staff, clients and the wider community. The final selection of these projects is made at the head offices of the microfinance institutions in the respective countries.

See pages 18 to 19 for Our investments in the community

OUR POLICIES AND PRACTICES

Non-financial information statement

As a socially responsible lender, the Group has a wide range of policies and procedures, as well as surveys in place, to ensure that its staff and management comply with all environmental, social and legal requirements, including respecting human rights, and adhering to the highest professional and ethical standards in dealing with customers, suppliers, and each other.

OUR POLICIES	POLICY DESCRIPTION
CODE OF CONDUCT	The Group's Code of Conduct and ethics is designed in a manner that is ethical, dignified, transparent, equitable and cost-effective, and which expresses the core values of microfinance practice.
ANTI-BRIBERY AND ANTI-CORRUPTION	This policy is to combat improper payments or inducements and provide basic guidance to all employees, wherever they are located. The Group adopts a zero-tolerance approach to bribery and corruption, ensuring compliance with all applicable anti-bribery and anti-corruption laws and regulations, including the UK Bribery Act 2010.
ANTI-MONEY LAUNDERING	The Company and subsidiaries are strongly committed to preventing money laundering or any activity that facilitates money laundering, or the funding of terrorist or criminal activities in its operations.
WHISTLEBLOWING	The Company encourages its employees to report any activity that may constitute a violation of laws, regulations or internal policy. This policy is designed to help safeguard the integrity of the Company and its business dealings.
HEALTH AND SAFETY	This policy ensures a working environment that is safe and without risk to the health and welfare of employees and visitors. The Group monitors and controls health and safety risks, regularly provide safety and awareness training to employees, take preventive measures and corrective action on workplace accidents/incidents and cases of work-related illness with emergency responses and reporting, and maintain safe equipment and infrastructures at the workplaces. Each entity has formed a Health and Safety Committee and an integrated Occupational Health & Safety ('OHS') Checklist with Risk Categories to ensure regular supervision and monitoring of OHS throughout the Company.
CHILD LABOUR AND PROTECTION	The Group is committed to protecting children who might be involved/affected directly or indirectly by its operations.
SEXUAL HARASSMENT ELIMINATION	The Company promotes a safe work environment and have a zero-tolerance policy towards harassment of any kind, particularly sexual harassment.
NON-DISCRIMINATION	One of the Group's core values is the promotion of inclusivity and diversity. Discrimination of any kind is unacceptable.

CLIENT PROTECTION PRINCIPLES ('CPP')

As the Company is fully transparent in the pricing and terms and conditions of its loans, it adopted the CPP, to consider client protection in all aspects of the business. CPP describes the minimum protection that microfinance clients should expect from their providers, and also the protection that an institution should maintain to serve the best interests of its clients. The CPP were developed by SMART Campaign, a leading industry body in the financial inclusion industry.

CLIENT ECONOMIC YIELD ('CEY') SURVEY

The annual CEY Survey shows the percentage of surveyed clients financially benefiting from the Company's loan programmes. The survey samples approximately 1% of total clients on their third or higher loan cycles. As a consequence of the COVID-19 pandemic, the Company decided not to conduct the CEY Survey in 2020.

SOCIAL PERFORMANCE INDICATORS TOOL ('SPI4')

All entities use SPI4, one of the most widely used social assessment tools for microfinance institutions. SPI4 helps microfinance institutions evaluate their implementation of the Universal Standards for Social Performance Management, including the Smart Campaign Client Protection Principles.

See page 31 for KPIs

EMPLOYEES AND CLIENT SATISFACTION SURVEYS

Employee and Client Satisfaction Surveys are conducted on an annual basis. However, due to the impact of COVID-19 on the operations in the countries, it was not executed in 2020.

See page 31 for KPIs

GRIEVANCE MITIGATION COMMITTEE

The Company has established an effective grievance mechanism for all employees throughout the Company, allowing staff to raise any work-related concerns or complaints without fear of reprisal. It provides a fair and quick means of dealing with complaints. It also serves as an outlet for staff frustrations and disconnects.

CLIENT COMPLAINT RESOLUTION

Through the Complaints Committee clients can provide feedback on services or lodge complaints about inappropriate behaviour or treatment by any of the Group's staff. This is facilitated through inter alia client complaint boxes in the branches.

EXCLUSION LIST

This list defines the types of businesses and projects that the Company does not finance.
See www.asa-international.com/responsibility/our-policies-and-practices/

DIVERSITY AND GENDER

The Company employs a diverse workforce, with 33% female employees. The Company is also diverse in terms of age, with 56% of its employees under 30-years-old and 1% over 50.

GENDER DIVERSITY	MALE	FEMALE
Number of Board Directors[1]	6	1
Number of Independent Directors of subsidiaries[2]	8	7
Number of senior employees,[4] other than Board Directors[3]	124	31
Number of employees, other than Board Directors and senior employees	8,305	4,075

1 Includes Non-Executive Directors, excluded from Group headcount calculations. Figures as at 31 December 2020.
2 Not including Directors appointed on the Board of the plc.
3 Includes subsidiary Directors who are excluded from Group headcount calculations.
4 Senior employees identified as material risk takers who are not Directors or subsidiary Directors.

Staff at work in a branch in Myanmar

OUR POLICIES AND PRACTICES CONTINUED

2020 STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group is required to report annual global GHG emissions in line with the UK government's Streamlined Energy and Carbon Reporting (SECR) policy, implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These regulations came into force on 1 April 2019 and require organisations to publicly report on carbon emissions and energy use.

The Group reports carbon dioxide equivalent emissions (CO_2e) resulting from its energy use, including all electricity, gas, purchased fuels and energy used for business travel. the Group's global GHG emissions have been reported across all three GHG Protocol scopes:

- Scope 1: Direct GHG emissions from owned assets (combustion of fuel from owned generators and owned vehicles).
- Scope 2: Indirect GHG emissions from supplied electricity (across operational branches).
- Scope 3: All other indirect emissions that occur in an organisation's value chain (combustion of fuel in employee owned or hired cars for business travel, upstream transport and distribution losses and excavation and transport of fuels).

The Group's emissions calculations and reporting follow the Greenhouse Gas Protocol ('operational control' approach) covering its energy usage over the 2020 reporting year – the 12 months starting 1 January 2020 and ending 31 December 2020.

In 2020, the Group continued to collect data on energy use and business travel for operations covering 15 regions, including 12,535 full-time employees ('FTEs') and 1,965 branches (including the Company's headquarters in the Netherlands and Bangladesh). The table on the right includes the Group's energy use and associated carbon emissions in 2020, broken down by scopes 1, 2 and 3.

ENERGY EFFICIENCY ACTIONS

ACTION TAKEN IN 2020	PLANNED ACTION
First steps taken to install LED lights in a small number of locations.	Share the plan of LED lighting installation across entities with management.
Annual utility maintenance and cleaning of HVAC (air conditioning) systems.	To be continued.
Implemented the Group's environmental policy and raised awareness on saving energy and water.	Continue to raise awareness on climate issues.
Reduced use of paper through digitisation of core systems and using double-sided printing.	Policy implementation on e-waste and other office waste.
The Company encourages the use of public transport. All air travel must be approved through official procedures to confirm it is necessary.	To be continued.
Buildings are regularly monitored and serviced to ensure an energy efficient operation.	To be continued.

METHODOLOGY AND SCOPE

Carbon emissions have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard. The GHG Protocol standard provides the framework and guidance for businesses to effectively measure the emissions of the seven greenhouse gases identified in the Kyoto protocol. In using the GHG Protocol Standard, the Group's emissions results are verifiable and internationally standardised. Carbon emissions factors were sourced from the UK Government database to calculate the Group's 2020 carbon emissions. Global GHG emissions from all electricity, gas, purchased fuels and energy used for business travel have been measured.

The Group is a UK registered company with 15 offices globally across Europe, Africa and Asia. Whilst the Group is registered within the UK and therefore must disclose SECR, there are no offices of the Company situated in the UK, therefore it has disclosed zero energy use and zero global GHG emissions for the UK.

The boundary of reporting extends to include all entities and facilities owned, leased or actively managed by the Group, as well as business travel in company owned vehicles or employee owned or hired vehicles where the Company is responsible for purchasing the fuel. Fugitive emissions, as part of the operation of the Company's facilities, were also considered and assessed to be applicable as refrigerant losses from refrigeration units used for office air conditioning. Fugitive emissions from refrigerant was 0 in the Amsterdam office, and has been omitted for the remaining offices due to the lack of data. The Group is sub-tenant in its office spaces and therefore does not have direct control or access to the relevant records and are working with its building managers to develop a more complete data set.

ENERGY CONSUMPTION USED: (KWH)	UK	REST OF WORLD
Electricity (kWh)	0	6,222,962
Gas (kWh)	0	148,627
Transport fuel (kWh)	0	6,632,865
Other energy sources (kWh)*	0	1,194,500
Total (kWh)**	**0**	**14,198,954**
Emissions (tCO_2e)		
Scope 1		
Emissions from combustion of gas (tCO_2e)	0	27.33
Emissions from combustion of fuel for transport purposes (tCO_2e)	0	1,365.88
Emissions from combustion of fuel for generators (tCO_2e)	0	282.99
Scope 2		
Emissions from purchased electricity – location-based (tCO_2e)	0	4,522.74
Scope 1 & 2		
Total Scope 1 & 2 emissions (location-based method)	0	5,915.95
Scope 3		
Emissions from business travel in rental cars or employee vehicles where the Company is responsible for purchasing the fuel (tCO_2e)	0	174.59
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location-based (tCO_2e)	0	1,380.35
Total location based tCO_2e**	**0**	**7,753.88**
Intensity ratios:		
Number of full-time employees within financial year (FTE)	0	12,535
Intensity ratio (location-based): tCO_2e from Scope 1, 2 and 3/FTE	0	0.619

* Other energy sources in this case refers to the combustion of diesel and petrol for generators.
** Fugitive emissions from refrigerant used in air conditioning units has been omitted due to current lack of data.

EXTERNAL VERIFICATION

Green Element Limited and Compare Your Footprint Limited external verification process.

KEY PERFORMANCE INDICATORS

Our KPIs

These KPIs represent the activities that the Group sees important to the achievement of its business objectives. The non-financial KPIs reflect the Company's impact on key stakeholders, such as its staff, clients and the wider community, by measuring, amongst others, workforce development, portfolio quality, customer satisfaction.

FINANCIAL

USD415.3m
OUTSTANDING LOAN PORTFOLIO ('OLP')

2020	$415.3m
2019	$467.4m
2018	$378.5m

The figure depicts the consolidated outstanding loan portfolio, including offbook net BC loan portfolio from IDFC and DA loans. It excludes interest receivables and unamortised loan processing fees, as included in the Loans and Advances to customers in Note 13 of the Financial Statement, and maintains the deduction of modification losses and ECL provisions from the gross outstanding loan portfolio.

USD187
GROSS OLP/CLIENT

2020	$187
2019	$186
2018	$174

Gross outstanding loan portfolio including BC and DA loans divided by total number of clients.

81%
TOTAL DEBT/OLP

2020	81%
2019	68%
2018	73%

The ratio is calculated by dividing closing balances of interest bearing debt with outstanding loan portfolio. Interest bearing debt includes Debt issued and other borrowed funds in Note 24, less interest payables.

19%
NET INTEREST MARGIN ('NIM')

2020	19%
2019	26%
2018	26%

Net interest margin (NIM) is calculated as net interest income divided by average interest earning assets on consolidated basis. Average interest earning assets is calculated as the sum of cash at bank and in hand, due from banks and loans and advances from customers.

13.1%
PAR>30 DPD

2020	13.1%
2019	1.5%
2018	0.6%

PAR>30 is the percentage of gross on-book OLP that have one or more instalment repayments of principal past due for more than 30 days, but less than 365 days, divided by total outstanding on-book gross loan portfolio. Credit exposure of the India off-book BC portfolio is capped at 5% of the outstanding portfolio amount. The off-book DA portfolio has no credit exposure.

98%
COST TO INCOME RATIO

2020	98%
2019	60%
2018	55%

Cost to Income Ratio is calculated by dividing total operating expenses by total net operating income on consolidated basis.

USD-1.4m
REPORTED NET PROFIT AFTER TAX

2020	-$1.4m
2019	$34.5m
2018	$24.5m

Consolidated net profit for the year as reported in the financial statement.

-0.2%
RETURN ON ASSETS ('ROA')

2020	-0.2%
2019	6.7%
2018	7.3%

Return on assets (ROA) is calculated by dividing the net profit after tax by the average of total asset. ROA is displayed as a percentage.

-1.3%
RETURN ON EQUITY ('ROE')

2020	-1.3%
2019	35%
2018	38%

Return on equity (ROE) is calculated by dividing the net profit after tax by the average of shareholders' equity. ROE is displayed as a percentage.

USD-0.01¢
EARNINGS PER SHARE ('EPS')

2020	-$0.01¢
2019	$0.34¢
2018	$0.24¢

Earning per share (EPS) is calculated by dividing the Company's net profit after tax by the weighted average number of the Groups ordinary shares outstanding during the year. For 2020, number of shares is equivalent to the number of ASA International Group plc shares which was 100 million.

Nil
DIVIDEND PER SHARE ('DPS')

2020	NIL
2019	NIL
2018	$7.3¢

The figure is calculated by dividing the total dividends paid out by the Company, including interim dividends, over a period of time by the weighted average number of ASAI Group plc ordinary shares outstanding during the year.

In light of the Company's financial results, the Board has decided not to pay a dividend for 2020.

NON-FINANCIAL

70
NUMBER OF NEW BRANCHES

2020	70
2019	230
2018	278

The number of new branches in all operating markets.

1,965
NUMBER OF BRANCHES

2020	1,965
2019	1,895
2018	1,665

The number of new branches commencing operations in the period in all operating markets.

1,212
CLIENTS PER BRANCH

2020	1,212
2019	1,337
2018	1,306

Client per Branch is the total number of clients divided by total number of branches.

12,535
NUMBER OF STAFF

2020	12,535
2019	12,480
2018	10,771

The number of people directly employed by the Company.

33%
GENDER DIVERSITY

2020	33%
2019	32%
2018	32%

Number of female employees compared to total employees.

N/A
EMPLOYEE SATISFACTION RATE

2020	N/A
2019	83%
2018	81%

The employee satisfaction rate is estimated based on staff satisfaction analyses of professional-, facility- and department service satisfaction. Due to the impact of COVID-19 on the operations in the countries, the survey was not conducted in 2020.

N/A
CLIENT SATISFACTION SURVEY

2020	N/A
2019	92%
2018	87%

This survey is conducted by interviewing at least two clients per loan officer to estimate the client's satisfaction with the products and with the services delivered. Due to the impact of COVID-19 on the operations in the countries, the survey was not conducted in 2020.

77.6%
CLIENT RETENTION RATE

2020	77.6%
2019	75%
2018	72.6%

Determined by subtracting the total number of new clients in a period from the number of clients at the end of that period divided by the total number of clients at the beginning of the period. Periods based on tenor of client loans (6, 10, 12, 18 or 24 months).

2.4m
NUMBER OF CLIENTS

2020	2.4m
2019	2.5m
2018	2.2m

The number of clients in all operating markets.

N/A
CLIENT ECONOMIC YIELD ('CEY')

2020	N/A
2019	7.1%
2018	9.2%

The Client Economic Yield ('CEY') is calculated by deducting the clients' weekly interest costs from their average weekly income, derived from their business activities. Due to the impact of COVID-19 on the operations in the countries, the survey was not conducted in 2020.

7,754 tonnes CO_2
CARBON FOOTPRINT

2020	7,754
2019	7,132
2018	6,399

Carbon footprint is measured as the sum of direct emissions of greenhouse gases, carbon emissions from direct purchase of electricity and fuel combustion for transportation purposes.

89%
SOCIAL PERFORMANCE INDEX ('SP14')

2020	89%
2019	88%
2018	91%

SPI4 is a social audit tool made by CERISE as per universal standards managed by SMART CAMPAIGN. The assessment is divided into six dimensions with both qualitative and quantitative questions. Each dimension carries a score of 100.

"I went from an office cleaner to a loan officer, working full-time for ASA India. Being selected was a life-changing moment for me."

RAJA HAJRA
LOAN OFFICER

FEATURE – EMPLOYEES

Employee satisfaction is key

Raja started his career path in a unique way as a loan officer in India. After an unpredicted encounter, his potential was recognised. He now aspires to continue to grow within the organisation.

Employee story

MEET RAJA

Raja was initially employed at the ASA India Head Office through an outsourced office cleaning service. One day, during a casual conversation, the Managing Director of ASA India, Mr Dasgupta, recognised that Raja was adequately academically qualified and had the true potential for higher positions. Raja submitted his CV, was invited for an interview and cleared all the stages to partake in the Pre-service orientation ('PSO') training.

"I went for residential PSO training. It was very informative and in-depth: we were told about ASA's history, the methodology, the financial processes, loan officer's responsibilities and formal benefits. Additionally, we came to know more about how ASA works in the field: how the staff never pressurise borrowers and that it is very important to speak politely with the borrowers. Upon completion of the theoretical training, I went to the Baduria branch for practical training. The team there was very supportive, and they helped me understand the practices a loan officer needs to follow. After I cleared the final examination, I was selected to become a loan officer. The recruitment process and training has been very helpful for my day-to-day work.

From time to time, I am provided with training, and now I am capable of using a tablet and computer for my everyday work. Also, my responsibilities are not limited to loan-related activities; as a loan officer, I participate in CSR activities. I was part of the Deganga health camp organising team, and it was fulfilling to provide this kind of service to the people in need. We work for the betterment of society, and that is very rewarding. I feel proud when the borrowers say how satisfied they are with ASA.

What I also appreciate a lot is that we receive our salary on time and have several benefits, such as insurance and gratuity. I love being a loan officer.

I wish to be a zonal manager, the highest of all area divisions, someday as I think with experience and support, I will manage higher roles. I plan to continue studying and complete graduation, which will help me fulfil my dream of achieving a better and more responsible position within the organisation. On a personal front, I wish to provide for the promising future of my kid."

A year after his appointment as a loan officer, Raja returned to the Head Office and asked to meet with Mr Dasgupta. According to Mr Dasgupta: "Raja had a positively different personality, beaming with confidence. He is going to grow further and reach greater heights."

LOCATION
India

BRANCH
Baduria, West Bengal

JOB TITLE
Loan Officer

From recruit to an experienced, loyal employee

Below are several reasons why ASA India has well-trained, experienced and loyal employees:

- Staff are provided with many (practical and theoretical) training and career opportunities to nurture them and help them grow. During the recruitment process, young recruits are shown that they are seen as future area managers.
- Staff are involved in community projects. They consider it rewarding to give back to society and help those in need.
- Staff like the Company culture and the family feel in the workplace. They don't only want to work for the pay check.
- If staff have any issues, they are supported. They are provided with health insurance for their partners, children and parents. This ensures that staff feel protected.
- ASA India has a low turnaround, which staff like and encourages them to stay.

81%
EMPLOYEE RETENTION OF THE GROUP

FEATURE – COMMUNITY

Improving the health of an entire community

Safe drinking water is a fundamental human need. As clean water is not a given for many people in Nigeria, ASA Nigeria has launched a community project installing water boreholes.

Contribution to the community

Access to clean water remains a major challenge in Nigeria, as 60 million Nigerians (33% of the population) do not have access to clean water.

In rural and semi-urban areas, where there is little to no government presence, local governments and communities are responsible for the rural water supply.

Seeing this to be such a significant issue, and because clients living in these areas also raised this matter, ASA Nigeria launched a community project in 2017 installing water boreholes, generators and overhead tanks. To this day, 25 boreholes have been installed in communities spread across Nigeria, resulting in an estimated total of more than 10,000 beneficiaries, reaching not only their clients but whole communities.

THE DECISION, IMPLEMENTATION AND MAINTENANCE

When deciding in which communities to install boreholes, a branch manager of ASA Nigeria initially evaluates the primary source of water, assessing how clean it is and the source's proximity. Subsequently, the branch manger determines the level of poverty in the community. If clients live in the area, this is considered a plus, but does not determine the decision entirely. Approximately half of the boreholes originate from bottom-up recommendations or requests from clients.

The selected communities decide on the exact location of the new borehole. The project management committee ('PMC'), which mainly consists of community members, takes the lead in this. After their decision, the implementation is completed by building companies. During this process, ASA Nigeria adopts a supervisory role, overseeing the operation and assessing if it adheres to a proper standard. During the six months after the installation, a branch manager or the social responsibility manager of ASA Nigeria and the building company go back from time to time to do necessary maintenance and resolve any issues or damages that have arisen.

One of the main issues that have occurred so far, was related to the second power source to pump the water from the borehole when the power was down. Initially, solar power was used, but this has proven to be quite expensive to install and maintain, and easily damaged or stolen. To resolve this issue, for now ASA Nigeria decided to start installing generators as a back-up source, as these can be secured in a better way.

After a six-month period of monitoring, the community takes over, and the water borehole is entirely in their hands. The PMC takes the main responsibility in the maintenance. One of the project's strengths lies in continuous community involvement during the whole process, as it contributes to the continued sustainability of the project.

IMPACT

ASA Nigeria conducted an impact assessment in 2019, which confirmed that the boreholes have significantly impacted the lives of the households living in the selected villages. Each family saves approximately 1 USD to buy bottled water and 40 minutes to collect water at another well on a daily basis. Not having to spend so much time fetching water, reduces the burden on women and children (who are often responsible for this), so they have more time and energy to engage in other socioeconomic activities such as agriculture and education.

Clean water also reduces waterborne diseases such as typhoid, cholera, and the symptoms of diarrhoea, thereby reducing medical expenses. Ultimately, this improves the health and productivity of the entire community.

Community story

MEET THE COMMUNITY

As a necessary replacement of a 20-year-old hand-dug well, that could only be used for washing (not drinking) and occasionally dried up, ASA Nigeria sunk a borehole in the Olgun community in 2018, generating access to clean drinking water for approximately 600 people.

The new borehole has five taps, which improves community relations, according to the Village Head Alhaji Kabiru Olokodana. “There is now less queueing and fewer arguments about entitlements, resulting in more peace”.

To build upon this innovation, the Village Head, also a member of the PMC, decided to connect a water reservoir tank to the new borehole, allowing water to flow freely to the community toilet facility. This practice enables solid waste management and discourages commonly practised open defecation, a large issue in rural communities with adverse health effects.

The case of the Olugun community demonstrates how the project also has unforeseen positive impacts.

LOCATION
Nigeria

STATE
Osogbo Osun State

COMMUNITY
Olugun, Oja Oba Area

> “The new borehole has five taps. There is now less queueing and fewer arguments about entitlements, resulting in more peace.”

ALHAJI KABIRU OLOKODANA
VILLAGE HEAD OF THE OLUGUN COMMUNITY

>70%
OF CLIENTS IN KENYA REPAY VIA M-PESA

FEATURE – CLIENT

Our digital services improve clients' experiences

Through cashless transactions, the Company improves the services to its clients. The Company's borrowers in Kenya share the advantages they experience.

ASA Kenya's cashless transactions

In 2016, ASA Kenya started adopting digital transactions in its operations via the mobile payment service M-PESA. This service has proven feasible in its operations, as in 2020, all clients owned a mobile phone with a digital wallet.

COLLECTIONS

Currently, the loan officer collects the loan instalments of the entire group in cash during the client group meeting and deposits it at the nearest M-PESA payment platform or bank agent. Subsequently, the loan instalments are deposited in one electronic group transfer to the designated M-PESA account of the branch. Each group may decide if the weekly collections are done via M-PESA or a bank account. ASA Kenya provides clients with this choice since M-PESA charges per group transaction. If clients can afford it, ASA Kenya encourages M-PESA, as the transaction is faster. More than 70% of the clients repay via M-PESA, and the remaining 30% repay via a bank account.

DISBURSEMENTS

The successful implementation of loan instalment collections via M-PESA was followed by the disbursement of loans to a client's mobile phone wallet, which was also implemented in 2016. Currently, all clients can access money through their mobile phones and make payments to their suppliers and service providers without depending on cash transactions. The cost of the disbursement is borne by ASA Kenya.

CLIENTS' TRADING HABITS

The Company's clients consider cashless payment methods convenient, secure and timely. The increasing popularity is reflected in clients' trading habits, as both suppliers and customers of borrowers are increasingly using cashless payments.

FUTUREPROOF

Individual repayment of loans via M-PESA or bank accounts is taken into consideration as a next step, while borrowers still attend the client group meetings.

> For me, and for other women who have a small business, transferring money via mobile phone is very secure and convenient."

ZIPPORAH MKIKALI
SMALL BUSINESS OWNER

Client story

MEET ZIPPORAH

Zipporah Mwikali has been a client since 2019. During her first loan cycle, she received a small loan of KSH 15,000. Currently, she is on her second small loan cycle of KSH 20,000. She quoted the following regarding cashless transactions concerning loan product delivery: "I enjoy it when ASA sends my money directly to my mobile phone because it's really secure and you can easily confirm that the amount you expected to receive is what has been disbursed to your phone. Since I have the money on my phone, it has become more convenient for me to pay my suppliers, assistants, and transporters on time. Additionally, my phone automatically keeps the money records, which I can review later for my own note-taking.

LOCATION
KENYA

BRANCH
Limuru Branch

BUSINESS
Trading (potatoes, carrots and green peas)

FINANCIAL REVIEW

Operational and financial performance affected by COVID-19

The Company's operational and financial performance was substantially affected by the unexpected emergence of COVID-19 and the associated disruption and provisioning across all operating companies.

KEY PERFORMANCE INDICATORS

(AMOUNTS IN USD MILLIONS)	FY2020	H1 2020	FY 2019	% CHANGE FY 2019 – FY 2020	% CHANGE FY 2019 – FY 2020 (CONSTANT CURRENCY)	% CHANGE H1 2020 – FY 2020
Number of clients (m)	2.4	2.3	2.5	*-6%*		*2%*
Number of branches	1,965	1,956	1,895	*4%*		*0%*
Net profit	-1.4	-1.5	34.5	*-104%*	*-103%*	*6%*
OLP[1]	415.3	388.6	467.4	*-11%*	*-10%*	*7%*
Gross OLP	445.3	411.7	471.4	*-6%*	*-4%*	*8%*
PAR>30 days[2]	*13.1%*	*3.6%*	*1.5%*			

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

FY 2020 HIGHLIGHTS

- The Company's operational and financial performance was substantially affected by the impact of the COVID-19 pandemic, including the associated disruption and measures taken by government authorities, as well as the ensuing provisioning across all operating companies.
- As a result, the Company showed a net loss of USD 1.4m in 2020 compared to a net profit of USD 34.5m in 2019.
- The reduction in profitability was primarily caused by (i) a USD 27.2m expense for expected credit losses in FY 2020 compared to USD 4.2m in FY 2019, (ii) lower interest income as the Group was not able charge interest in most markets on (a) the payment holidays provided during lockdowns, moratoriums and (b) increased overdue amounts and (iii) a modification loss of USD 3.5m at the end of the year due to loan extensions for the payment holidays provided to clients on account of COVID-19 related lockdowns and moratoriums.
- The immediate health impact on staff and clients remained relatively low with no deaths amongst approximately 12.5K employees and 25 deaths amongst 2.4 million clients due to COVID-19.
- Following the end of the lockdowns in the operating countries, the Group granted many clients a temporary moratorium of the payment of one or more loan instalments (which, in effect, extended the related loans for the moratorium period), which peaked at USD 16.9m in June with 485K clients benefiting from the moratorium.
- PAR>30 increased to 13.1% (excluding loan instalments under moratorium) by the end of December 2020.
- As of 31 December 2020, the Group had approximately USD 101m of unrestricted cash and cash equivalents, with a funding pipeline reaching approximately USD 225m.
- The Group successfully raised USD 163.9m in debt funding across its operations in 2020, with total debt growing to USD 337.6m.

OUTLOOK

In 2021, the Company expects the operating environment to remain challenging in many countries. Assuming that the disruption caused by COVID-19 reduces through the rest of the year, the Group's operating and financial performance should improve meaningfully in 2021 compared with 2020, with the extent of that improvement depending in particular on developments in India. It is expected that in 2022 the Group's operational and financial performance will begin to normalise, subject to the unpredictable course of the pandemic.

GROUP FINANCIAL PERFORMANCE

(AMOUNTS IN USD THOUSANDS)	FY2020	H1 2020	FY 2019	% CHANGE FY 2019 – FY 2020	% CHANGE FY 2019 – FY 2020 (CONSTANT CURRENCY)	% CHANGE H1 2020 – FY 2020
Net profit	-1,395	-1,487	34,497	-104%	-103%	6%
Cost/income ratio	98%	108%	60%			
Return on average assets	-0.2%	-0.5%	6.7%			
Return on average equity	-1.3%	-2.8%	34.5%			
Earnings growth	-104%	-109%	6%			
OLP[1]	415,304	388,649	467,429	-11%	-10%	7%
Gross OLP	445,257	411,700	471,420	-6%	-4%	8%
Total assets	579,260	530,984	559,958	3%		9%
Client deposits[2]	80,174	74,488	78,080	3%		8%
Interest-bearing debt[2]	337,632	301,094	317,810	6%		12%
Share capital and reserves	107,073	104,131	111,169	-4%		3%
Number of clients	2,380,685	2,331,563	2,534,015	-6%		2%
Number of branches	1,965	1,956	1,895	4%		0%
Average Gross OLP per client (USD)	187	177	186	1%	2%	6%
PAR>30 days	13.1%	3.6%	1.5%			
Client deposits as % of loan portfolio	19%	19%	17%			

1 Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and excludes interest receivable and the unamortised loan processing fee and deducts modification losses and ECL provisions from Gross OLP.
2 Excludes interest payable.

DIRK BROUWER, CHIEF EXECUTIVE OFFICER OF ASA INTERNATIONAL, COMMENTED:

"Considering the challenging operating circumstances in 2020, we are pleased with the resilience of the business and its model, and especially how local management navigated the operating subsidiaries through the crisis. From the start of the COVID-19 pandemic our field staff stayed in close contact with our clients and supported them throughout these difficult times, which prevented many of our clients from doing their regular daily business.

Our clients have shown strong resilience in rebuilding their businesses and adjusting 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, enabled many clients to increase their earnings capacity and gradually repay in full the loans granted by the Group. In India and the Philippines, many clients were not able to meet their financial obligations towards the Company. In addition to the ongoing disruption as a result of COVID-19 and the impact of cyclone Amphan, which hit our operations in West-Bengal, political activism against MFIs adversely affected the repayment discipline of many clients in the State of Assam, covering 13% of our portfolio in India at 30 April 2021. The Philippines also struggled to increase collection efficiency to satisfactory levels, following disruptions caused by the initial two months lockdown and the many subsequent ongoing local restrictions imposed by local, regional governments as well as the national government.

We considered it therefore appropriate to substantially increase the provision for expected credit losses from USD 10.6m in June 2020 to USD 27.5m by year-end 2020. As a result, together with the lower interest income due to the lockdowns, moratoriums and overdue, this increased the net loss of the Group for 2020 to USD 1.4m.

At 30 April 2021, despite ongoing COVID-19 related disruptions in the Philippines and India, and political unrest in Myanmar, the Group's other operating subsidiaries, where traditionally more than two-thirds of our customary operating profits are generated, have achieved a collection efficiency of more than 90% and nine out of 13 countries achieved a collection efficiency of more than 95%. As a result, the PAR>30 of the Group's operating subsidiaries, excluding India, the Philippines and Myanmar, came down to 3.8%.

We are grateful for the solid and consistent financial support we received from almost all our lenders since the start of the pandemic. The Group secured in excess of USD 219m of new credit facilities since the start of the pandemic in March 2020. As of 30 April 2021, liquidity remains high. The Group had a pipeline of wholesale loans of 164 million from a large variety of local and international lenders."

FINANCIAL REVIEW CONTINUED

South Asia

(AMOUNTS IN USD THOUSANDS)	FY2020	H1 2020	FY 2019	% CHANGE FY 2019 – FY 2020	% CHANGE FY 2019 – FY 2020 (CONSTANT CURRENCY)	% CHANGE H1 2020 – FY 2020
Net profit	-4,360	594	14,098	-131%	-131%	-834%
Cost/income ratio	134%	99%	50%			
Return on average assets	-1.7%	0.5%	6.1%			
Return on average equity	-7.8%	2.0%	26.6%			
Earnings growth	-131%	-92%	-5%			
OLP	217,843	226,401	254,361	-14%	-12%	-4%
Gross OLP	238,738	234,139	256,578	-7%	-4%	2%
Total assets	253,360	229,747	252,034	1%		10%
Client deposits	2,610	2,363	2,082	25%		10%
Interest-bearing debt	183,756	159,136	177,257	4%		15%
Share capital and reserves	53,232	57,777	58,703	-9%		-8%
Number of clients	1,185,656	1,191,888	1,234,638	-4%		-1%
Number of branches	758	766	751	1%		-1%
Average Gross OLP per client (USD)	201	196	208	-3%	-0.5%	3%
PAR>30 days	21.3%	4.7%	2.0%			
Client deposits as % of loan portfolio	1%	1%	1%			

Due to the impact of COVID-19 and associated lockdowns in each country, operations were substantially disrupted in the South Asia region. A shrinking OLP along with increased provisions for expected credit losses as well as currency depreciation in Pakistan (PKR down 4% YoY against USD) led to South Asia's USD net profits going down 131% YoY (131% YoY down on a constant currency basis).

- The quality of the loan portfolio declined with PAR>30 increasing from 2.0% to 21.3%
- Cost/Income ratio increased by 8,363 bps to 134% due to reduced income caused by the COVID-19 disruptions compared to an increased cost base YoY
- Return on average assets was down 778 bps to -1.7% due to lower profits caused by a declining OLP, and increase in expected credit loss expenses
- Return on average equity was down by 3,439 bps to -7.8%

Awards

COUNTRY
Pakistan

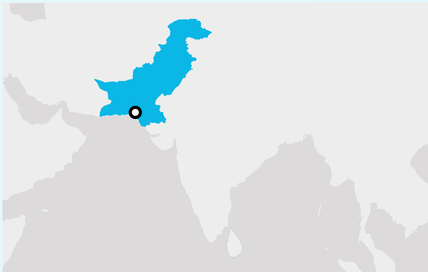
NAME OF ACCOLADE
Gold 'Price Disclosure Award' from Data Platform, MicroFinanza Rating (MFR)

YEAR
2020

India

ASA India shrank its operations over the twelve-month period:

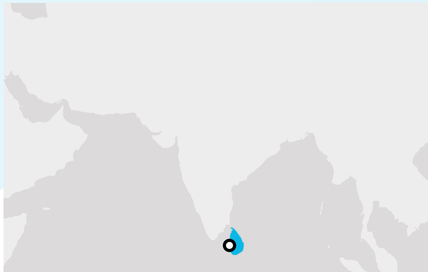
- Number of clients down from 732k to 714k (down 3% YoY)
- Number of branches up from 399 to 400 (up 0.3% YoY)
- OLP declined from INR 9.0bn (USD 127m) to INR 7.3bn (USD 101m) (down 19% YoY in INR)
- Off-book portfolio declined from INR 4.0bn (USD 55.9m) to INR 3.4bn (USD 46.4m) (down 15% in INR). This now includes INR 270.0m (USD 3.7m) of the portfolio transferred under a direct assignment (DA) agreement to State Bank of India
- Gross OLP/Client down from INR 18K to INR 17K (down 5% YoY in INR)
- PAR>30 increased from 1.5% to 31.9%
- USD 15m in moratoriums granted to 530k clients in 2020



Pakistan

ASA Pakistan saw its operations shrink due to COVID-19 impact in H1 2020 but recover in H2 2020:

- Number of clients declined from 439k to 416k (down 5% YoY)
- Number of branches up from 281 to 292 (up 4% YoY)
- OLP up from PKR 9.7bn (USD 62.5m) to PKR 10.0bn (USD 62.5m) (up 3% in PKR)
- Gross OLP/Client up from PKR 22.2K (USD 143) to PKR 24.8K (USD 155) (up 12% YoY in PKR)
- PAR>30 increased from 1.9% to 4.0%
- No moratoriums granted to clients



Sri Lanka

Lak Jaya continued to feel the negative impact of COVID-19:

- Number of clients down from 63k to 56k (down 11% YoY)
- Number of branches down from 71 to 66 (down 7% YoY)
- OLP down from LKR 1.7bn (USD 9.4m) to LKR 1.6bn (USD 8.4m) (down 9% YoY in LKR)
- Gross OLP/Client up from LKR 29.2K (USD 161) to LKR 30.3K (USD 163) (up 4% YoY in LKR)
- PAR>30 improved from 9.7% to 7.6%
- Up to USD 1.9m in moratoriums granted to 81k clients between March and December 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

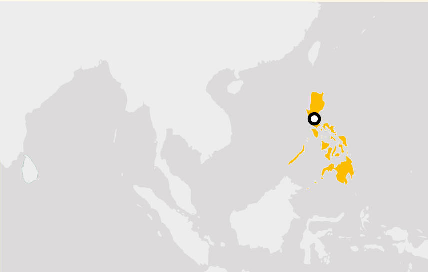
Regional head offices

FINANCIAL REVIEW CONTINUED

South East Asia

(AMOUNTS IN USD THOUSANDS)	FY2020	H1 2020	FY 2019	% CHANGE FY 2019 – FY 2020	% CHANGE FY 2019 – FY 2020 (CONSTANT CURRENCY)	% CHANGE H1 2020 – FY 2020
Net profit	-3,366	-3,969	5,349	-163%	-154%	15%
Cost/income ratio	135%	464%	74%			
Return on average assets	-2.7%	-6.7%	4.8%			
Return on average equity	-16.1%	-38.3%	29.1%			
Earnings growth	-163%	-274%	38%			
OLP	74,214	68,847	84,205	-12%	-18%	8%
Gross OLP	80,832	77,714	84,886	-5%	-12%	4%
Total assets	119,152	111,870	125,750	-5%		7%
Client deposits	24,000	23,726	22,995	4%		1%
Interest-bearing debt	66,412	59,140	72,419	-8%		12%
Share capital and reserves	20,259	19,964	21,453	-6%		1%
Number of clients	428,645	448,707	491,813	-13%		-4%
Number of branches	415	416	405	2%		0%
Average Gross OLP per client (USD)	189	173	173	9%	1%	9%
PAR>30 days	4.1%	1.1%	1.0%			
Client deposits as % of loan portfolio	32%	34%	27%			

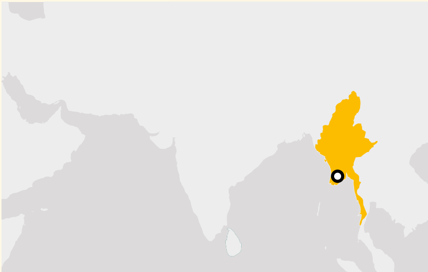
In South East Asia, client and OLP growth declined due in large part to disruptions brought on by COVID-19 in especially the Philippines. The extended 10-week lockdown period (and partial lock downs in the second half of 2020) and the ongoing disruption afterwards in the Philippines led to a reduction in OLP and higher expected credit losses resulting in lower earnings. Also, additional 8 weeks of compulsory moratorium in Yangon and Bago regions in Myanmar, where 60% of ASA Myanmar's branches are based, led to a lower revenues.



The Philippines

Pagasa Philippines operations contracted due to the impact from COVID-19:

- Number of clients down from 340k to 299k (down 12% YoY)
- Number of branches up from 315 to 322 (up 2% YoY)
- OLP down from PHP 2.7bn (USD 52.7m) to PHP 2.2bn (USD 45.3m) (down 19% YoY in PHP)
- Gross OLP/Client increased from PHP 7.9K (USD 156) to PHP 8.1K (USD 168) (up 2% YoY in PHP)
- PAR>30 increased from 1.3% to 6.4%
- Up to USD 26.8m in moratoriums granted to 663k clients between March and December 2020



Myanmar

ASA Myanmar saw a decline in clients and OLP which stabilised in H2 2020:

- Number of clients down from 152k to 129k (down 15% YoY)
- Number of branches increased from 90 to 93 (up 3% YoY)
- OLP down from to MMK 46.8bn (USD 31.5m) to MMK 38.4bn (USD 28.9m) (down 18% YoY in MMK)
- Gross OLP/Client up from MMK 310K (USD 209) to MMK 316K (USD 237) (up 2% YoY in MMK)
- PAR>30 increased from 0.4% to 0.5%
- Up to USD 9.0m in moratoriums granted to 267k clients between March and December 2020

Regional head offices

West Africa

(AMOUNTS IN USD THOUSANDS)	FY2020	H1 2020	FY 2019	% CHANGE FY 2019 – FY 2020	% CHANGE FY 2019 – FY 2020 (CONSTANT CURRENCY)	% CHANGE H1 2020 – FY 2020
Net profit	13,443	5,297	15,935	*-16%*	*-15%*	*154%*
Cost/income ratio	*49%*	*55%*	*45%*			
Return on average assets	*13.2%*	*11.2%*	*17.3%*			
Return on average equity	*31.1%*	*28.5%*	*45.7%*			
Earnings growth	*-16%*	*-25%*	*-6%*			
OLP	77,835	56,647	77,200	*1%*	*5%*	*37%*
Gross OLP	79,499	60,237	78,078	*2%*	*6%*	*32%*
Total assets	107,748	93,962	95,240	*13%*		*15%*
Client deposits	39,788	34,809	38,195	*4%*		*14%*
Interest-bearing debt	10,255	11,212	11,919	*-14%*		*-9%*
Share capital and reserves	49,033	37,003	37,452	*31%*		*33%*
Number of clients	447,122	389,453	459,022	*-3%*		*15%*
Number of branches	433	431	423	*2%*		*0%*
Average Gross OLP per client (USD)	178	155	170	*5%*	*9%*	*15%*
PAR>30 days	*2.7%*	*4.0%*	*1.5%*			
Client deposits as % of loan portfolio	*51%*	*61%*	*49%*			

West Africa's operational and financial performance declined, however it performed well compared to any of the other regions. Ghana saw a quick recovery of its operations following the end of the 2-weeks lockdown 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 (6% down against USD in FY 2020).

Ghana

ASA Savings & Loans operations declined but managed to recover and maintain excellent portfolio quality:

- Number of clients down from 165k to 158k (down 4% YoY)
- Number of branches up from 123 to 129 (up 5% YoY)
- OLP up from GHS 237.4m (USD 41.6m) to GHS 248.3 m (USD 42.3m) (up 5% YoY in *GHS*)
- Gross OLP/Client up to GHS 1.6k (USD 269) (up 9% YoY in *GHS*)
- PAR>30 increased from 0.2% to 0.4%
- No moratoriums granted to clients in the period

Nigeria

ASA Nigeria saw a contraction of operations in H1 2020 which gradually recovered in H2 2020:

- Number of clients down from 260k to 253k (down 3% YoY)
- Number of branches maintained at 263
- OLP up from NGN 11.9bn (USD 32.7m) to NGN 12.0bn (USD 31.2m) (up 1% YoY in *NGN*)
- Gross OLP/Client up from NGN 47k (USD 129) to NGN 50k (USD 129) (up 6% YoY in *NGN*)
- PAR>30 increased from 2.7% to 5.5%
- Up to USD 1.0m in moratoriums granted to 24k clients between March and December 2020

Sierra Leone

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

- Number of clients up from 34k to 36k (up 6% YoY)
- Number of branches up from 37 to 41 (up 11% YoY)
- OLP up from SLL 28.1bn (USD 2.9m) to SLL 43.6bn (USD 4.3m) (up 55% YoY in *SLL*)
- Gross OLP/Client up from SLL 0.8m (USD 85) to SLL 1.2m (USD 123) (up 51% YoY in *SLL*)
- PAR>30 declined from 5.1% to 4.4%
- Up to USD 50k in moratoriums granted to 3.8k clients between March and December 2020

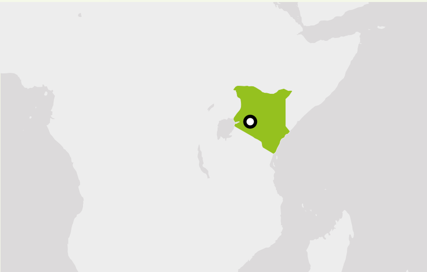
Regional head offices

FINANCIAL REVIEW CONTINUED

East Africa

(AMOUNTS IN USD THOUSANDS)	FY2020	H1 2020	FY 2019	% CHANGE FY 2019 – FY 2020	% CHANGE FY 2019 – FY 2020 (CONSTANT CURRENCY)	% CHANGE H1 2020 – FY 2020
Net profit	1.092	333	6,160	*-83%*	*-84%*	*221%*
Cost/income ratio	*90%*	*97%*	*62%*			
Return on average assets	*1.8%*	*1.2%*	*12.6%*			
Return on average equity	*6.7%*	*4.3%*	*51.0%*			
Earnings growth	*-83%*	*-87%*	*69%*			
OLP	45,413	36,753	51,664	*-12%*	*-9%*	*24%*
Gross OLP	46,188	39,607	51,878	*-11%*	*-8%*	*17%*
Total assets	59,802	55,856	59,356	*1%*		*7%*
Client deposits	13,776	13,591	14,808	*-7%*		*1%*
Interest-bearing debt	26,292	24,245	25,835	*2%*		*8%*
Share capital and reserves	16,313	15,408	15,476	*5%*		*6%*
Number of clients	319,262	301,515	348,542	*-8%*		*6%*
Number of branches	359	343	316	*14%*		*5%*
Average Gross OLP per client (USD)	145	131	149	*-3%*	*0.3%*	*10%*
PAR>30 days	*13.2%*	*1.9%*	*0.6%*			
Client deposits as % of loan portfolio	*30%*	*37%*	*29%*			

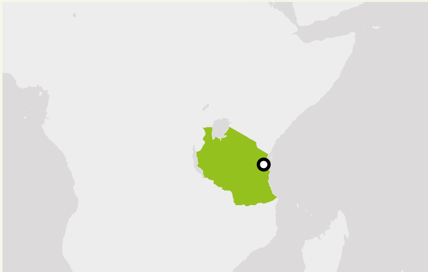
East Africa saw a decline in operational performance and profitability attributable to extended lockdown due to COVID-19 in Uganda and Kenya. Only ASA Tanzania and ASA Zambia managed to expand in number of branches and OLP.



Kenya

ASA Kenya decreased its operations:

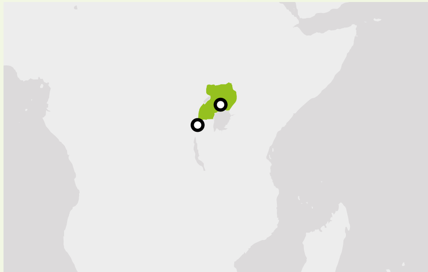
- Number of clients down from 101k to 92k (down 9% YoY)
- Number of branches up from 90 to 100 (up 11% YoY)
- OLP down from KES 1.8bn (USD 17.6m) to KES 1.4bn (USD 12.7m) (down 23% YoY in KES)
- Gross OLP/Client down from KES 18K (USD 175) to KES 15K (USD 142) (down 13% YoY in KES)
- PAR>30 increased from 1.3% to 21.9%
- Up to USD 4.8m in moratoriums granted to 82k clients between March and December 2020



Tanzania

ASA Tanzania managed to expand its operations:

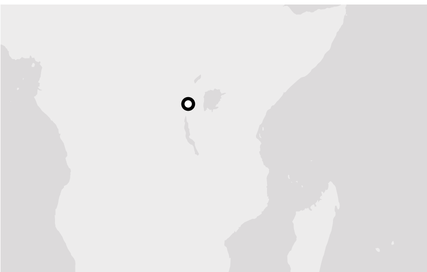
- Number of clients down from 123k to 121k (down 1% YoY)
- Number of branches up from 102 to 121 (up 19% YoY)
- OLP up from TZS 47.1bn (USD 20.5m) to TZS 49.6bn (USD 21.4m) (up 5% YoY in TZS)
- Gross OLP/Client up from TZS 384k (USD 167) to TZS 413k (USD 178) (up 7% YoY in TZS)
- PAR>30 increased from 0.1% to 2.5%
- Up to USD 267k in moratoriums granted to up to 10k clients between March and December 2020



Uganda

ASA Uganda saw a reduction in operations:

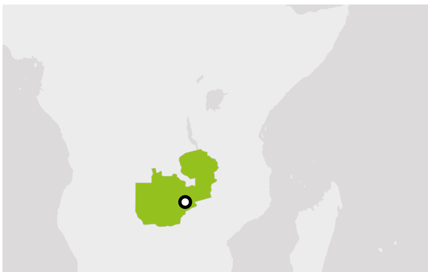
- Number of clients down from 101k to 81k (down 20% YoY)
- Number of branches up from 88 to 98 (up 11% YoY)
- OLP down from UGX 38.0bn (USD 10.4m) to UGX 29.3bn (USD 8.0m) (down 23% YoY in UGX)
- Gross OLP/Client down from UGX 377K (USD 103) to UGX 366K (USD 100) (down 3% YoY in UGX), which is expected to remain lower than in Kenya and Tanzania due to generally lower income levels in Uganda
- PAR>30 increased from 0.1% to 29.1%
- Up to USD 4.7m in moratoriums granted between March and December 2020 to up to 197k clients



Rwanda

ASA Rwanda saw its operations shrink in H1 2020 and gradually recover in H2:

- Number of clients declined from 21k to 19k (down 9% YoY)
- Number of branches maintained at 30
- OLP slightly up from RWF 2.8bn (USD 3.0m) to RWF 2.9bn (USD 3.0m) (up 2% YoY in RWF)
- Gross OLP/Client up from RWF 133K (USD 141) to RWF 151K (USD 153) (up 13% YoY in RWF)
- PAR>30 increased from 0.8% to 10.1%
- Up to USD 578k in moratoriums granted to 23.6k clients between March and December 2020



Zambia

ASA Zambia managed to expand its operations:

- Number of clients increased from 2k to reach 5k
- Number of branches increased from 6 to 10
- OLP up from ZMW 2.5m (USD 179k) to ZMW 7.9m (USD 372k)
- Gross OLP/Client up from ZMW 1.2k (USD 86) to ZMW 1.6k (USD 76)
- PAR>30 declined to 5.8%
- No moratoriums granted to clients

Regional head offices

FINANCIAL REVIEW CONTINUED

REGULATORY ENVIRONMENT

The Company 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 a deposit-taking license in Pakistan and a non-deposit taking license in Tanzania.

In all of the Group's operating countries the governments instituted lengthy lockdowns, ranging from two to eight weeks, and other security measures to contain the infection rate of COVID-19, which adversely affected the ability of many of our clients to conduct their customary business. Most restrictions were gradually lifted during the second half of 2020, which enabled the Group to re-open branches and resume field activities. India started collections after the end of the lockdown by the end of May 2020, but clients were entitled to request a moratorium instituted by the Government of India until 30 August 2020, which up to 484k clients availed of. Uganda only fully resumed operations by mid-June 2020. As of 31 December 2020, collection efficiency across the Group continued to strengthen with ten out of 13 countries reporting collections in the mid to high 90's. Temporary local and regional lock downs or limitations on movement occurred in Sri Lanka, the Philippines and Myanmar on the second half of the year.

KEY EVENTS 2020 AND 2021

PAKISTAN

- 2020: ASA Pakistan received in principle approval (via a No Objection Certificate or 'NOC') from State Bank of Pakistan ('SBP') to transform into a microfinance bank. ASA Pakistan made good progress in completing all pre-licensing requirements set by the central bank.
- 2021: In January 2021, ASA Pakistan received extension in the validity of the No Objection Certificate till 30 April 2021 for completion of the MFB license requirements. It is expected that SBP will complete the inspection of its head office and operations during 2021 after which it is expected that the license will be granted.

SRI LANKA

- 2020: The microfinance sector has not yet fully recovered from three major events that occurred during the past two years, including (i) the introduction of the government backed debt relief programme for microfinance loans in drought affected districts of Sri Lanka in 2018, that eroded the repayment discipline of clients across the country, which after-effects still persisted in 2019, (ii) the 2019 Easter Sunday bomb attack and the knock-on effect on the economy, and (iii) the spread of COVID-19 in 2020.
- 2021: 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 in 2020 may be further reduced.

GHANA

- 2020: Bank of Ghana suspended all dividend payments for a period of two years and pursuant to measures taken due to COVID-19.
- 2021: The suspension on dividends was removed by the Bank of Ghana. Dividends can be declared subject to certain requirements and approval by the Bank of Ghana.

NIGERIA

- 2020: The Central Bank approved the transfer of the net assets from ASIEA to ASHA Microfinance Bank (the nationwide microfinance bank), which was completed by 1 April 2020.
- 2021: New Banking & Other Financial Institutions Act 2020 passed in Nigeria to regulate the banking industry. The implications hereof are yet to be analysed.

TANZANIA

- 2020: ASA Tanzania progressed in securing the non-deposit taking license by the Central Bank of Tanzania ('BoT'), which, once received, will allow it to proceed with applying for a full deposit taking license.
- 2021: BoT is of the view that interest rates charged to clients should not exceed 3.5% per month (42% p.a.). BoT inspection of ASA Tanzania was completed in Q1 of 2021 in view of the ongoing license application.

MYANMAR

- 2020: ASA Myanmar received the license to take savings from its clients.
- 2021: Disruptions and civil unrest in Myanmar following the military's takeover of the government in February 2021 with nationwide protests and any related governmental measures are expected to impact the operations.

INDIA

- 2021: The Reserve Bank of India proposed new uniform regulations for all lenders in microfinance, including banks, which had fewer restrictions so far compared to NBFC-MFIs. This may have a positive impact on NBFC-MFIs, including ASA India. There is a threat of government intervention, including possible loan and/or interest waivers, in the microfinance sector in the State of Assam following aggressive lending practices in the certain districts of the State.

REGULATORY CAPITAL

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 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 minimised 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 2020:

IN USD MILLIONS	31 DEC 20	31 DEC 19	31 DEC 18
Local Deposits	80.2	78.1	64.0
Loans from Financial Institutions	274.1	260.6	221.2
Microfinance Loan Funds	23.5	27.2	17.8
Loans from Dev. Banks & Foundations	40.0	30.0	40.0
Equity	107.1	111.2	88.4
Total Funding	**524.9**	**507.1**	**431.4**

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 for the bulk of the loans.

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 USD 172.7m in 2020. 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 from its lenders against all breaches except for loans amounting to a total of USD 14.5m, which are still in process. The balance is presented as on demand as at 31 December 2020. The lenders have not requested any early repayment of these loans to this date.

In expectation of additional potential temporary portfolio quality covenant breaches in 2021 from increased overdue by some of the Company's operating subsidiaries due to ongoing disruption caused by COVID-19, the Company is in discussions to further extend temporary waivers, no action and/or comfort letters from almost all its major lenders for the remainder of 2021. The impact of these potential covenant breaches was further assessed in the evaluation of the Company's going concern as disclosed on page 81.

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	FY2020	FY2019	Δ FY2019 – FY2020
Pakistan (PKR)	160.3	154.8	(4%)
India (INR)	73.0	71.3	(2%)
Sri Lanka (LKR)	185.3	181.4	(2%)
The Philippines (PHP)	48.0	50.7	5%
Myanmar (MMK)	1330.7	1487.0	11%
Nigeria (NGN)	384.6	362.5	(6%)
Ghana (GHS)	5.9	5.7	(3%)
Sierra Leone (SLL)	10107.0	9782.7	(3%)
Kenya (KES)	109.0	101.4	(8%)
Uganda (UGX)	3647.7	3665.4	0%
Tanzania (TZS)	2317.2	2298.0	(1%)
Rwanda (RWF)	986.4	943.2	(5%)
Zambia (ZMW)	21.1	14.1	(50%)

During 2020, the US dollar particularly strengthened against ZMW +50%, KES +8% and NGN +6% 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. The total contribution to the foreign exchange translation loss reserve during 2020 amounted to USD 2.0m of which USD 1.2m related to the depreciation of the NGN and USD 0.8m to depreciation of the PKR.

COUNTRY REVIEW

Regulatory environment

ASA international is well placed for further growth in each of its operating countries.

South Asia

CLIENTS
1.2m

BRANCHES
758

OUTSTANDING LOAN PORTFOLIO (USD)
$217.8m

India

ASA India commenced operations in 2008 as a non-banking financial company. IDFC FIRST Bank owns 9.99%. ASAI India has branches in West Bengal, Tripura, Assam, Bihar, Meghalaya, Uttar Pradesh and Odhisa state.

REGULATORY ENVIRONMENT

ASA India is regulated by the RBI and is registered as an NBFC-MFI, which licence was received in July 2018 and is subject to regulations issued by the RBI.

Effective 1 April 2021, interest rates that ASA India may charge are limited to a maximum of 21.47% under regulations issued by the RBI. In addition, ASA India is subject to a limit on net interest margin (calculated as interest income plus fees less interest expense) of 10%, as well as a 1% limit on processing fees.

Pakistan

ASA Pakistan has branches in two provinces (Punjab and Sindh), with the largest number in Punjab Province.

REGULATORY ENVIRONMENT

ASA Pakistan is currently still supervised by the Securities and Exchange Commission of Pakistan, and operates as a lending company. ASA Pakistan submitted an application for a microfinance bank licence to the State Bank of Pakistan which, once awarded, will enable it to take deposits. Upon receipt of a microfinance bank licence, ASA Pakistan will be regulated by the State Bank of Pakistan. In January 2021, ASA Pakistan received extension in the validity of the No Objection Certificate ('NOC') till 30 April 2021. In February 2021, the Securities & Exchange Commission of Pakistan issued a new certificate of incorporation, changing the name to ASA Microfinance Bank (Pakistan) Limited, along with the approval of the revised memorandum of association. All requirements in view of the Central Bank inspection are expected.

Sri Lanka

Lak Jaya's branches are generally equally distributed among 24 districts, with Colombo having the largest number.

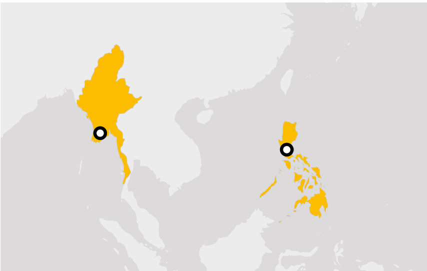
2.86% of the share capital in Lak Jaya is held by local investors.

REGULATORY ENVIRONMENT

Following receipt of the microfinance company licence in 2019, the Company is subject to certain prudential capitalisation and liquidity requirements and is regulated by the Central Bank in Sri Lanka. A 35% interest rate cap applies to loans by microfinance institutions.

A client in Pakistan

South East Asia



CLIENTS
0.4m

BRANCHES
415

OUTSTANDING LOAN PORTFOLIO (USD)
$74.2m

The Philippines

Pagasa Philippines has branches in eight regions (South Luzon, NCR, Central Luzon, North Luzon, North Mindanao, South Mindanao, West Mindanao and Visayas), with the largest number of branches in Luzon.

REGULATORY ENVIRONMENT

Pagasa Philippines is licensed as a finance company and provides only credit.

Myanmar

ASA Myanmar has branches in five States (Bago, Yangon, Magway, Mon and Sagaing), with most branches located in Bago State.

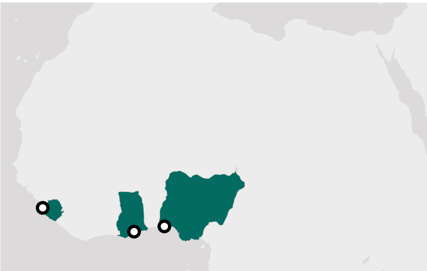
REGULATORY ENVIRONMENT

ASA Myanmar is regulated by the Financial Regulatory Department of the Ministry of Finance and operates as a deposit-taking microfinance institution. It is licensed by the Myanmar Microfinance Supervisory Enterprise and is allowed to take mandatory deposits from its clients up to a maximum of 5% of the value of the loan. In February 2020, ASA Myanmar received a full deposit-taking licence. This allows the Company to collect voluntary savings.

A client group meeting in Myanmar

COUNTRY REVIEW CONTINUED
REGULATORY ENVIRONMENT CONTINUED

West Africa



CLIENTS
0.4m

BRANCHES
433

OUTSTANDING LOAN PORTFOLIO (USD)
$77.8m

Nigeria

In Nigeria, the Company established two legal entities: 'ASIEA' (NGO), which commenced operations in 2009 and ASHA Microfinance Bank Limited, which commenced operations as a microfinance bank in 2010. The merger of the two entities was completed on 1 April 2020 following receipt of all regulatory approvals.

ASA Nigeria's branches are currently located in 19 States (Lagos, Kano, Kaduna, Abia, Enugu, Ogun, Oyo, Kwara, Osun, Ondo, Ekiti, Kogi, Benue, Abuja, Niger, Nasarawa, Edo, Imo and Anambra).

REGULATORY ENVIRONMENT

ASA Nigeria is regulated by the Central Bank Nigeria. The Company has a nationwide microfinance bank licence and is licensed to take deposits from its clients.

Ghana

ASA Savings & Loans has branches in nine regions (Greater Accra, Ashanti, Central, Western, Ahafo, Eastern, Bono, Bono East, Western North) with the largest number of branches in the Greater Accra Region.

REGULATORY ENVIRONMENT

ASA Savings & Loans is regulated by the Bank of Ghana and operates as a Savings and Loans Company. It is licensed to take deposits from its clients.

Sierra Leone

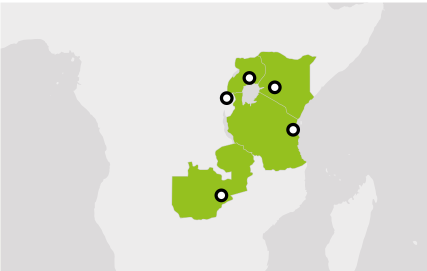
ASA Sierra Leone has branches in seven districts (Freetown, Bo, Bombali, Western Rural, Kenema, Tonkolili and Port Loko), with the largest number of branches in Freetown.

REGULATORY ENVIRONMENT

ASA Sierra Leone is regulated by the Bank of Sierra Leone and operates as a non-deposit taking company.

A client with her customer in Sierra Leone

East Africa



CLIENTS
0.3m

BRANCHES
359

OUTSTANDING LOAN PORTFOLIO (USD)
$45.4m

Kenya

ASA Kenya has a widespread regional presence in 31 out of 47 counties.

REGULATORY ENVIRONMENT

ASA Kenya is registered to operate as a non-deposit-taking MFI.

Tanzania

ASA Tanzania has branches in eight regions (Dar es Salaam, Morogoro, Tanga, Arusha, Kilimanjaro, Dodoma, Mpwani and Mwanza) out of 28 regions in Tanzania, with the largest number of branches in Dar es Salaam.

REGULATORY ENVIRONMENT

ASA Tanzania is operating as a lending company under the Microfinance Act 2018. Pursuant to the Microfinance (Non-Deposit-Taking Microfinance Service Providers) Regulations, published in 2019, ASA Tanzania submitted an application to the Central Bank for securing a non-deposit taking licence. The licence is expected in 2021.

Uganda

ASA Uganda has branches in the entire country, in all five regions, with the largest number of branches in the Central Region.

REGULATORY ENVIRONMENT

ASA Uganda is regulated by the Uganda Microfinance Regulatory Authority and operates as a microfinance company. The Company has a lending-taking MFI licence.

Rwanda

ASA Rwanda has branches in all five provinces (Kigali, Northern, Western, Southern and Eastern), with the largest number of branches in Kigali.

REGULATORY ENVIRONMENT

ASA Rwanda is regulated by the National Bank of Rwanda and operates as a microfinance institution. It is licensed to take deposits from its clients.

Zambia

ASA Zambia commenced operations in January 2019 and operates as a non-deposit-taking microfinance institution.

REGULATORY ENVIRONMENT

ASA Zambia is regulated by the Bank of Zambia under the Financial Services Act and the Banking Financial Services (Microfinance Regulations of 2006) and provides credit only.

A client meeting in Rwanda

A client in Zambia

RISK MANAGEMENT

The Group aims to manage the risks inherent in its business activities, ensuring that the Company's operations are carried out in a safe and compliant way.

RISK MANAGEMENT FRAMEWORK

The Group's risk management philosophy is to promote a comprehensive risk management strategy to maintain a sustainable financial institution. To ensure that the Group's philosophy is implemented across its various departments, there is a clear segregation of duties between operational and risk management functions in the country head office of each of the Group's microfinance institutions as well as at the Group level. At each of the Group's microfinance institutions, all functions, activities and tasks are designed and developed having considered any related risk elements.

The Group's risk culture is based on its values, beliefs, knowledge, attitudes and understanding of risk across its various countries. The Group assesses its risk culture by identifying and evaluating its quantifiable and non-quantifiable risks.

The Group has adopted the Three Lines of Defence model.

RISK APPETITE

Risk appetite, or the amount and type of risk that the Group is willing to accept, tolerate, or expose itself to in pursuit of its business objectives, is set at a level to avoid loss, fraud and operational inefficiencies. The Group establishes its risk appetite to provide direction and set boundaries for risk management across its microfinance institutions. The Group targets more conservative financial and prudential ratios than those required by regulators in the countries in which the Group operates. The Group also has zero tolerance for any unethical, illegal or unprofessional conduct and maintains a zero appetite for association with any disreputable individuals.

The Group evaluates its risk appetite on a quarterly basis. The Group first identifies and reports its risk appetite at the microfinance institution level, where a financial target is established and a risk appetite statement is produced by each microfinance institution and submitted for consideration to senior management at the Group's corporate headquarters. At the Group's corporate headquarters, each microfinance institution's risk appetite report is evaluated, and the Group establishes an overall risk appetite that is later implemented across its countries.

THREE LINES OF DEFENCE

FIRST LINE OF DEFENCE

The first line of defence is the team, personnel or department that is responsible for risk assessment and owns most of the business risk.

Branch staff and area, regional and district managers are the key components of the first line of defence at the microfinance institution level and are responsible for client retention and credit risk. However, similar to the first line of defence at the Group level, the team, personnel or department who carry out a specific business activity or task own the associated risk and are responsible for implementing control and risk management processes.

GIVEN THE NATURE OF THE GROUP'S ACTIVITIES, THE PRINCIPAL RISKS AND UNCERTAINTIES IT FACES ARE:

1. Regulatory risk
2. Credit risk
3. Liquidity risk
4. Exchange rate/currency risk
5. Growth risk
6. Information and technology risk
7. Human resources risk
8. Competition risk
9. Interest rate risk
10. Social and environmental risk
11. Reputational risk

OUTLINE OF THE FRAMEWORK IN PLACE FOR RISK MANAGEMENT

1. Defines high-level strategy. Ensures the Group has effective risk management policies in place. Approval of the risk management framework and risk principles	Board role
2. Sets risk appetite and strategy, frameworks and principles to be recommended to the Board. Identifies new risks	Senior management role
3. Management determines risk appetite	Risk appetite
4. Management defines governance, risk and compliance framework including principal processes and procedures	Governance framework
5. Three lines of defence model implemented at all levels of the Group	Three lines of defence
6. Frequent reporting at the country level as well as from country to Group level to identify key risk areas and prioritise risks likely to occur	Risk and control cycle from identification to reporting
7. Development of risk culture throughout the organisation	Risk culture / Risk resources and capabilities[1]
8. Day-to-day management of risks as per three lines of defence model	Primary risk categories

1 Ensuring the resources are in place to effectively implement the risk control framework and staff are equipped with necessary expertise.

Managing Directors within each country work closely with the Group's senior management and play a vital role in the Group's risk management and ensure proper implementation of control activities, policies and procedures to microfinance institutions.

SECOND LINE OF DEFENCE

The second line of defence is comprised of the management of the respective departments and personnel, who provide guidance and oversight of the users of the products/services of the first line of defence. This consists of each entity's operation team including mid and upper line management and entities' central management (i.e. compliance and other independent functions as such: finance and accounts, treasury, IT, HR and the Risk department). The second line of defence is supported by the risk management team ('RMT') at the Group level and the risk management unit ('RMU') at the microfinance institution level. The RMU is a designated team or individual who reports to the local board. The RMT is a two-person team headed by the Senior Vice President – Treasury, Investment & Risk Management in Dhaka, and reports to the Audit and Risk Committee of the Board.

The primary function of the second line of defence is to oversee the activities performed by the first line of defence and to help ensure that risk and control are effectively managed. The second line of defence works closely with its respective operation team to provide expertise in risk, define the risk implementation strategy, implement risk management policies and procedures, and collect information to create an enterprise-wide view of risk and control.

General responsibilities of the second line of defence include: identifying and monitoring known and emerging issues affecting the Group's risks and controls; identifying shifts in the organisation's implicit risk appetite and risk tolerance; and assisting management in designing and developing processes and controls to measure risk.

Finally, the nature of the Group's business means that it operates in low-income communities around the world with a low-cost structure. This structure exposes the Group to operational risk associated with fraud and misappropriation. The most common types of fraud and misappropriation that the Group experiences include direct theft of funds by staff, misleading statements, bribes and kickbacks, loan sharing with and between borrowers and ghost loans and loan syndications by borrowers. To mitigate these operational risks, the Group has established operational policies and practices to prevent fraud, including training and orientation on fraud and misrepresentation, staff background checks and client verification. It has also established a Fraud and Misappropriation Prevention Unit for each of its microfinance institutions. The objective of this unit is to reduce the financial risk and losses caused by fraud and misappropriation through the review and investigation of any suspicious or unusual branch activity and/or client complaints through unannounced branch inspections, and reports to the Managing Director of the microfinance institution (with a reporting line to the Group).

THREE LINES OF DEFENCE

BOARD OF DIRECTORS

Board establishes the risk strategy and regularly reviews risk appetite
Approves frameworks, methodologies, policies and responsibilities

OPERATIONAL MANAGEMENT	RISK MANAGEMENT	INTERNAL AUDIT
FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Line management in each business area	Independent risk management function	Internal audit function
Primary responsibility for systems, controls and risk management	Provides specialist advice, governance and oversight	Independent assurance and reporting line to the Board
	Supports and challenges the first line	

THIRD LINE OF DEFENCE

The third line of defence is internal audit at both the Group level and the microfinance institution level. In addition to regularly performing internal auditing activities at the microfinance institution and the Group's corporate headquarters, the internal audit department is responsible for continuous independent assessment and measurement of the risk areas, verification of control measures to manage risks and recommending corrective measures, where relevant. It achieves this by auditing the risk management functions to ensure that all units responsible for managing risk are performing their roles effectively and continuously.

The internal audit department is not permitted to perform management functions in order to maintain its objectivity and organisational independence. The internal audit department tests the adequacy of internal controls and makes recommendations to the Board of Directors on ways to strengthen any weaknesses identified within the Group's risk management framework.

BOARD OF DIRECTORS

The Board of Directors is composed of experienced industry experts and management professionals who retain the ultimate responsibility for risk management. The Board of Directors establishes the Group's objectives, defines high-level strategies to achieve those objectives and creates governance structures to best manage risk as a part of its risk management framework.

On an ongoing basis, the Audit and Risk Committee also reviews the adequacy and effectiveness of the Group's risk management and internal control arrangements in relation to the Group's strategy and risk profile for the financial year. This covers all material controls including financial, operational and compliance controls. On the basis of its own review, the Board considers that it has in place adequate systems and controls with regard to the Group's profile and strategy.

Following the outbreak of COVID-19, management considered the impact on the principal risks. As a result, the Group has continued to strengthen its risk management framework, at both a Group and business level.

A summary of the Group's principal risks and uncertainties is provided below:

PRINCIPAL RISKS

The Group's key risk management areas are operational risk, financial risk, legal and compliance risk and strategic risk. Details can be found on pages 52 to 55. The summary in this section should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group but rather those which the Group currently believes may have a significant impact on its performance and future prospects.

RISK MANAGEMENT CONTINUED

Principal risks

During the year, the Group faced a challenging external environment due to the COVID-19 pandemic, particularly from a regulation, credit and growth standpoint in almost all countries where it operates.

Internally, the Group's operational governance framework and risk management processes are continually reviewed to ensure that where areas of improvement are identified, a plan of action is put in place and can become a key focus for the Board. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board. The Company's risk appetite was significantly impacted in 2020.

Below 11 principal risks faced by the Group, considered most relevant for 2020, are addressed.

In 2020, following the outbreak of COVID-19, the Company's risk profile was severely impacted. The Company proactively took action to mitigate the impact of COVID-19 and revised its strategy due to changes in the operating environment. In mitigating the impact of COVID-19, the Company focused on its clients, operational efficiency, liquidity and cost savings across its business.

Read more on pages 8 to 11

LEVEL OF CHANGE KEY

Risk decreasing

Risk remains stable

Risk increasing

RISK	CHANGE IN 2020	HOW WE MITIGATE OUR RISKS/NEXT STEPS
1 Regulatory risk The Company may suffer losses or fail to optimise profitable growth due to regulatory changes or through political activism. **OBJECTIVE** The Company aims to ensure that effective arrangements are in place that enables it to comply with legal and regulatory obligations and it aims to ensure that regulatory risks are controlled. **LEVEL OF CHANGE:** ↑	Various rules and regulations were in place to control the spread of COVID-19. Many markets saw (temporary) lockdowns, curfews, travel restrictions or other safety measures which impacted collections. In some countries (compulsory) moratoriums were introduced. There was a moratorium available for clients in India until 31 August 2020. The Bank of Sierra Leone required forborne loans to be interest free. Dividend payments by banks temporarily suspended in Ghana. Political parties in Assam, India are discussing loan waivers for microfinance clients, which is negatively affecting collection efficiency. The recently passed Assam MFI bill 2020 in India also created confusion and affected collections in the short term. Pakistan is in the final stages of securing a Microfinance Bank licence, which is expected in 2021. Following receipt of the non-deposit taking licence in Tanzania, the Bank of Tanzania is expected to impose an interest rate cap on ASA Tanzania of 42% p.a. In Kenya, the government intends to introduce a regulatory framework for non-deposit-taking institutions. In Nigeria, the merger of ASHA MFB with ASIEA, the NGO operations, has been executed. Elections in Myanmar led to political unrest, followed by the military taking control over the government with associated security measures.	The Company expects further temporary measures by governments to limit the spread of COVID-19 which may impact on its operations. The Company continues to follow up on the pending licence applications. The Company proactively discusses new changes with regulators, timely implement new requirements and ensure the ASA Model is well understood when new regulations are being proposed and drafted. In India, the RBI proposes uniform regulations for all lenders in microfinance including commercial and SME banks (which were subject to fewer restrictions compared to NBFC-MFIs). This is expected to create a level-playing field in the sector. The Company expects both Pakistan and Tanzania to become fully regulated by the central bank in 2021. The Company timely prepares for any anticipated minimum capital requirements. Strong relationships are maintained with regulators and other stakeholders, alongside regular interactions, in order to maintain alignment and compliance with current and emerging regulations. The Company will closely monitor the political developments in countries like India and Myanmar, so that appropriate action can be taken and regulatory risk can be managed effectively.

RISK	CHANGE IN 2020	HOW WE MITIGATE OUR RISKS/NEXT STEPS
2 Credit risk Risk that the Company will incur a loss because its clients or counterparties fail to discharge its contractual obligations. **OBJECTIVE** The Company aims to ensure that the portfolio at risk is kept at a minimum percentage at all times. **LEVEL OF CHANGE:** ↑ Credit risk is particularly relevant to the Directors assessment of going concern as described in note 2 (pages 107 and 108) in the financial statements.	The loan portfolio at risk is higher in certain markets due to the adverse impact of the COVID-19 pandemic. The field collections were disrupted due to restrictions on movements and eligibility for moratoriums by clients. Due to the economic downturn and the resulting adverse impact on local business, a proportion of the Company's clients have struggled to repay or are delaying their repayments. As a result of this and the impact of lockdown measures and moratoriums, there has been an increase in PAR>30, over what is normally experienced. PAR>30 increased from 1.5% at the end of 2019 to 13.1% at the end of 2020. As at 30 April 2021, significantly high PAR>30 ratios are seen in India 24.3%, Philippines 21.7%, Kenya 13%, Uganda 14.9% and Rwanda 9.7%.	Despite the fact that a PAR>30 of less than 1% has become customary in recent years, there remains a risk that the Company's portfolio may suddenly deteriorate due to a broad array of external factors as highlighted under principal risks. The Group is confident that PAR>30 levels will reduce given this is the experience of the Company over many years when faced with natural disasters and more localised challenges. The Company adheres strictly to the operating procedures of the ASA Model, which includes setting limits on the amount of risk it is willing to accept for each individual borrower taking a security deposit where it is customary and allowed under the current licence, prevent over-borrowing and to prevent excessive geographic concentration. The Group continuously monitors changes in the portfolio and will take immediate action when changes occur.
3 Liquidity risk The Company's operations may be impacted if the Company is unable to meet its payment obligations when it falls due under normal and stress circumstances. **OBJECTIVE** To manage liquidity risks and avoid loss of business, missed opportunities for growth, or legal or reputational consequences. **LEVEL OF CHANGE:** – Liquidity risk is particularly relevant to the Directors assessment of going concern as described in note 2 (pages 107 and 108) in the financial statements.	Due to COVID-19, collections were disrupted in certain markets. This led to portfolio quality and financial covenants breaches in respect of certain loans to the holding companies of the Group. In this situation it usually becomes challenging to attract new third-party loans. The Company did not face any liquidity issues. Most lenders granted waivers in respect of covenant breaches and no lenders considered calling an event of default. No major liquidity issues were reported by any subsidiaries. The Group continued to have access to local and international funders and disbursements continued uninterrupted.	While economic uncertainty has the potential to impact funding markets, overall, the Company is diversified across 13 countries and remains well funded and continues to have good access to a wide range of funding sources both at local and holding level. The Company maintains solid relationships with its debt providers who continued to show strong interest to fund its operations both locally and at the holding level. The Company is confident it will be able to continue to secure waivers for covenant breaches, following the impact of COVID-19. To mitigate its liquidity risk, the Company has improved liquidity management policies. The Company remains vigilant as a possible future deterioration of its loan portfolio could quickly lead to liquidity concerns, which may have a broader impact on its operations.
4 Exchange rate/ currency risk The Company may suffer a financial loss arising from adverse movements in foreign exchange rates. **OBJECTIVE** To manage currency risks and minimise loss due to foreign currency exposure. **LEVEL OF CHANGE:** –	The exchange rate remained relatively stable in Myanmar, Philippines, Uganda and Tanzania. Local currency volatility against the USD since the beginning of the year was mainly in Zambia (-31%), Kenya (-8%), Nigeria (-6%), Rwanda (-5%) and Pakistan (-4%).	The Group manages its currency risk through natural hedging, i.e. by matching the relevant microfinance subsidiary's local currency assets with local currency liabilities, and by obtaining funding denominated in local currency. For USD funding to the subsidiaries the Company will continue to ensure that close to 100% of its currency exposure is hedged. The currency movements of the Company's operating currencies vis-à-vis the USD remain unpredictable.

RISK MANAGEMENT CONTINUED
PRINCIPAL RISKS CONTINUED

RISK	CHANGE IN 2020	HOW WE MITIGATE OUR RISKS/NEXT STEPS
5 Growth risk All risk and challenges associated with the Company's operational expansion. **OBJECTIVE** The Company aims to meet its business plan in a controlled manner. **LEVEL OF CHANGE:** ↑	Growth targets could not be achieved due to the adverse impact of the COVID-19 pandemic on the microfinance operations and the economy as a whole. Uncertainty remained due to a second wave of infections in some countries. Demand for new loans were temporarily reduced.	When setting growth targets, the Company remains prudent as high growth may lead to increasing balances overdue in its loan portfolio. The Company has improved the fraud and misappropriation unit to grow in a controlled manner. The Company sees good demand for new loans from borrowers in markets that were relatively unaffected by COVID-19.
6 Information and technology risk The Company may suffer losses or fail to optimise profitable growth due to a failure of its systems and processes, or due to the loss or theft of sensitive information. **OBJECTIVE** The Company aims to maintain adequate systems and controls that reduce the threat of service disruption and the risk of data loss to as low as is reasonably practicable. **LEVEL OF CHANGE:** ↑	AMBS transformed into a real-time-based system in all markets. The Company stepped up its cybersecurity measures as cyber-attacks on, amongst others, data encryptions, server- and email hacking posed an increased risk during the COVID-19 pandemic. The microfinance institutions reported an increase in queries, which relate to the changes in the system. This related mostly to required changes resulting from COVID-19, such as the implementation of the declining balance method loan products, moratoriums and lockdown interest. By Q2 of 2020 the establishment of the Data Centre (DC) in the cloud with 99.99% availability and on-premise Disaster Recovery Site ('DRS') was completed for Dhaka and India.	The Company ensures the number and quality of its IT staff stays at the right levels, by means of recruitment, technical support and computer skills, and measures are taken to reduce the likelihood of a significant failure or information loss in its systems. The Company continues to further invest in AMBS to ensure the quality and reliability of its IT systems and the gradual introduction of digital financial services. Due to COVID-19 the establishment of DC-DRS, besides Dhaka and India, was deferred to 2021.
7 Human resources risk The Company's strategy may be impacted by not having sufficient skilled people or being unable to retain key people and not treating them in accordance with the Company's values and ethical standards. **OBJECTIVE** The Company aims to have sufficient personnel to ensure meeting its growth objectives. **LEVEL OF CHANGE:** –	Overall staff dropout has been limited since the start of the COVID-19 pandemic. The Company found that its staff maintained their commitment despite the disruptions. The microfinance institutions trained staff on a limited scale, ensuring health & safety precautions due to the COVID-19 pandemic. A considerable portion of the training took place in January and February 2020. After reopening from the COVID-19 lockdowns, virtual training sessions were arranged, along with face to face sessions, ensuring social distancing and other health and safety precautions.	The Company seeks to attract, retain and develop staff by providing competitive remuneration structures and long-term career opportunities and by investing in training and development of all staff. The Company evaluates its human resource risk by observing the availability of skilled staff within its compensation bands as well as compliance and regulatory issues that impact staff, including visas or employment permits needed for its expatriate staff. Since 2019 staff in all countries can file any complaints or misconduct experienced at a Grievance Mitigation Committee (GMC).
8 Competition risk The Company may suffer losses or fail to optimise profitable growth by not responding well to the competitive environment or failing to ensure its proposition meets customer needs. **OBJECTIVE** The Company aims to ensure it understands competitive threats and continues to focus on the needs of its clients. **LEVEL OF CHANGE:** –	The competition risk remained low. The market was not competitive, which may be caused by the adverse impact of COVID-19 on the entire MFI sector. In Kenya, the number of fintech loan providers continued to increase, however the Company did not experience real competition from such service providers.	The Company focusses on developing and maintaining strong client relationships and tailor its products and services to specifically meet clients' needs. The Company continuously monitors client satisfaction. The Company is anticipating the challenges of an ever-increasing digital world with more of its clients acquiring smartphones in the coming years and expecting to be able to avail of their services digitally. The Company is designing its digital platform and when clients are ready, the Company plans to introduce mobile applications that meet clients' needs and expectations.

RISK	CHANGE IN 2020	HOW WE MITIGATE OUR RISKS/NEXT STEPS
9 Interest rate risk The Company's profitability or results of operations may be impacted by fluctuations in interest rates. **OBJECTIVE** To limit the impact of interest rate movements and exposure to financial counterparties. **LEVEL OF CHANGE:** ↑	In some markets, such as Pakistan and Myanmar, there have been increased hedging costs. Cost of borrowing for the Group has gone up.	The Company's strategy in evaluating and managing its interest rate risk is to conduct a cost of funds analysis and especially to monitor interest rates in those countries where there is a limit on the amount of interest it may charge, such as in India, Sri Lanka and Myanmar or possibly over time in certain countries in Africa.
10 Social, health and environmental risk The Company may suffer financial loss as a result of a failure to identify and/or adapt to changing external conditions, such as natural disasters or other catastrophic events. **OBJECTIVE** The Company aims to have business processes that allows it to adequately respond to changes in economic conditions and natural disasters. **LEVEL OF CHANGE:** ↑	Since the start of the COVID-19 pandemic, 25 deaths have been accounted for amongst its clients. Due to the impact of COVID-19 the Company adapted its client relationships to adhere to social distancing, changing the size of client groups and repayment procedures which impacted collection efficiency. Clients experienced a shortage of health and safety products and awareness. In India, cyclone Amphan in the south of West Bengal impacted collection efficiency of many of its clients in this region.	The Company carries out daily monitoring of economic, political and national news briefings. The Company's regular face-to-face client contact coupled with strong, personal relationships informs the Company of individual customer circumstances. The Company's presence in communities close to its clients allows for immediate and relevant mitigating actions. The short-term tenor of its loans helps mitigate the risks that the Company encounters due to changes in the social and environmental conditions. The Company develops action plans proactively in situations of expected calamities such as the global COVID-19 outbreak. The Group generates reports on any social and environmental policy outcomes and the number of client and staff complaints it receives and resolves.
11 Reputational risk The Company may suffer financial or reputational damage due to possible misconception of the quality of its services. **OBJECTIVE** The Company aims to be fully aligned with the long-term interests of its clients. **LEVEL OF CHANGE:** –	The Company has not experienced major reputational concerns. The Company invested in community projects in some of its operating countries, which further strengthened the relationships with its clients and the communities in which the Company operates.	The Company offers its services in a client-friendly and transparent manner. The Company's operating procedures require staff to provide services in a responsible manner and prevent inadvertent over-borrowing. The Company has clearly defined corporate values and ethical standards which are communicated throughout the organisation, its customer base and other stakeholders. The Company meets the highest standard in terms of client protection principles and business transparency. The Company continues to measure its impact via the client economic yield survey. The Company maintains close relationships with clients and the broader communities in which they work. The Company strongly supports the establishment of local credit agencies.

GOVERNANCE REPORT

Chairman's Introduction

The Board is committed to improving the governance and culture of the Group to allow the Company to continue to grow as the largest international microfinance institution with a high-quality loan portfolio across our markets in Asia and Africa.

Dear Shareholder

In 2020, the Board devoted considerable attention and focus to the strategy for combating the impact of the COVID-19 crisis. Our solid governance framework and operating policies and procedures were key components in successfully overseeing the Company and guiding management in the execution of the desired measures in the face of macroeconomic challenges and complex operating environments.

As Chairman of the Board since January 2021, my role is to lead the Board in ensuring that effective governance policies are in place and that the Board operates effectively, in the interests of the Company as a whole. We also monitor the Group's strategy and culture. At the time of the outbreak of the pandemic our first concern was the health and safety of our staff and customers. The Board was provided with very frequent updates on the impact of COVID-19 on our business and had regular discussions with management. Throughout the year, the number of Board meetings was increased to allow the Board to remain fully briefed and to consider the required strategies and actions, with additional calls scheduled between the Board and management as required.

As ASA International operates internationally, the Board had already become accustomed to virtual meetings, but dispensed with physical meetings entirely in 2020. Although virtual meetings will no doubt continue, we believe face-to-face meetings are important and will resume them once restrictions are lifted. Unfortunately, due to the pandemic the Board did not have the opportunity to interact as actively with employees and clients in the countries of operations as planned. In addition to the Board and Committee meetings, the Board ensured that it engaged in regular interactions with the management team as well as individual key managers.

Despite the backdrop of a challenging operating environment the business showed resilience, though there were particular and persistent challenges in certain key markets. In the light of our financial results, the Board has decided not to pay a dividend for 2020. We appreciate that this is disappointing for shareholders, but believe this is a prudent decision in the circumstances.

On 7 December 2020, Dr Salehuddin Ahmed was appointed as a Non-Executive Director. Dr Ahmed brings with him a wealth of experience in banking and in particular in catering to the needs of low-income people. The Board also believes that Dr Ahmed may be able to fill part of the vacuum left by the passing of Mr Shafiqual Choudhury given his depth of knowledge of the microfinance industry. Dr Ahmed underwent a successful virtual Non-Executive Director induction programme during the year. We look forward to meeting him in person during our next physical meeting which we hope will take place before long.

The Board has conducted its usual annual review of the effectiveness of our operation and practices. Generally, the views expressed are that the Board and Committees functioned well during 2020 despite the constraints imposed by COVID-19. Following the 2019 review the Board identified a number of areas where enhancements could be made. In 2020, a number of actions were taken, and the Board will continue to monitor progress in 2021. The Board in particular noted the importance post pandemic of refocusing on the longer-term growth strategy as well as on culture and succession throughout the Group. We also look forward to resuming full physical engagement with all our stakeholders at the earliest opportunity.

In the view of the Board, it is important that the Company's values and associated behaviours are embedded across the Group. This will be on the agenda again along with stakeholder and workforce engagement.

In 2020, we were obliged to hold the AGM behind closed doors in line with the UK Government's restrictions on public gatherings. In preparing for the 2021 AGM, the health and safety of the Board, our colleagues and of course our shareholders will be given the highest priority. Further details will be provided when our Notice of AGM is published on 1 June 2021.

GUY DAWSON
CHAIRMAN OF THE BOARD
31 May 2021

Leadership from the Board

The Board's primary role is to provide leadership and ensure that the Company is appropriately managed and delivers long-term stakeholder value.

The Board is responsible for setting the Company's objectives and policies, and providing the effective leadership and control required for a public company. It is also responsible for approving the Group strategy, budgets, business plans and major capital expenditure, and it monitors financial performance and critical business issues.

The Board supervises the Group's operations, with the aim of ensuring that it maintains a framework of prudent and effective controls which enables risks to be properly assessed and appropriately managed.

BOARD SIZE AND COMPOSITION

The Board comprises: Guy Dawson (Non-Executive Chairman), Dirk Brouwer (Chief Executive Officer), Aminur Rashid (Executive Director Operations), Hanny Kemna (Senior Independent Director), and three further Non-Executive Directors: Gavin Laws, Salehuddin Ahmed and Praful Patel. For health reasons, Md Shafiqual Haque Choudhury resigned as a Director and as Chairman of ASA International, with effect from 31 December 2020. At the request of the Board, he was assigned the role of President as of 1 January 2021. Tragically, he passed away on 12 February 2021. Guy Dawson was appointed Chairman of the Board as of 1 January 2021.

The Company is committed to ensuring that any vacancies that may arise are filled by the best-qualified and most suitable candidates and recognises the value of diversity in the composition of the Board. When Board positions become vacant as a result of retirement, resignation or otherwise, it is focused (through the Nomination Committee) on ensuring that a diverse pool of candidates is considered. By a process of annual review, the Board ensures that it continues to consist of members who have the relevant knowledge, skills and expertise to undertake their duties as Directors in such a way as to ensure proper corporate governance and help to generate sustainable long-term value for stakeholders.

Biographical details of the Directors at the date of this report are set out on pages 68 and 69 together with details of their membership of Board Committees.

NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The UK Corporate Governance Code recommends that at least half the Board of Directors of a UK-listed company, excluding the Chairman, should be Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement. The Board consists of five Non-Executive Directors, including the Non-Executive Chairman, and two Executive Directors. The Company regards all of the Non-Executive Directors, as 'independent Non-Executive Directors' within the meaning of the Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

SENIOR INDEPENDENT DIRECTOR

As recommended by the Code, the Board has appointed one of the Non-Executive Directors to be the Senior Independent Director to provide a 'sounding board' for the Chairman in matters of governance and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director meets the other Non-Executive Directors once a year to appraise the performance of the Chairman, and is available to shareholders if they have concerns which contact through the normal channels of the CEO and the Chairman has failed to resolve or for which such contact is inappropriate. Guy Dawson was the Senior Independent Director through 2020, and Hanny Kemna was appointed Senior Independent Director on 1 January 2021 when Guy Dawson became Chairman.

The UK Corporate Governance Code further recommends that Directors should be subject to annual re-election. All the Directors of the Company were re-elected at the AGM held on 30 June 2020.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 ('THE CODE')

The Board complied with the Code during 2020, save that Md Shafiqual Haque Choudhury, the Chairman, did not meet the independence criteria set out in the Code upon his appointment as Chairman. Following the appointment of Guy Dawson as Chairman on 1 January 2021, the Board expects to comply with the Code in full during 2021.

MATTERS RESERVED FOR THE BOARD

The Board has responsibility, inter alia, for the overall leadership of the Company and setting the Company's values and standards. Specifically, it approves the annual operating and capital expenditure budgets and any material changes to them. It also oversees the operations of the Group so as to ensure prudent management, planning, risk management and internal control systems, adequate accounting and other records, and compliance with statutory and other regulatory obligations. It periodically reviews performance in the light of the Group's strategic aims and business plans and budgets, and ensures that any necessary corrective action is taken. The Board is responsible for approving the interim and annual financial statements and the Annual Report, including the dividend policy and the declaration of interim and proposing to shareholders of final dividends.

The Board has overall responsibility for ensuring a sound system of internal control and risk management, including procedures for the detection of fraud and the prevention of bribery.

The Board has delegated the day-to-day running of the Group to the CEO and his management team, who review and approve all of the information and proposals that are submitted to the Board.

GOVERNANCE REPORT CONTINUED
LEADERSHIP OF THE BOARD CONTINUED

Directors receive a pack of briefing notes and reports for their consideration in advance of each Board meeting, including reports on the Company's operations, so as to ensure that they remain briefed on the latest developments and are able to make fully informed decisions. The briefing notes and reports, and the Board's consideration of them, take into account the factors set out in section 172 of the Companies Act 2006 concerning the need to have regard to the interests of the Company's various stakeholders.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. All Directors may take independent professional advice at the expense of the Company in the furtherance of their duties, if they judge it necessary. On appointment, all Directors are advised of their duties, responsibilities and liabilities as a Director of a public listed company. Directors have the right to request that any concerns they have are recorded in the appropriate Committee or Board minutes.

RELATIONSHIP AGREEMENT

The Company has entered into a relationship agreement (the 'Relationship Agreement') with its founders (the 'Controlling Shareholder Group'), the principal purpose of which is to ensure that the Company will be able, at all times, to carry out its business independently of the members of the Controlling Shareholder Group and their respective associates. The Relationship Agreement contains undertakings from each of the members of the Controlling Shareholder Group that (i) transactions and relationships with it and its associates will be conducted at arm's length and on normal commercial terms, (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, and (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. The Company is in compliance with the undertakings in the Listing Rules and the Relationship Agreement and so far as the Company is aware, the undertakings have been complied with by each member of the Controlling Shareholder Group.

In accordance with the terms of the Relationship Agreement, for so long as the CMI (currently holding 30.4%) and Catalyst Continuity (currently holding 16.9%) together retain (i) an aggregate interest of greater than or equal to 25% in the issued ordinary share capital of the Company, they shall together be entitled to appoint two Non-Executive Directors to the Board (but at present have not done so), and (ii) an aggregate interest of less than 25% but greater than or equal to 10% in the issued ordinary share capital of the Company, they shall together be entitled to appoint one Non-Executive Director to the Board. In addition, for so long as CMI and Catalyst Continuity together retain an interest of 10% or more in the issued ordinary share capital of the Company, they shall be entitled to appoint one Non-Executive Director to each of the Company's Nomination Committee and Remuneration Committee.

CMI and Catalyst Continuity previously undertook that, for as long as Dirk Brouwer remained as CEO and Md Shafiqual Haque Choudhury remained on the Board as the appointee of the Controlling Shareholder Group and as Chairman of the Company, they would not exercise the right to appoint an additional Non-Executive Director to the Board or to appoint a Non-Executive Director to the Remuneration or Nomination Committee. Following the resignation of Mr Choudhury at the end of 2020, CMI and Catalyst Continuity were no longer bound by that undertaking.

The Relationship Agreement will terminate if the ordinary shares cease to be listed on the premium listing segment of the Official List and traded on the London Stock Exchange or the Controlling Shareholder Group together ceases to retain an interest of 10% or more of the issued ordinary share capital of the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time).

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

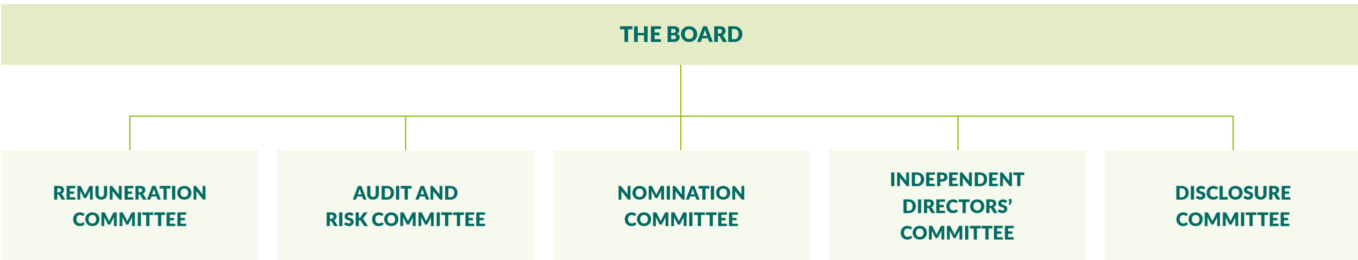
The attendance of Directors at scheduled meetings of the Board and of Committees of which they were members during the financial year is shown in the table below. Some Directors also attended Committee meetings as invitees during the year; this is not reflected in the table.

	BOARD		AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE		INDEPENDENT DIRECTORS' COMMITTEE	
	ATTENDED	TOTAL	ATTENDED	TOTAL	ATTENDED	TOTAL	ATTENDED	TOTAL	ATTENDED	TOTAL
Executive Director										
Dirk Brouwer	9	9								
Aminur Rashid	8	9								
Non-Executive Director										
Md Shafiqual Haque Choudhury	2	9					1	3		
Guy Dawson	9	9	7	7			3	3	2	2
Gavin Laws	9	9	7	7	2	2			2	2
Praful Patel	9	9			2	2	3	3	2	2
Hanny Kemna	8	9	6	7	1	2			2	2
Salehuddin Ahmed	2[1]	9								

1 Attended meetings in December only, pursuant to appointment on 7 December 2020.

Governance framework

BOARD GOVERNANCE STRUCTURE



The Board has established a number of Committees, to which responsibility for certain matters has been delegated. The Board Committee structure is shown in the diagram above. Each Committee has written terms of reference setting out its roles and responsibilities, and the extent of the authority delegated by the Board. The terms of reference are available on the Company's website. The Chairman of each Committee reports regularly to the Board on matters discussed at Committee meetings.

THE BOARD COMMITTEES

As envisaged by the Code, the Board has established three Committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee. The Board has also established the Disclosure Committee and Independent Directors' Committee. If the need should arise, the Board may set up additional Committees as appropriate. Reports on the Committees' activities in 2020 appear later in this report.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in fulfilling its responsibilities in relation to remuneration. This includes making recommendations to the Board on the Company's policy on executive remuneration, including setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors and its Company Secretary. The Remuneration Committee will also ensure compliance with the Code in relation to remuneration.

The Remuneration Committee is chaired by Praful Patel, and its other members are Gavin Laws and Hanny Kemna. The Remuneration Committee normally meets at least three times a year, but met twice in 2020; there was, however, contact between members of the Committee and the management between meetings, and a third meeting was not considered necessary. The Board evaluation process concluded that the Committee discharged its responsibilities properly during the year.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has responsibility for, amongst other things, monitoring the integrity of the financial statements of the Company, reviewing the Company's internal financial controls and monitoring and reviewing the effectiveness of the Company's internal audit function and external audit process.

The Audit and Risk Committee is chaired by Gavin Laws, and its other members during 2020 were Hanny Kemna and Guy Dawson. On 7 December 2020 Salehuddin Ahmed was appointed as a member of the Audit and Risk Committee. Following his appointment as Chairman of the Board, Guy Dawson ceased to be a member of the Audit and Risk Committee on 1 January 2021. The Audit and Risk Committee meets at least four times a year, and met seven times in 2020.

NOMINATION COMMITTEE

The Nomination Committee assists the Board in determining the composition and make-up of the Board. It is responsible for periodically evaluating the balance of skills, experience, independence and knowledge on the Board. It leads the process for Board appointments and makes recommendations to the Board, taking into account the challenges and opportunities facing the Group in the future.

The Nomination Committee is chaired by Guy Dawson, and its other members during 2020 were Md Shafiqual Haque Choudhury and Praful Patel. On 7 December 2020, Salehuddin Ahmed was appointed to the Committee. Md Shafiqual Haque Choudhury ceased to be a member of the Committee upon his resignation as Director and Chairman of the Board on 31 December 2021. The Nomination Committee meets at least twice a year, and met three times in 2020.

INDEPENDENT DIRECTORS' COMMITTEE

The Independent Directors' Committee identifies and manages matters involving conflicts of interest (including potential conflicts of interest) between any Group company, on the one hand, and any controlling shareholder or related party (each as defined under the Listing Rules), on the other hand. It is also responsible for overseeing and scrutinising the relationship between the Group, its related parties and its controlling shareholders (including evaluating, monitoring and approving any material transactions or arrangements between such parties and generally monitoring compliance with the Relationship Agreement (see page 62).

The Independent Directors' Committee comprises all of the independent Non-Executive Directors, being Gavin Laws,

GOVERNANCE REPORT CONTINUED
GOVERNANCE FRAMEWORK CONTINUED

Guy Dawson, Praful Patel and Hanny Kemna. It was chaired by Guy Dawson throughout 2020. On 7 December 2020 Salehuddin Ahmed joined the Committee. The Independent Directors' Committee meets at least twice a year. It met twice in 2020.

DISCLOSURE COMMITTEE

The Disclosure Committee is chaired by the CEO and also includes the CFO and the General Counsel. It meets as required in order to assist the decisions of the Board concerning the identification of inside information and to make recommendations about how and when that information should be disclosed in accordance with the Company's disclosure procedures manual. Its primary duty is to ensure that inside information is properly disclosed in accordance with requirements of the Market Abuse Regulation.

Reports for each of the Board's Committees are set out later in this report, and provide further detail on their role and responsibilities, as well as the activities they have undertaken during the year.

MEETINGS OF THE BOARD

At each scheduled meeting, the Board receives reports from the CEO, Executive Director, Operations and CFO on the performance and results of the Group. In addition, Enamul Haque (COO), Tanwir Rahman (CFO), Mischa Assink (Chief Accountant) attend each meeting to update the Board on performance, strategic developments and initiatives in their respective areas, and the General Counsel – Martijn Bollen – provides updates on compliance, legal and regulatory matters. In addition, the Board receives regular updates from the Senior Vice President, Investments, Treasury and Risk Management, Azim Hossain, and the Head of Group Internal Audit, on risk, compliance and internal audit, respectively. Ms Nadia Zaman was appointed on 3 January 2021 as Head of Group Internal Audit following the resignation of Kamal Sarkar in December 2020. Operational updates are provided by the Executive Director Operations and the COO, Aminur Rashid and Enamul Haque, respectively and updates related to IT systems of the Company are provided by Asifur Rahman, CTO of the Company.

An annual schedule of rolling agenda items ensures that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycles. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise.

The Directors receive detailed papers in advance of each Board meeting. The Board and Board Committee agendas are carefully structured by the CEO, General Counsel and the Company Secretary for the Chairman's approval. Each Director may review the agenda and propose items for discussion with the Chairman's agreement. Additional information is also circulated to Directors between meetings, including relevant updates on business and regulatory announcements. The annual schedule of Board meetings is decided a substantial amount of time in advance in order to ensure, so far as possible, the availability of each of the Directors. In the event that Directors are unable to attend meetings, they receive papers in the normal manner and have the opportunity to relay their comments and questions in advance of the meeting, as well as follow up with the Chairman if necessary. The same process applies in respect of the various Board Committees.

KEY BOARD ACTIVITIES DURING THE YEAR

In 2020 the Board held nine meetings. This was more than usual, due to the need for frequent monitoring of the Company's progress and staff welfare during the COVID-19 pandemic.

Attendance by Directors at Board meetings and Board Committee meetings is shown in the table on page 62.

At its meetings in 2020, the Board reviewed the impact of COVID-19 on operations in various countries, and discussed lockdowns and restrictions imposed by governments and measures and precautions taken including safety measures and cost-cutting measures across the Group. The Board also reviewed operating reports from the CEO and the Executive Director, Operations finance reports from the CFO, the financial statements and interim financial statements, and reports by the Chairmen of the Audit and Risk Committee, the Remuneration Committee, and the Nomination Committee. The briefing for each of its meetings covers financial and operating performance, treasury, risk, human resources, legal and compliance, internal audit, IT and CSR matters. Management accounts are produced for each Board meeting together with an updated dashboard of key performance indicators, broken down by geographical region. On a monthly basis the Board receives a management report covering operations, the financial and budgetary situation, internal audit, taxation, treasury, risk, human resources, legal and compliance matters, and CSR matters.

During the first half of 2020, the number of known infections of COVID-19 started to increase in many of our operating countries, which led governments in these countries to take stringent measures to halt the further spread of COVID-19, including, amongst others, lockdowns, curfews, self-isolation, mandatory quarantine, the closure of public places (such as markets), and restrictions on public gatherings and travel. Some of these measures, in particular the imposition of a temporary lockdown, materially impacted the income generating capacity of our clients and reduced the ability of our staff to conduct regular client meetings and collect loan instalments and disburse new loans. The Board therefore focused on mitigating the impact of COVID-19 on ASAI and on our clients and delivering operational efficiency and cost savings across our business.

The Board oversaw the implementation of various changes introduced in response to the COVID-19 outbreak. Board and Committee agendas were tailored to focus on key priorities taking into account the need to hold most meetings via videoconference. The frequency of meetings and flexibility in meeting arrangements was increased to deal with challenges arising through the year.

The Board actively discussed purpose, values and strategies and culture of the Company and agreed to further focus on this topic in 2021.

A further aspect of reporting to the Board is Social Performance Management ('SPM'), which covers the handling of complaints, satisfaction surveys, and the achievement of social goals. (This is referred to in more detail in the Non-financial statement on pages 26 and 27.)

In 2020, the CEO held regular investor updates and kept investors informed on other matters including the Group's response to the COVID-19 outbreak.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of responsibilities between the Chairman and the CEO has been agreed by the Board. The Chairman has responsibility for the leadership of the overall effectiveness of the Board, setting the Board's agenda, ensuring the maintenance of a proper balance of skills and experience on the Board, succession planning, and the provision to the Board of accurate, clear and timely information to support sound decision-making and to enable individual Directors to fulfil their duties.

The Chairman during 2020 was Md Shafiqual Haque Choudhury. With effect from 1 January, 2021, Guy Dawson is the Chairman of the Company. His other significant commitments are set out in his biography on page 68. The Board is satisfied that his other commitments do not restrict him in carrying out his duties effectively.

The CEO, Dirk Brouwer, reports directly to the Chairman of the Board and is responsible for all executive management within the Group on a day-to-day basis, within the authority granted by the Board. He is assisted in this by a senior management team which reports to him and meets him on a regular basis.

The Company's independent Non-Executive Directors are Praful Patel, Gavin Laws, Guy Dawson and Hanny Kemna and (since 7 December 2020) Salehuddin Ahmed. Within the Board's overall risk and governance structure, the independent Non-Executive Directors are responsible for contributing sound judgement and objectivity to the Board's deliberations and the decision-making process. They also provide constructive challenge and oversight, and monitor the Executive Directors' delivery of the Company's strategy.

POWERS OF DIRECTORS

The Directors are responsible for the management of the Company. They may exercise all powers of the Company, subject to the articles of association and to any directions given by the shareholders by special resolution.

APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment of Directors is governed by the Company's articles of association, the Companies Act 2006 and other applicable regulations and policies. Directors may be elected by shareholders in general meeting or appointed by the Board of Directors in accordance with the provisions of the articles of association. All the Directors of the Company were re-elected at the AGM held on 30 June 2020. In accordance with the Code, all Directors retire and submit themselves for reappointment at each AGM.

Letters of appointment for individual Directors are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office. The articles of association provide that in addition to any power to remove Directors conferred by the Companies Act 2006, the Company may remove any Director from office by ordinary resolution of which special notice has been given.

BOARD PERFORMANCE EVALUATION 2020

The Board carried out a self-assessment in 2020 and overall, the review showed that the Board and its Committees and Directors have functioned well since the earlier Board assessment in 2019. The Board agreed that there are areas where enhancements could be made, including devoting more time to long-term strategic issues, key challenges and Company culture post-COVID-19; revise and implement the 2019 'Section 172' plan presented by management to engage the Independent Non-Executive Directors (INEDs) more with the stakeholders and continuously reviewing detailed senior management succession plans, including at Group level. The Board noted the progress made in preparation of the succession plan for key leadership positions at both the Group and country level which is now in place, including the appointment of a new Board Chairman which was a requirement identified in the 2019 evaluation.

REAPPOINTMENT OF DIRECTORS AT THE 2021 AGM

The Board has confirmed its view that each of the Directors continues to be effective and to demonstrate commitment to his or her role.

On the recommendation of the Nomination Committee, the Board will therefore be recommending that:

- the two Executive Directors, and the other current Non-Executive Directors, Hanny Kemna, Guy Dawson, Praful Patel, Salehuddin Ahmed and Gavin Laws be proposed for reappointment at the AGM.

The Board has determined that the Non-Executive Directors meet the independence criteria set out in the Code.

INDUCTION AND PROFESSIONAL DEVELOPMENT

On appointment, all new Directors received a comprehensive and personalised induction programme to familiarise them with the Group, tailored to their specific requirements. The Company also provided bespoke inductions for the relevant Directors when they were appointed as a Committee Chairman. Induction programmes are tailored to a Director's particular requirements, but would typically include site visits, one-to-one meetings with Executive Directors, the Company Secretary and senior management for the business areas and support functions and meetings with the external auditor. Directors also receive guidance on Directors' liabilities and responsibilities.

Salehuddin Ahmed received an induction programme (which was also attended by the new Chairman) prior to appointment in December 2020, although site visits have not yet been possible due to travel restrictions. Although there were constraints due to the COVID-19 outbreak, virtual meetings enabled our new Non-Executive Director to engage with colleagues over a shorter time period than would have been the case if meeting in person.

In addition, the Chairman and CEO may agree any specific requirements as part of each Non-Executive Director's regular reviews.

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are observed and for advising the Board, through the Chairman or the General Counsel, on all governance matters. All Directors have direct access to the services and advice of the Company Secretary, who also acts as secretary to each of the Board Committees.

CONFLICTS OF INTEREST

The articles of association include provisions giving the Directors authority to approve conflicts of interest and potential conflicts of interest as permitted under the Companies Act.

A procedure has been established whereby actual and potential conflicts of interest are regularly reviewed and appropriate authorisation sought prior to the appointment of any new Director or if a new conflict or potential conflict arises. Directors are regularly reminded that they must declare, before or at the beginning of the meeting concerned, any matter on the agenda for the meeting in respect of

GOVERNANCE REPORT CONTINUED
GOVERNANCE FRAMEWORK CONTINUED

which they may have a conflict of interest; they will, if necessary, withdraw from the meeting during the discussion of that item and not participate in any decision relating to it. The decision to authorise a conflict of interest can only be made by non-conflicted Directors (effectively, the Independent Directors' Committee less any of its members who may be connected with the relevant conflict), and in making such a decision the Directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company. The Board is satisfied that this procedure operated effectively throughout the year.

BOARD AND COMMITTEE EFFECTIVENESS

ANNUAL BOARD AND COMMITTEE EVALUATION

The Board carried out a self-assessment exercise in the last quarter of 2020 (which was finalised in January 2021). The procedure followed was that each Board and Committee member completed a questionnaire, adding comments where appropriate, which was then submitted on an anonymised, aggregated basis to the Committee Chairmen and the incoming Chairman. The Chairman then held discussions with the other Independent Directors and with the Executive Directors about the performance of the Board, the Committees and the individual Directors.

Overall, the review showed that the Board and its Committees and Directors have functioned well since the 2019 evaluation.

DIRECTORS' FITNESS AND PROPRIETY

In line with its regulatory obligations, the Group will undertake annual reviews of the fitness and propriety of all those in senior manager functions, including all of the Company's Non-Executive Directors and a number of other senior Executives. This process comprises assessments of an individual's honesty, integrity and reputation; financial and commercial acumen; competence and capability; and continuing professional development.

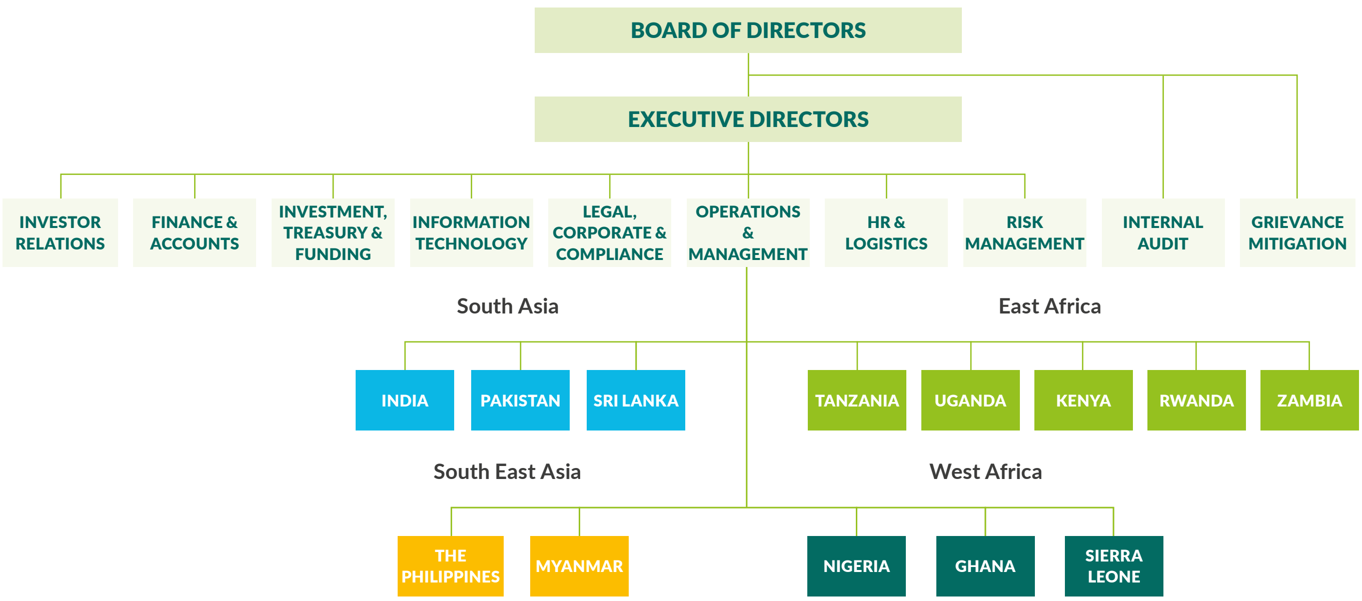
MANAGEMENT AND OPERATIONAL STRUCTURE

The Group's operations are standardised, which allows management's authority to be decentralised and delegated (within specified limits) from the Group's corporate headquarters in Amsterdam (the Netherlands) and joint corporate headquarters in Dhaka (Bangladesh) to each of its microfinance institutions. The Dhaka office is managed by Aminur Rashid, Executive Director, and a team of other seasoned microfinance experts who have previously held senior positions in the industry and have many years of expertise in managing and/or supporting microfinance institutions across Asia and Africa, as well as professionals who previously worked in the financial and legal industry.

In addition to supervising the performance of the Group's local microfinance institutions, executive management in Dhaka is primarily responsible for finance and accounts, treasury, compliance, risk management, audit, tax management, IT, human resource management and corporate secretarial functions for the Group. The Amsterdam office is the base of Dirk Brouwer, CEO, and other senior managers, and provides specialised accounting, finance, legal, corporate and compliance functions along with investment, treasury, (international) tax structuring, funding, investor relations, FX management, and the management of business development projects. The offices of Amsterdam and Dhaka are functionally integrated.

The following chart sets out a simplified overview of the Group's management structure as well as the Group's operating structure, which is based on geographical proximity and associated cultural similarities and is, therefore, segmented into four regions: South Asia, South East Asia, East Africa and West Africa.

The Group's microfinance institutions operate a total of 1,965 branches across 13 countries in South Asia, South East Asia, East Africa and West Africa. Limited administrative layers exist throughout each in-country branch network, which promotes the active participation of all staff, quick and autonomous decision-making capacity, and the efficient deployment and monitoring of loans. Each of the Group's microfinance institutions has its own Board of Directors (each an 'MFI Board') which, in most countries, includes a number of Independent Directors, as well as members of the Company's senior management, including the Chief Executive Officer, Executive Director – Operations, Chief Operating Officer and Senior Vice President, Investments, Treasury and Risk Management. Remaining Independent Directors often have extensive experience in the microfinance industry or at central banks.



LOCAL MANAGEMENT AND OPERATIONAL STRUCTURE

Each of the Group's microfinance institutions also has a country-level head office from which the Managing Director works and manages the microfinance institution, reporting to the local MFI Board and the Group's international corporate headquarters. Reporting to the Managing Director, the head of operations is also located in the country head office and oversees the microfinance institution's mid-level management. The country head office also includes common head office functions including finance and accounts, internal audit, legal and compliance, information technology, human resources and risk management. Internal audit reports directly to the local MFI Board as well as functionally to the Head of Group Internal Audit.

Each country's head office also includes a Fraud and Misappropriation Prevention Unit, which investigates unusual branch activity and/or client complaints through unannounced branch inspections, and reports to the Managing Director of the microfinance institution as well as to senior management in the international corporate headquarters.

The field staff of each microfinance institution comprises mid-level management and branch staff. The mid-level managers of each microfinance institution travel across their respective branch networks and perform their supervisory functions in the branch offices, as they generally do not have separate offices. Mid-level management generally comprises district managers, regional managers and area managers, with some larger microfinance institutions having an assistant district manager or a deputy head of operations. Each level of mid-level management is responsible for reporting to its manager and ultimately to the Managing Director at the country head office, as well as for inspecting branches, including attending a specified number of client group meetings to ensure that operations are effectively carried out. At client group meetings, mid-level management also receives client feedback and follows up any prior client complaints. Each branch is normally staffed by a branch manager, an assistant branch manager, loan officers and supporting staff members.

The table below sets out details of the interests in voting rights of 3% or more notified to the Company as at 31 December 2020 under the provisions of the FCA's Disclosure Guidance and Transparency Rules. Information provided by the Company pursuant to the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information services and on the Company's website.

SUBSTANTIAL SHAREHOLDINGS

NAME OF DIRECTOR	NUMBER OF SHARES	% HOLDING
Md Shafiqual Haque Choudhury[1,2]	1,401,810	1.4%
Dirk Brouwer[1,2]	20,266,146	20.3%
Aminur Rashid[1]	373,178	0.37%

1 Reflects the Company's share capital held in the form of indirect beneficial holdings of shares through an indirect holding in Catalyst Continuity. The votes attaching to the shares held by Catalyst Continuity are ultimately controlled by CMIMC (a company ultimately controlled by Dirk Brouwer). Decisions taken by CMIMC, including decisions as to the voting of the relevant shares, are made by the board of Directors of CMIMC, which includes the founders. CMIMC is ultimately owned by entities ultimately controlled by Dirk Brouwer.
2 Dirk Brouwer holds his interest in the Company via CMIMC which in turn holds its interest in the Company via Catalyst Microfinance Investors and Catalyst Continuity.
The above reflects shareholding as of 31 December 2020. Substantial shareholders do not have different voting rights from other shareholders.

ENGAGEMENT WITH SHAREHOLDERS

The Group has an investor relations ('IR') programme to ensure that current and potential shareholders, as well as financial analysts, are kept informed of the Group's performance and have appropriate access to management to understand the Company's business and strategy.

The Board believes it is important to maintain open and constructive relationships with all shareholders. The Group's IR team, including the Head of IR, reports directly to the CEO and is responsible for managing a structured programme of meetings, calls and presentations around the main events in the financial reporting calendar, as well as throughout the year. The team regularly seeks investor feedback, directly and via the Group's corporate brokers, which is communicated to the Board and management. The CEO and Head of IR, accompanied by the Executive Director, Aminur Rashid, and the CFO, speak to, or meet with, the Group's major institutional shareholders on a regular basis. In addition, the Chairman is available to meet or speak to major institutional shareholders to discuss matters such as strategy, corporate governance and succession planning. The Senior Independent Director is available for shareholders to consult in the event that they have concerns that contact with the Chairman or the CEO has failed to resolve, or where such contact would be inappropriate. Separately, the Independent Directors are available should shareholders wish to discuss any concerns they may have.

Through the Head of IR, the Board is regularly updated on the status of the IR programme. An IR report, summarising share price performance, share register composition and feedback from any investor meetings, is produced for Board meetings.

Relevant presentations, together with all results announcements, Annual Reports, regulatory news announcements and other relevant documents, are available on the Investors section of the Company's website at asa-international.com/investors.

ANNUAL GENERAL MEETING

The Board regards the Company's AGM as an important opportunity for shareholders to discuss the Group and its performance directly with the Board. In normal years all shareholders have the opportunity to raise questions with the Board at the AGM, either in person or by submitting written questions in advance, and the Chairmen of all of the Board Committees and the other Directors attend the meeting. In 2020, however, other arrangements were made because of the impact of COVID-19. Due to the restrictions then in force, only the Chairman of the Board and the Company Secretary were present in order to secure a quorum, and voting was conducted by means of a poll of all proxy votes received. In 2021, similar arrangements may have to be made unless COVID-19 related restrictions have been sufficiently relaxed by the time at which the Notice of AGM is dispatched to shareholders.

GOVERNANCE REPORT CONTINUED

Board of Directors

MD SHAFIQUAL HAQUE CHOUDHURY
NON-EXECUTIVE CHAIRMAN

Until 31 December 2020

N

Md Shafiqual Haque Choudhury was the co-founder of the Group and its Chairman since 2007; he was also the Founder and President of ASA NGO Bangladesh since 1978. He had nearly 40 years of experience in the microfinance industry and held several senior advisory positions including Advisor Ministerial position to the caretaker government of Bangladesh in 2007, and at several international microfinance organisations including CGAP-World Bank and UNDP Microstart. He was also Director of Catalyst Microfinance Investors, a Managing Director of Catalyst Microfinance Investment Company and CMIMC, all of which he co-founded in 2006.

Md Shafiqual Haque Choudhury served as Chairman and Non-Executive Director of the Company from 28 June 2018 until 31 December 2020. He died on 12 February 2021.

GUY DAWSON
NON-EXECUTIVE CHAIRMAN

Appointed: 1 January 2021

N ID

Mr Dawson has been a Non-Executive Director of ASA International since 2013 and became a Director of the Company on 28 June 2018. Most recently he was appointed Chairman of the Board as of 1 January 2021. Mr Dawson will continue to chair the Nomination Committee and the Independent Directors' Committee. Mr Dawson has extensive experience as a Non-Executive Director and previously served in that capacity on the boards of The BOC Group plc and Alliance Boots plc. He is currently a Non-Executive Director of Egerton Capital and Citywire Holdings. He was a founding partner of the independent corporate advisory firm Tricorn Partners, and prior to that held senior investment banking positions in London at Nomura, Merrill Lynch and Deutsche Bank.

DIRK BROUWER
CHIEF EXECUTIVE OFFICER

Appointed: 15 May 2018

Mr Brouwer co-founded ASA International in 2007 and has since served as its Executive Director and Chief Executive Officer. He is also the Managing Director of Catalyst Microfinance Investors, which he co-founded in 2006. With over 20 years of experience in investment banking, and 14 in microfinance, he has held several senior and supervisory positions, having acted as a board member of CMI and Founder and Managing Director of Sequoia which he founded in 2002. Prior to this, he spent 14 years working at Merrill Lynch and PaineWebber. He is also Non-Executive Chairman of CarbonX.

AMINUR RASHID
EXECUTIVE DIRECTOR, OPERATIONS

Appointed: 28 June 2018

Mr Rashid is currently the Executive Director, Operations. Since joining in 2011, he has held the positions of Chief Coordinating Officer and Head of Operations. Prior to this, Aminur was a Director of ASA Bangladesh, since 1992, which is closely associated with the company's micro-finance programme. Before joining ASA, Mr Rashid worked at Grameen Bank. With over 28 years of experience in microfinance, he has held multiple senior industry positions, and worked in extremely varied developmental contexts including Tajikistan, India, Mexico and Nigeria.

Appointment dates: The Directors executed their respective appointment letters (or service agreements in respect of the Executive Directors) on 28 June 2018, the terms of which took effect as of Admission (i.e. 13 July 2018). Guy Dawson was appointed as Chairman w.e.f 1 January 2021 pursuant to letter of appointment dated 17 December 2020.

The Board of ASA International combines leadership in microfinance with strong finance and banking experience. The Directors possess both solid industry experience as well as multiple years of experience in international finance and banking, including senior executive roles.

COMMITTEE: A/R Audit and Risk N Nomination R Remuneration ID Independent Directors

GAVIN LAWS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 28 June 2018

A/R R ID

Mr Laws has been a Non-Executive Director since 2013, a position he also holds at Finablr plc. He also serves as the Non-Executive Chair at Union Bank UK plc, Berkhamsted Schools Group and Liverpool FC Foundation. Prior to this, he was a Director of Nidebsa Limited and a Trustee of Trans Antarctic Winter Traverse. Until 2012, Gavin worked at Standard Chartered Bank for over 30 years. During that time, he served in several executive roles, both in London and overseas, including Group Head of Corporate Affairs and Regional Head of Governance.

HANNY KEMNA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 28 June 2018

A/R R ID

Ms Kemna has been a Non-Executive Director since 2018 and was appointed as Senior Independent Director on 1 January 2021. She is the Chair of the board of Directors for Dutch pension provider and asset manager MN. Ms Kemna is also the Chair of the Audit Committee at insurer Vivat – Athora NL, at healthcare insurer Menzis and at the National ICT Institute for Healthcare in the Netherlands. Since 2020, she has served as a deputy member of the Board of the Dutch Court of Auditors. She worked for Ernst & Young for 22 years and was one of Ernst & Young's Global Lead Partners of Operations and IT audit. Ms Kemna has a broad experience in working with international financial and government institutions.

DR SALEHUDDIN AHMED
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 7 December 2020

A/R ID N

Dr Ahmed has been a Non-Executive Director since December 2020. He is currently a Professor at the Graduate School of Management at BRAC University and an Independent Director of Grameenphone Ltd. He is also on the advisory bodies of several governmental and non-governmental agencies in Bangladesh and a member of the Board of Trustees of three universities and a postgraduate institute. Dr Ahmed was the Governor of the Bangladesh Bank (Central Bank) between 2005 and 2009. Prior to this, he was the Managing Director of Palli Karma-Sahayak Foundation ('PKSF'). He has worked as a Consultant for many international agencies and has authored over 90 publications.

PRAFUL PATEL
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 28 June 2018

R ID N

Mr Patel has been a Non-Executive Director since 2013. He is also a Non-Executive board member of IMAGO Global Grassroots and an independent Non-Executive Director of CMI. Prior to this, he served as a board member of both the Africa Capacity Building Program and the African Center for Economic Transformation, as well as Chairman of the Appeals Board of the Global Fund and President of the Centennial Group's African and Middle East Wing. From 2010 to 2012, Mr Patel was the Leading Expert Panellist for the Program of Infrastructure Development for Africa. From 1974 to 2008, he held several senior leadership roles within the World Bank.

Appointment dates: The Directors executed their respective appointment letters (or service agreements in respect of the Executive Directors) on 28 June 2018, the terms of which took effect as of Admission (i.e. 13 July 2018). Hanny Kemna was appointed as Senior Independent Director w.e.f. 1 January 2021 pursuant to letter of appointment dated 17 December 2020. Salehuddin Ahmed was appointed as Non-Executive Director pursuant to letter of appointment dated 7 December 2020.

Management team

The Group's senior management have significant experience in the microfinance industry ('MFI') as well as traditional financial services.

Joint corporate headquarters in Dhaka and Amsterdam

DIRK BROUWER
CHIEF EXECUTIVE OFFICER
Joined: 2007
Years of MFI experience: 14

AMINUR RASHID
EXECUTIVE DIRECTOR, OPERATIONS
Joined: 2011
Years of MFI experience: 31

TANWIR RAHMAN
CHIEF FINANCIAL OFFICER
Joined: 2017
Years of MFI experience: 11

MARTIJN BOLLEN
GENERAL COUNSEL
Joined: 2007
Years of MFI experience: 14

NADIA ZAMAN
HEAD OF GROUP INTERNAL AUDIT
Joined: 3 January 2021
Years of MFI experience: 10

MD ENAMUL HAQUE
CHIEF OPERATING OFFICER
Joined: 2008
Years of MFI experience: 38

AZIM HOSSAIN
SENIOR VICE PRESIDENT INVESTMENTS, TREASURY AND RISK MANAGEMENT
Joined: 2007
Years of MFI experience: 37

MISCHA ASSINK
CHIEF ACCOUNTANT
Joined: 2011
Years of MFI experience: 10

MD ASIFUR RAHMAN
CHIEF TECHNOLOGY OFFICER
Joined: 2018
Years of MFI experience: 22

Regional Director

EAST AFRICA
MD FARID AHMED
Years of MFI experience: 28

Country Heads

PAKISTAN
SAEED UDDIN KHAN
Years of microfinance experience: 2
Years of banking experience: 35 (including microfinance)

GHANA
MD AOURONGJEB
Years of microfinance experience: 14

INDIA
ANJAN DASGUPTA
Years of microfinance experience: 13
Years of banking experience: 37 (including microfinance)

NIGERIA
MD AMINUL HAQUE BHUIYA
Years of microfinance experience: 28

PHILIPPINES
T. I. M. FAKRUZZAMAN
Years of microfinance experience: 29

MYANMAR
MD ANISUR RAHMAN
Years of microfinance experience: 25

SRI LANKA
MANATUNGA ATTANAYAKE
Years of microfinance experience: 13
Years of banking experience: 41 (including microfinance)

UGANDA
NURUL ISLAM CHOWDHURY
Years of microfinance experience: 26

TANZANIA
MUHAMMAD SHAH NEWAJ
Years of microfinance experience: 9

SIERRA LEONE
SHARIFUL ISLAM KHAN
Years of microfinance experience: 29

KENYA
AKM SAZZAD HOSSAIN
Years of microfinance experience: 12

RWANDA
JAMILUR RAHMAN CHOWDHURY
Years of microfinance experience: 29

ZAMBIA
A B M ASADUZZAMAN
Years of microfinance experience: 30

Directors' report

The Directors of the Company present their report for the year ended 31 December 2020. The Company is a public limited company, incorporated in England and Wales with the registered number 11361159 and with its registered office situated at Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge KT13 0TS, United Kingdom.

The Strategic Report, set out on pages 1 to 59 of this Annual Report, and Corporate Governance Report, Committee reports and the Directors' Remuneration Report, set out on pages 88 to 90 of this Annual Report, include information that would otherwise need to be included in this Directors' Report. Relevant items are referred to below and incorporated by reference into this report. Readers are also referred to the Cautionary Statement on the inside back cover page of this Annual Report.

RESULTS AND DIVIDENDS

The consolidated results for the year are shown on page 102 of the financial statements. 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. In the light of the continuing impact of COVID-19 on our financial results, the Board has also decided not to declare a dividend for 2020.

The profit before tax of the Company was USD 2,578K as against USD 54,336K last year.

The Directors intend that the Company should pay a regular dividend. This dividend policy will reflect the long-term earnings and cash flow potential of the Group, consistent with maintaining sufficient financial flexibility.

DIRECTORS

The names of the Directors of the Company at the date of this report, together with biographical details, are given on pages 68 and 69 of this Annual Report. All of them served throughout the 2020 financial year except Salehuddin Ahmed, who was appointed as an Independent Non-Executive Director on 7 December 2020. In accordance with the UK Corporate Governance Code, all Directors will retire at the 2021 AGM and offer themselves for re-election at that meeting.

Further details on the Directors' remuneration and service contracts or appointment letters (as applicable) can be found in the Directors' Remuneration Report on pages 88 to 90 of this Annual Report.

DIRECTORS' INTERESTS

The Directors' interests in the share capital of the Company as at 31 December 2020 are set out on page 89 of the Directors' Remuneration Report.

POWERS AND APPOINTMENT OF DIRECTORS

The Company's Articles of Association set out the powers of the Directors, and rules governing their appointment and removal. The Articles of Association can be viewed at the Registered Office of the Company (during the COVID-19 period while there are restrictions on movement, a copy of the Articles may be obtained on request to the Company Secretary at the Registered Office). Further details on the powers, appointment and removal of Directors are set out in the Corporate Governance Report on page 65 of this Annual Report.

DIRECTORS' INDEMNITIES AND INSURANCE

In accordance with its articles of association, the Company has granted indemnity to each of its Directors on terms consistent with the applicable statutory provisions. The deeds indemnify the Director in respect of (a) any liability incurred by or attaching to Directors in connection with any negligence, default, breach of duty or breach of trust by the Director in relation to the Company or any associated company, or (b) in the actual or purported execution and/or discharge of the Director's duties and/or the actual or purported exercise of the Director's powers and/or otherwise in relation to, or in connection with, the Director's duties, powers or office as an employee, officer, trustee or agent of the Company and/or any associated company other than any liability (i) to the Company or any associated company, (ii) to pay a fine imposed in criminal proceedings, (iii) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising), (iv) in defending any criminal proceedings in which he/she is convicted, where such conviction is final, (v) in defending any civil proceedings brought by the Company or an associated company in which judgment is given against him or her, where such judgment is final, or (vi) in connection with any application for relief under the provisions referred to in section 234(6) of the Companies Act, where the court refuses to grant the Director relief, and such refusal is final.

Furthermore, the third-party indemnity shall not apply:

(i) to the extent that it is not permitted by, or consistent with, law or statute from time to time in force, the articles of association of the Company or the rules and regulations of any regulatory body;

(ii) to the extent that the Director has been, or is entitled to be, indemnified or reimbursed by any Directors' or Officers' liability insurance or any other insurance;

(iii) where there has been gross negligence, fraud or wilful default by the Director; nor

(iv) where the Director has improperly derived a personal benefit or profit.

Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year, and remain in force at the date of this report. The Company also maintains liability insurance for its Directors and Officers.

SHARE CAPITAL

The share capital of the Company as of 31 December 2020 consists of 100,000,000 ordinary shares of GBP 0.01 each.

Under section 551 of the Companies Act 2006, the Directors may allot equity securities only with the express authorisation of shareholders which may be given in general meeting, but which cannot last more than five years. Under section 561 of the Companies Act, the Board may not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

RIGHTS ATTACHING TO SHARES

The Company's Articles of Association set out the rights and obligations attaching to the Company's ordinary shares. All of the ordinary shares rank equally in all respects.

At general meetings of the Company, on a show of hands, each member has the right to one vote. In a poll, each member is entitled to one vote for every share held.

The shares carry no rights to fixed income. No person has any special rights of control over the Company's share capital and all shares are fully paid.

The Articles of Association and applicable legislation provide that the Company can decide to restrict the rights attaching to ordinary shares in certain circumstances (such as the right to attend or vote at a shareholders' meeting), including where a person has failed to comply with a notice issued by the Company under section 793 of the Companies Act 2006.

DEADLINE FOR EXERCISING VOTING RIGHTS AT AGM

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM, to be held on 30 June 2021, will be set out in the Notice of AGM.

RESTRICTIONS ON THE TRANSFER OF SHARES

There are no specific restrictions on the transfer of the Company's shares, which are governed by the general provisions of the articles of association and prevailing legislation. The articles of association set out certain circumstances in which the Directors of the Company can refuse to register a transfer of ordinary shares.

Directors and employees of the Group are required to comply with applicable legislation relating to dealing in the Company's shares as well as the Company's share dealing rules. These rules restrict employees' and Directors' ability to deal in ordinary shares at certain times, and require the employee or Director to obtain permission prior to dealing. The Directors holding shares are in compliance with the provision of the share dealing rules. The Company is not aware of any arrangements between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

EMPLOYEE LONG-TERM INCENTIVE PLAN

The Company has adopted a long-term incentive plan (the 'Plan'). It is intended that the Plan will be used to grant share options to senior executives selected by the Remuneration Committee of the Board, but the Plan gives flexibility for the Company to grant a range of awards to take account of local legal and tax requirements and changing policy.

The options will be subject to performance and/or service conditions and, in the case of Directors, will be subject to the current Directors' Remuneration Policy. Employees and Executive Directors of the Company and its subsidiaries will be eligible. In any ten-year period, not more than 10% of the issued ordinary share capital of the Company may be issued or be issuable under the Plan and all other employee share plans operated by the Company.

The Company will make awards under the Plan once the necessary terms and conditions have been developed and approved by the Remuneration Committee.

SUBSTANTIAL SHAREHOLDINGS

Details of substantial shareholdings in the Company are set out in the Corporate Governance Report on page 67 of this Annual Report.

ARTICLES OF ASSOCIATION

The Company's Articles of Association were last amended in July 2018. They may only be amended by a special resolution of the Company's shareholders. The Articles of Association can be viewed on request to the Company Secretary at the registered office of the Company.

GOING CONCERN

As disclosed in note 2 of the financial statements, the Directors have concluded that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, who are named on pages 68 and 69, are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare the Group financial statements and as permitted by the Companies Act 2006 have elected to prepare company accounts, for each financial year in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They are responsible for preparing accounts that present fairly the financial position, financial performance and cash flows of ASA International Group plc.

In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, together with the Directors' Report and the Corporate Governance Report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

GUY DAWSON
CHAIRMAN

DIRK BROUWER
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

The Company is required by the Disclosure and Transparency Rules and Guidance to prepare a Corporate Governance Statement including certain specified information. Information fulfilling the requirements of the Corporate Governance Statement can be found in this Directors' Report, and the Corporate Governance Report, Committee reports and Directors' Remuneration Report on pages 86 to 90 of this Annual Report. This information is incorporated by reference into this Directors' Report.

STRATEGIC REPORT

The Company's Strategic Report can be found on pages 1 to 59 of this Annual Report.

BUSINESS ACTIVITIES

The Group's business activities, together with a description of future developments (including the factors likely to affect future development and performance) and its summarised financial position, are set out in the Strategic Report.

Information on the Company's employment practices (including with respect to employee involvement) and greenhouse gas emissions is set out in the Stakeholder engagement section on pages 20 to 23 and Non-financial statement on pages 26 to 29 of the Strategic Report.

SIGNIFICANT AGREEMENTS AFFECTED BY A CHANGE OF CONTROL

A change of control of the Company, following a takeover bid, may cause a number of agreements to which the Company is party to take effect, alter or terminate. These include certain credit facility agreements which include change of control clauses.

FINANCIAL INSTRUMENTS

Details of the Group's financial instruments can be found in note 2.2.3 to the financial statements. The notes begin on page 106.

FINANCIAL RISK MANAGEMENT

The Group has procedures in place to identify, monitor and evaluate the significant risks it faces. The Group's risk management objectives and policies are described on pages 56 to 59, and the risks associated with the Group's financial instruments are analysed in note 29.4 on pages 148 to 155 of the financial statements.

POST-BALANCE SHEET EVENTS

- Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in contracts. Out of total loans of USD 342 million, USD 198 million had breached loan covenants as at year end. The Group was able to receive waivers from most of the lenders. As of 31 December 2020, the balance for credit lines with breached covenants without waivers is USD 31.5 million, which are fully drawn. The Group has received waivers amounting to USD 10 million and fully repaid loans amounting to USD 6.9 million after the balance sheet date. The Group is in discussions with the lenders for waivers on the remaining balance and expects those waivers will be in place in the second quarter of 2021.
- Collections in Myanmar decreased due to the disruptions following the military's takeover of the Government and ongoing nationwide protests.
- Slow recovery in India due to COVID-19 and regional lockdowns due to second COVID-19 wave. There is a threat of government intervention, including possible loan and/or interest waivers, in

the microfinance sector in the State of Assam following aggressive lending practices in the certain districts of the State.
- The Reserve Bank of India proposed new uniform regulations for all lenders in microfinance, including banks, which had fewer restrictions so far compared to NBFC-MFIs. This may have a positive impact on NBFC-MFIs, including ASA India.
- State Bank of Pakistan extended a No Objection Certificate for completion of MFB licence requirements in Pakistan until 30 April 2021. In February 2021, Securities and Exchange Commission of Pakistan issued new certificate of incorporation changing the name from ASA Pakistan to ASA Microfinance Bank (Pakistan) Limited along with the approval in respect of the revised memorandum of association. It is expected that SBP will complete the inspection of its head office and operations during 2021 after which it is expected that the license will be granted.
- Temporary lockdowns and security measures in certain markets such as the Philippines due to COVID-19.
- The suspension on dividends was removed by the Bank of Ghana. Dividends can be declared subject to certain requirements and approval by the Bank of Ghana.
- BoT inspection of ASA Tanzania was completed in Q1 of 2021 in view of the ongoing license application.

POLITICAL DONATIONS

No political donations were made during the year.

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4CR

As required by Listing Rule 9.8.4CR, the table below sets out the location of information required to be disclosed under Listing Rule 9.8.4 R:

LISTING RULE SUB-SECTION	ITEM	LOCATION
9.8.4 (4)	Details of any long-term incentive schemes as required by LR 9.4.3 R	Remuneration Report on pages 85 to 90
9.8.4 (5) – (6)	Details of any waiver of emoluments by a Director	Remuneration Report on page 88
9.8.4 (10)	Details of any contract of significance to which the Company or a subsidiary is a party and in which a Director or a controlling shareholder is materially interested	ASA NGO Bangladesh and AMSL (a wholly indirectly owned subsidiary of the Company) entered into a fresh lease agreement and a services agreement (for the lease of office spaces and related services) in 2020.
9.8.4 (11)	Details of any contract for the provision of services to the Company or a subsidiary by a controlling shareholder, subsisting during the period under review, unless the services are part of the shareholder's main business	None
9.8.4 (14)	Statement that the Relationship Agreement between the Company and the controlling shareholder has been complied with throughout the year	Corporate Governance Report on page 58

RESOLUTIONS AT THE 2021 AGM

The Company's AGM will be held on 30 June 2021. Resolutions to be proposed at the AGM include the election of the Directors and the reappointment of Ernst and Young ('EY') as the auditor of the Group.

The full text of each of the resolutions to be proposed at the 2021 AGM will be set out in the Notice of AGM sent to the Company's shareholders. A letter from the Chairman and explanatory notes will accompany the Notice of AGM.

AUDITOR

The Board (following a recommendation from the Audit Committee) has recommended that EY be reappointed as the Group's auditor at the 2021 AGM, at which resolutions concerning EY's reappointment and authorising the Directors to set its remuneration will be proposed. The full text of the relevant resolutions will be set out in the Notice of AGM sent to the Company's shareholders.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who are Directors at the date of approval of this Annual Report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

PRISM COSEC
COMPANY SECRETARY
31 May 2021

COMMITTEE REPORTS

Audit and Risk Committee report

This report sets out the principal responsibilities of the Audit and Risk Committee, its membership and meetings as well as our key activities during the year.

GAVIN LAWS
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

CHAIRMAN'S OVERVIEW

As Chair of the Audit and Risk Committee, I am pleased to present the Committee's report for the financial year ended 31 December 2020. The Committee spent substantial time in understanding and assessing the effect of the COVID-19 outbreak on expected credit losses, the impact of regulatory changes on the operating environment, implementation of the declining balance method of interest calculation and other related accounting judgements and disclosures. The Committee also closely monitored health and safety measures taken, collection efficiency and the increase in the PAR>30 rate, especially with respect to India and the Philippines.

This report provides an insight into the functioning of the Committee and the activities undertaken by it, including an overview of the principal topics covered at various meetings of the Committee. The Committee apportions its time between periodic review of key present and future risks to the Group and close scrutiny of the financial reporting and internal controls of the Company.

The majority of the Committee's time has been spent on our principal roles and responsibilities which are to:

- monitor the integrity of the Company's financial statements and external financial reporting;
- review the effectiveness of the Group's internal controls;
- monitor and review the activities and performance of both the internal audit function and external audit process;
- monitor the adequacy and effectiveness of the risk management framework;
- assess present and emerging risks and help to focus the Board's attention on key risks especially in view of COVID-19;
- consider key accounting matters and areas of judgement and changes; and
- discuss specific matters tabled at the request of the Committee to allow the Committee to zoom in on topics of interest or concern.

The full terms of reference of the Committee are available on the Company's website (under Investors/Corporate Governance/ Audit and Risk Committee).

In 2020, our third year as a listed company, the Committee focused on the internal controls systems and processes and the challenges faced due to the COVID crisis and on monitoring the Company's response to those challenges. The Committee also closely monitored the impact of COVID-19 in terms of overdue loan repayments across various markets. In particular, the Committee reviewed the provisioning for expected credit losses and the calculation of modification losses in line with IFRS 9 to adjust for loan modifications due to the lockdowns and moratoriums provided to clients, which resulted in loan extensions. The Committee considered accounting judgements and implications relating to the modification of financial instruments and interest income, arising from the implementation of payment deferrals/holidays. During the year, the Committee received regular updates from management on the additional guidance and disclosures made in relation to the COVID-19 outbreak.

The Committee continued to work with management to further improve the risk-based internal audit process as well as the reporting of risk. The Committee will continue to focus its attention on the key responsibilities listed above, and in particular on oversight of Internal Audit and the risk control framework, significant accounting judgements, review of the external audit scope and fees, review of anti-money laundering and anti-bribery policies and whistleblowing arrangements, consideration of the requirements of the UK Corporate Governance Code in relation to stakeholder engagement, long-term viability, risk and going concern. In particular, the Committee will focus on further development of the internal audit function, including IT audits as well as the development, use and security of new and future IT strategies and systems.

MEMBERSHIP AND MEETINGS

The Audit and Risk Committee is chaired by me, and the other members during 2020 were Guy Dawson and Hanny Kemna, both of whom are Independent Directors. On 1 January 2021, Salehuddin Ahmed also joined the Audit and Risk Committee and the Nomination Committee (the latter as of 7 December 2020 following the resignation of Mr Choudhury). On 1 January 2021 Guy Dawson was appointed as Chairman of the Board and accordingly stepped down from the Audit and Risk Committee.

All of the Independent Directors mentioned above (except Salehuddin Ahmed) were formally appointed to the Committee during the Board meeting of the Company held on 28 June 2018 and reappointed at the AGMs held in 2019 and 2020. The qualifications of each of the members are outlined in the biographies on pages 68 and 69. The Board considers that the current members have sufficient skills, qualifications and experience to discharge their duties in accordance with the Committee's terms of reference.

In 2020, the Committee met on seven occasions. Full details of attendance by the Non-Executive Directors at these meetings are set out on page 62. In addition to the members of the Committee, standing invitations are extended to the CEO, CFO, the Chief Accountant, Senior Vice President Investments, Treasury and Risk Management, the General Counsel, representatives of the external auditor, the Head of Compliance and the Head of Group Internal Audit. All attend our Committee meetings as a matter of course and have supported and informed the Committee's discussions. Invitations to attend are extended to other members of management to brief the Committee on specific issues under review, as necessary.

The external auditor ('EY') attends each meeting, and I have regular contact with the lead audit partner throughout the year. The Committee met with both internal and external auditors privately (i.e. without members of management present) at meetings during the year.

Since the Committee has responsibility for both audit and risk monitoring, this report will address the activities of both functions during the financial year.

AUDIT OVERVIEW

As part of its audit function, the Audit and Risk Committee is responsible for monitoring the integrity of the Company's financial statements and reviewing and reporting to the Board on significant financial reporting issues and judgements. The Committee also considers whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements after taking into account the views of the auditors.

Other than the above, the Committee monitors:

- compliance with accounting standards and legal and regulatory requirements;
- the reporting of related party transactions;
- the basis on which the Group is considered to be a going concern;
- any material misstatements in the accounts that are reported by the external auditor; and
- taxation matters.

COMMITTEE EFFECTIVENESS

The Committee considers that it has access to sufficient resources to enable it to carry out its duties and has continued to perform effectively. A formal evaluation of the Committee's performance took place as part of the wider Board evaluation during 2020. As far as the Committee was concerned, no areas were identified as needing improvement.

AUDIT: ACTIVITY IN THE 2020 FINANCIAL YEAR

Since 1 January 2020, the Committee has:

- reviewed the 2019 financial statements and 2020 financial statements and the auditor's findings in relation to them, as well as the responses by management to the recommendations of the auditor;
- considered the EY Audit Planning Report for the 2020 year end audit;
- considered the investment benefit tracking system;
- reviewed and considered PAR>30 and ageing buckets;
- reviewed the accounting impact of the provisioning for expected credit losses and the impact to income recorded due to contract modification under IFRS 9;
- considered the impact of COVID-19 on the adoption of the going concern assumption and resulting disclosures to the financial statements;
- reviewed COVID-19 reports and impact on staff and retention;
- review of the budgets and projections and related going concern and viability statements;
- reviewed and recommended approval to the Board of the transfer pricing policy of the Company which was implemented in 2020;
- reviewed EY Control Observations & Recommendations Report and the management response to them;
- considered the plans and reports from the internal auditor as well as the quality and resources (and budget) available to internal audit;
- reviewed the IT strategy and IT policies of the Company;
- reviewed staffing and recruitment arrangements for the IT, internal audit and FMPU department;
- reviewed the risk framework and made recommendations;
- reviewed KPIs and the risk appetite;
- reviewed the training plan for employees;
- reviewed key legal and regulatory concerns;
- considered the compliance framework (including whistleblowing arrangements) and compliance reports;
- reviewed whistleblowing reports and legal reports with regulatory updates;
- reviewed treasury reports, including funding, liquidity and capital requirements of the Group as well as the compliance with loan covenants;
- reviewed the performance of the current auditors of the Company; and
- reviewed the FRC report and findings on the 2019 external audit by EY.

INTERNATIONAL ACCOUNTING STANDARDS

After the implementation of IFRS 9 and IFRS 16 in previous years there were no significant changes in the IFRS reporting standards applicable for the 2020 financial statements.

REPORTING BY THE EXTERNAL AUDITOR

The Committee received detailed reporting from the external auditor in respect of the final and half yearly results. The Committee and the external auditor discussed the key areas of focus including the risk drivers, the significant risks being material uncertainty due to the potential effects of the COVID-19 outbreak in operating countries, and the uncertainty in relation to cash flow, loan recovery challenges and potential breach of debt covenants. They also discussed the risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers and valuation of expected credit loss provisions (IFRS 9). EY had engaged their specialists to assist in the audit of the appropriateness of the methodology.

They also discussed other key areas of focus including securitisation accounting in India which also included a direct assignment without risks and was off book compared to earlier securitisation transactions, IFRS 16 standard, foreign exchange accounting, compliance with laws and regulations, transfer pricing policy. The Committee also received the audit planning report from the external auditor for the 2020 audit.

The Committee specifically spoke to the external auditor about material uncertainty, revenue recognition and loan loss provision. The external auditor reported that the significant audit risks in relation to income recognition and loan loss provision had been reported at each stage and they had not found any material or reportable differences or fraud after extensive revenue testing.

COMMITTEE REPORTS CONTINUED
AUDIT AND RISK COMMITTEE REPORT CONTINUED

The Committee also reviewed the modification loss reported by EY which resulted from the extended loan repayment moratorium in some countries during 2020.

The Committee also reviewed the EY external audit findings and EY Control Observations & Recommendations Report and the management response to each observation made by EY. The Committee had a discussion with management on the observations including proper accounting of all changes in business by finance, reporting by treasury to the CEO, structure of the Finance department, requirement of third-party support to finance and accounts and IT and coordination between IT and Finance.

The Committee also discussed the listing requirements to which the Company is subject, UK Corporate Governance Rules, and adherence to planning, timelines and achievable due dates as a listed company.

Taking into account the external auditor's assessment of risk, but also using our own knowledge of the Group, we reviewed and challenged where necessary the actions, estimates and judgements of management in relation to the preparation of the financial statements.

EY discussed the impact from the COVID-19 outbreak on the execution and delivery of the audit and the plans to deliver the audit through remote working and mitigating actions being taken. There was also discussion on additional relevant work in relation to significant accounting judgements, such as expected credit losses, and the impact of the COVID-19 outbreak on going concern and viability.

As part of its role in assessing the integrity of the Group's external reporting, the Committee has continued to pay particular attention to the key areas of management judgement underpinning the financial statements. The Committee reviewed the significant accounting judgments made during the year, the risks to which the Company was exposed and the systems in place to mitigate or manage them and the overall system of internal controls within the Company.

Specific emphasis was placed on the impact of COVID-19. The Committee devoted significant time, including additional meetings, to the review and challenge of management's approach and analysis of IFRS 9 expected credit losses in light of the COVID-19 outbreak and other geopolitical events. The Group's external auditor regularly shared its views with the Committee on the reasonableness of management assumptions. The Committee also discussed in detail measures taken including health and safety measures, maintaining an active dialogue with clients and financial measures such as maximising liquidity and reducing operational costs. The Committee ensured it was at all times kept up to date with the Government and regulatory developments.

The new declining balance method loan products loans ('DBM Loans') have been introduced in all operating entities within the Group in 2020, except for Pakistan and India. As from 1 October 2020 the existing loan products have gradually been replaced by DBM Loans. The originals loans prior to this date remained in place until full repayment or write-off and were not converted to DBM Loans.

The Committee noted that all key external audit findings in 2019 and H1 2020 findings had been considered by management and targets set for completion of all the findings which shall continue to be monitored by the Committee. Some observations which have been resolved include implementation of a transfer pricing policy and clear demarcation of roles and responsibilities in Finance. Other observations including in relation to the working relationship between Finance and treasury, quality and ownership of financial output, full implementation of the effective interest rate loans in AMBS as well as consolidation software are expected to be resolved by Q2 2021 and Q3 2021.

The Group's liquidity remained strong throughout the COVID-19 crisis with unrestricted cash and cash equivalents remain high at approximately USD 101m at year-end 2020. The Company secured approximately USD 163.9m of new loans from local and international lenders in 2020.

EXTERNAL AUDIT

The Committee assessed the external audit report and audit plan for 2020. EY stated that the scope of the audit would be largely unchanged from 2019.

The auditor identified three significant risks for the FY20 audit:

- Risks in relation to going concern as a result of the COVID-19 pandemic.
- Valuation of expected credit loss provision.
- The risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers.

The Committee concluded that EY remains independent and that its audit is effective.

In 2020, the Financial Reporting Council's Audit Quality Review ('AQR') team completed a review of the EY audit of the 2019 financial statements. The final report from this review was presented to the Committee in February 2021. The review was intended to assess the quality of the audit work performed. There were a limited number of improvements identified from this review and these, alongside the good practice identified by the AQR team, were considered by the Committee. EY presented to the Committee as to how these matters were addressed through the 2020 audit cycle.

The Committee approved changes to the policy on provision of services by auditors of non-audit services to reflect changes in FRC regulations.

OTHER FINANCIAL REPORTING AND FINANCIAL UPDATE

INTERIM ANNOUNCEMENT

The Committee reviewed the draft announcement and interim financial statements.

FINANCIAL UPDATE

The Committee reviewed financial updates from management and discussed various items including increase in PAR>30 ratio, debt-equity ratios, liquidity, cost of funding, impact of forex on cost base, Group guarantees, other operating income, currency depreciation in Asian countries, financial timetable, preparations for half-year review and year-end audit, cost to income ratio and increase in costs, and market expectations. The Committee requested and received presentations from management explaining the key issues raised by analysts, investors and press.

POLICY OVERSIGHT AND REVIEW

WHISTLEBLOWING

The Group places a high priority on all employees understanding the process so as to enable them to speak out when appropriate. In respect of all operating entities, all concerns shall be reported directly to the head of the Audit and Risk Committee ('ARC') of that country and in respect of all headquarters/holding Company staffs (in Dhaka and the Netherlands) any instances shall be directed to me as the Chair of the Group Audit Committee. The Chair shall pass the concern(s) to the Head of Internal Audit. In 2020 the Committee approved an amendment to the Group's whistleblowing policy to the effect that, in Group entities where the entity's ARC Chair is not independent of the management, whistleblowing complaints should be directed instead to the Group GMC, which may refer them to the Internal Audit department to ensure proper handling of the matter.

OTHER POLICIES

Emphasis was placed on regular review by the Board of policies such as anti-bribery and corruption, and anti-money laundering, and approval of the new Transfer Pricing Policy. The Committee noted that all key manuals are in place and requested guidance from the Compliance Officer on the review and approval process. The Compliance Officer prepared a systematic compliance framework, identifying gaps in the existing framework, and has been instructed to further develop all manuals and carry out training on priority. The Committee also emphasised that there should be a zero tolerance policy for cases of sexual or racial harassment.

STAKEHOLDER ENGAGEMENT

The Committee considered an action plan to engage with stakeholders. As part of this it was planned that the Board will appoint one INED per region. They shall engage with local management and staff, including participating in client events and local board meetings. Every alternate year, INEDs will also join the Group wide management meeting, receive annual staff and client surveys, and will be offered the opportunity to meet regulators and lenders.

Unfortunately, due to the pandemic the Board did not have the opportunity to interact actively with employees and clients in the countries of operations. It had many interactions with the management team. I had the opportunity to virtually join the Heads of Finance annual conference and discuss with them the challenges and opportunities facing the Company. I also took questions from them on various matters. I also have a regular conversation with the Group Head of Internal Audit and the Committee gets to meet with members of the senior team who attend every Audit and Risk Committee meeting.

INTERNAL AUDIT

During the year, the Committee held several discussions with the Head of Internal Audit to ensure that, whilst travel restrictions were in place, Internal Audit would still be able to continue its work across the Group and regular reports continue to be delivered to the Committee. The internal audit team was provided online access to the data of subsidiaries although all information required for auditing transactions was not online. However, audit was routinely done internally by the staff in the local entities.

The Committee reviewed the relationship between FMPU and Internal Audit. The internal audit plans and budget are also approved by the Committee. At each meeting the Committee receives a report from the Head of Group Internal Audit summarising audits completed as well as monitoring progress on agreed actions from previous audits.

Internal audit also focused on health and safety issues, compliance matters and IT audit requirements. The Committee worked to ensure that the management would respond to issues raised by Internal Audit within a specified time. The Committee had discussions with management to ensure adequate staffing of the Internal Audit department. The Committee continues to keep the level of resources of the internal audit team under review and holds meetings with the Head of Group Internal Audit from time to time. Ms Nadia Zaman was appointed on 3 January 2021 as Head of Group Internal Audit following the resignation of Kamal Sarkar in December 2020.

IT ORGANISATION AND STRATEGY

The Committee also spent considerable time on the IT organisation and the IT strategy. The Committee continued to track progress on implementation of real-time AMBS and required the Company to prepare backup plans in case of cyber-attacks as well as carry out vulnerability assessment and penetration testing.
The Committee also monitored implementation of the effective interest rate loans and lockdown interest across countries and the changes to AMBS in relation thereto. Operations, Finance and IT worked closely together to define the parameters and implement the solution and we continue to improve the development process and recently further strengthened management and coordination between departments.

The Committee also discussed the digital finance strategy of the Group including the development of the real-time smartphone or mobile app and its piloting in some countries.

The Committee also discussed the recommendations by the external auditor. Certain improvements were introduced as a result in IT including the separation of access and administration rights and regular cyber penetration testing.

LOOKING AHEAD TO 2021: AUDIT PRIORITIES

Key audit priorities for the coming year include:

- reviewing the results announcement for 2020 and recommending the full year results to the Board;
- reviewing significant accounting judgements as well as going concern, viability statement and liquidity risks;
- reviewing non-audit services and other audit policies and auditor independence rules;
- monitoring the actions taken by management to combat the continuing challenges posed to the business by COVID-19;
- looking into the adequacy and security of the Company's AML policy and required whistleblowing arrangements;
- reviewing implementation of the new transfer pricing policy across the Group;
- reviewing the value statement of the Company and focusing on engagement with shareholders and the workforce;
- reviewing the half yearly report from the external auditor of the Company as well as the 2021 report and management letter by the auditor;
- reviewing the management representation letter reports from the Internal Audit function;
- internal audit function, budget, staffing and internal audit approach.
- reviewing the audit plan, auditor objectivity and independence as well as auditor remuneration;
- new requirements relating to energy usage and greenhouse gas emissions.

RISK MANAGEMENT OVERVIEW

As part of its risk management function, one of the Audit and Risk Committee's principal roles and responsibilities is to support the Board in its oversight of risk management across the Group. The identification, management and mitigation of risk are fundamental to the success of the Group.

The ASA International Model has proved to be robust in managing operational risk, but we should continue to retain and recruit the skills and talents needed to meet the challenges we face in our various operating markets and continuously review the adequacy of procedures and operational controls.

The reporting based on the three lines of defence model allows us to ensure that emerging risks are identified and debated and that management's plans for risk mitigation are well understood and appropriately resourced. The Committee requires management to focus, as far as its reports to the Committee and Board are concerned, on presenting key risks. Management provides risk reports to the Committee on a quarterly basis. These reports contain a summary of the key risks and management's risk assessment along with any mitigation actions where relevant. Management also provides a full summary of its risk appetite in relation to its key performance indicators.

This risk reporting process as well as the regular reviews by the Committee were in place and functioning effectively in 2020. The Board emphasised that Internal Audit function should perform risk-based audits and recommended steps to improve the Internal Audit function.

RISK MANAGEMENT: ACTIVITY IN FINANCIAL YEAR 2020

The Risk function continued to evolve in 2020. We continue to work with management to ensure our three lines of defence model is fully embedded across our Group and that the governance and reporting structures continue to provide ever more effective oversight of our risk management. These actions have continued to improve the flow of management information to the Committee, increasing the effectiveness of its challenge and oversight and enhancing visibility on risk and compliance issues identified at all levels across the Group. This year was a challenging one for the Group with lockdowns, curfews or other measures to mitigate the spread of COVID-19 being taken in all of our operating countries. Apart from the health and safety risks, the COVID-19 crisis has primarily been disruptive to our operations due to the imposition of these lockdowns, curfews, restrictions on movement and congregation of people, and the general fear and uncertainty caused by the pandemic, which adversely affected the business activities of our clients in the countries in which we operate.

The Committee carefully assessed impact on portfolio quality, collection efficiency and PAR>30. The Committee maintained its focus on the Group's policies, programmes and practices for strengthening and prioritising our ability to test, detect, resolve and recover from unforeseen operational disruptions in our key markets.

The Committee reviewed the risk management reports presented by management and the actions being taken to manage or mitigate the key risks. The Audit and Risk Committee was actively involved in improving risk reporting by management.

Health and safety, liquidity and IT risks were standing items for discussion in meetings held in 2020 and will continue to be discussed in 2021. Assessment of emerging risks (required under the 2018 Code) will be a standing agenda item for the Committee's discussion in 2021.

Our focus on strengthening the IT system increased during 2020, as we recognise the need for strong cyber defences to protect our systems and customer data and prepare the Company for a digital financial services environment. There has been a further investment in the HR capacity of the IT team including establishment of a quality control team. Further, an IT resource was established in the Netherlands to support the IT team in Pakistan due to requirements in relation to the licence in Pakistan.

The IT technology strategy is constantly under review by the Board and this Committee in order to ensure that we are keeping pace with, and responding to, the latest industry developments, especially in digital finance. IT capability will continue to be assessed in the context of risk appetite, being part of the Company's operational risk. The Committee considered the effectiveness of the internal control systems and believes that they are adequate. The Committee also discussed the preparedness of the Company to deal with cyber-attacks and discussed with the management the transitional risks connected with AMBS being moved onto a real-time basis.

We continue to encourage the Company to engage actively with regulators and industry bodies to ensure that our compliance framework remains appropriate and relevant for all of our businesses. The Legal and Compliance team works closely with colleagues in different countries, providing regulatory advice, as well as shaping policies, delivering training and conducting assurance reviews. The Group Compliance Officer was also appointed as the dedicated anti-money laundering officer.

LOOKING AHEAD TO 2021: RISK PRIORITIES

Key risk priorities for the coming year include:

- effective management of the impact of COVID-19 and stabilising and improving size and quality of loan portfolio;
- monitor the impact of the COVID-19 outbreak on the Group's customer base as well as on the capital and liquidity risk, credit risk, market risk, people and operational risk for the Group;
- effective management and reporting of key risks, specifically foreign exchange exposure, regulatory risks, as well as any other material developing concerns;
- advancement and continuous assessment of the Group's IT policies and systems;
- improving internal audit to allow for more effective risk-based internal audit reviews;
- annual review of the anti-money laundering and anti-bribery and corruption policies and procedures and increase in awareness by training the staff with respect to the same;
- implementation and monitoring of the Health and Safety Policy;
- consideration of the requirements of the UK Corporate Governance Code in relation to long-term viability, risk and going concern as well as further implementing measures for stakeholder engagement by the Board;
- monitoring the actions taken by management to combat the challenges posed on the business by COVID-19.

COMMITTEE ROLES AND RESPONSIBILITIES

The Committee keeps under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems and the Group's procedures for identifying, assessing and managing risk.

COMMITTEE EFFECTIVENESS

As Committee Chair, I meet frequently with senior management of the Group around quarterly Board meetings to discuss the business environment and to gather their views regarding emerging risks, business performance and the competitive environment. The Committee considers that it has access to sufficient resources to enable it to carry out its duties and has continued to perform effectively. We reviewed the Committee's effectiveness as part of the annual board performance evaluation and have implemented slight changes in the reporting of risk that will help us in the future.

MONITORING RESPONSE TO COVID-19

Through the year the Committee continued to discuss and review contingency plans, action plans and other measures taken by the Company in response to the COVID-19 pandemic and the resulting lockdowns and restrictions imposed in various operating countries. The Committee specifically directed the Company to ensure the safety of staff and provide all necessary safety equipment.

The Committee was regularly updated and kept abreast of various governments' rules and guidelines on COVID-19 as the situation developed through the year. The Committee constantly monitored the PAR>30 and expected credit loss provisioning for the Group and the payment relief moratoriums granted to clients.

IMPACT OF BREXIT

The Company expects to suffer little or no impact from Brexit, as legal changes in the UK's relationship with the European Union (EU) are not immediately relevant for the Company which has its operations outside both the UK and the EU.

OTHER MATTERS

The Committee discussed the governance structure and governance model of the Group post the IPO as well as tax implications of the new model and implementation of the revised transfer pricing model in the course of 2020.

Other, routine matters discussed were:

- redesigning of risk heat map and actions taken for managing top five risks;
- strengthening the Finance and Accounts function at Group level and finalising the table of authority;
- the resourcing of the accounts and finance teams are constantly under review by the Board and this Committee to ensure that we are keeping pace with, and responding to, the latest industry developments;
- the Committee requested and received reports on debt covenant monitoring in respect of loans by various Group entities;
- Directors' and Officers' liability insurance cover was reviewed by the Committee; and
- legal and regulatory update reports were routinely received and reviewed by the Committee.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. In assessing going concern covering the 12 months period from the date of approval of this 2020 Annual Report and Accounts and given the financial impact of the spread of COVID-19, which has an impact on the Group, management and the Board have analysed the Group's financial position and updated its budget and projections for the period up to and including May 2022.
The conclusion of this assessment remains consistent with that of the prior year – the Directors have concluded that there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

The Group has updated its detailed financial model for its budget and projections (the 'Projections') in line with current market conditions. Management used the actual numbers up to December 2020 and updated the operating projections for the next 12 months from the approval date of this report. These Projections are based on a detailed set of key operating and financial assumptions, including the minimum required cash balances, capital and debt funding plan per country and considering the economic conditions of individual countries during the pandemic and management's estimation of increased credit and funding risks and a conservative view on reduced demand for new microfinance loans.

The Group is well capitalised and has USD 101m of unrestricted cash as of 31 December 2020. Also, the Group has a strong funding pipeline of USD 225m, with over 70% having agreed terms and which can be accessed in the short to medium term at the time of approval of this report. This continues to reaffirm the confidence lenders have in the strength of the Group's business model and managements' ongoing strategies to steer the Group through the current pandemic. It should be noted that the majority of this additional funding contains loan covenants and there is a risk of covenant breaches in certain stress scenarios, consistent with the risks detailed in the remainder of the going concern assessment. The Group is confident it will generate positive cash flows and will be able to fully fund the projected loan portfolio until December 2022.

The increase in overdue loans is mainly due to four countries (India, Philippines, Uganda, and Kenya) which faced significantly longer lockdowns mostly due to the lockdowns and other measures related to COVID-19. This resulted in covenant breaches in certain subsidiaries. No lender has requested an early repayment of the loans for any of the current breaches. In the Projections, the Group expects further breaches of loan covenants across the going concern period until May 2022. These covenants mainly relate to arrears levels PAR>30, risk coverage ratios, cost to income ratio, and provisioning ratios on account of higher expected credit loss provisions required due to the impact of COVID-19. These breaches have not historically resulted in the immediate repayment request from lenders and further evidences the supportive attitude of lenders during the past year.

During the unprecedented situation of the COVID-19 pandemic, the Group has reached out to its lenders to seek waivers or no-action letters regarding prospective covenant breaches and in many cases received these. Other lenders have confirmed that they are willing to provide waivers, but will only do so in case of actual breaches and subject to formal internal credit committee approvals.

As of 31 December 2020, the total outstanding debt at the holding level (ASA International Holding and ASA International NV) is USD 68.5m from international funders. Waivers have been obtained by the Group in respect of expected covenant breaches on USD 23.5m of these debts. Based on the received waivers, ongoing discussions, prior experience, and new funding commitments received since the outbreak of COVID-19, we have a high degree of confidence that we will obtain all the required waivers.

In the event the waivers are not provided by the funders, there may be cases where covenant breaches are considered as events of default under the loan agreements which could lead to the debt being called early and potentially significant liquidity challenges.
It should also be noted that whilst the Group has a strong cash position, there are certain restrictions on intra-Group cash movements and there is a risk that further restrictions are imposed by local governments in response to the economic pressures imposed by the COVID-19 pandemic. However, given the unprecedented worldwide situation of COVID-19 and based on prior experience and recent discussions, we expect that a period would be provided by the funders for rectifying the breach of covenants before calling a default under the loan agreement.
It is noted that none of the lenders initiated any early debt calls during 2020 and the first months of 2021.

In terms of mitigations, the Group could shrink its operations in certain countries by focusing on the collection of existing loans and through curtailing disbursements, as we did in India during the Andhra Pradesh crisis. This would serve to significantly increase the available cash in the business although the timing of collections through this method could be delayed due to potential future lockdown measures or other governmental interventions across the Group's territories. This is not a preferred action but can be utilized to create liquidity in any country operation when unexpected early repayments are requested by lenders. Further, the holding entities within the Group did not provide parent guarantees to funders of the operating entities, which protects the Group against cross defaults.

In addition, the Group prepared a downside analysis with extensive stress assumptions applied on the operations of four of its main subsidiaries (ASA India, Pagasa Philippines, ASA Myanmar, and ASA Nigeria) and the related mitigating actions. The downside analysis of its business was carried out to see the sustainability of the operation if additional stress is provided in addition to the existing management assumptions. These assumptions included an additional 10% write-off of its portfolio over the Projections assumptions, reduction of customers, lower additional borrowings, and an extended lockdown due to political instability in Myanmar. The Projections and above downside analysis show that the Group remains compliant with the regulatory requirements in the operating countries where these are applicable.

Whilst the Projections are formed from management's best estimation of the potential impact on the Group in the current pandemic, it is acknowledged that there remains significant uncertainty as to how the COVID-19 pandemic will continue to affect borrowers, businesses, and lenders across its operating countries, as certain countries are seeing new waves of COVID-19 infections. Although in most of the operating countries the initial phase of vaccination has started, it is expected that the process will take at least till the end of 2022 to vaccinate a major part of the population.

Management and the Board of Directors extensively challenged the Projections and downside analysis and its underlying assumptions including the above considerations and factors. It also considered the remaining uncertainties around possible new lockdown periods, higher write-offs, and the risk of not obtaining waivers for prospective covenant breaches. It also considered that in most countries the restrictions were lifted or relaxed since May 2020, which has allowed the field operations to re-open their branches, with collections and new disbursements gradually returning to customary levels.

The Directors have assessed that with the ongoing COVID-19 pandemic, there is a risk that restrictions on the movement of people and other potential measures imposed by governments in the countries in which the Group operates may lead to increased levels of arrears and write-offs on the loan portfolio, and limitations on Group's ability to collect on its loans in a timely manner. The risk is potentially increased by the political situations in India and Myanmar, and the potential for further political interventions as governments struggle to tackle current and future waves of infection. Rising arrears and credit losses across the loan portfolio have caused breaches in the Group's covenants on its borrowings in 2020 and the ongoing crisis increases the potential for further breaches across the going concern assessment period. Unless covenant breach waivers are obtained the debt may be called due which could materially impact the ability of the Group to meet its debt obligations. The Group has demonstrated throughout its history, and particularly in 2020, an ability to negotiate covenant waivers and recover from natural disasters and debt relief programmes, across particular locations. However, the unprecedented nature of the COVID-19 pandemic, and the resulting uncertainty about future health and political impacts, makes it difficult to assess its likely scale of debt covenant breaches and whether the waivers necessary to avoid the immediate repayment of debt will be forthcoming. As a result, the Directors have concluded that this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

Nevertheless, having assessed the Projections, downside analysis, and mitigations described above the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months from the date of approval of this report. For these reasons, they continue to adopt a going concern basis for the preparation of the consolidated financial statements. Accordingly, these consolidated financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

VIABILITY STATEMENT

During the year, the ARC has considered a wide range of information relating to present and future projections of profitability, liquidity, moratoriums and operating costs. These considerations include stressed scenarios that reflect the uncertainty that the global COVID-19 outbreak has had on the Company's operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity. In accordance with the UK Corporate Governance Code, the Directors carried out a robust assessment of the principal risks of the Group. In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board confirms that it has a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three-year period up to 2023.

The Directors' assessment has been made with reference to:

- the Group's current position and prospects – please see the Financial review on pages 38 to 49;
- the Group's business model and strategy – please see Our sustainable growth, Business model and Key performance indicators on pages 8 to 11; 16 and 17; and 30 and 31;
- the Group's measures taken following the spread of COVID-19 on pages 8 to 11, and 13;
- the Group's recent cash position as per 31 December 2020 including access to funding from local and international sources on page 81;
- the Board's risk appetite, and the robust assessment of the Group's principal risks and how these are managed on pages 56 to 59;
- the material uncertainty in relation to going concern as discussed above and further detailed in note 2.1 in the financial statements; and
- risk management approach on pages 56 and 57.

Finally, the Directors reviewed the Viability Scenarios including the downside scenario as well as the Group's strategy and five-year business plan on an annual basis pre COVID-19. The Viability Scenarios sets forth the Group's monthly projections of profitability, cash flows, capital requirements and resources and other key financial and regulatory ratios for the period until December 2022 and annual projections for the period 2023-2025.

GAVIN LAWS
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE
31 May 2021

Nomination Committee report

This is the third annual report on the activities of the Nomination Committee following the listing of the Company.

GUY DAWSON
CHAIRMAN OF THE NOMINATION COMMITTEE

The Committee has an active role in overseeing talent management and succession planning for the Group, and will ensure that appropriate activities and initiatives are continuously undertaken in order to develop the Group's talent pipeline. In addition, diversity was and will continue to be a key area of interest for the Committee in the next year.

An overview of the Committee's roles and responsibilities, and its key activities during the year, is set out in the report below.

COMMITTEE ROLES AND RESPONSIBILITIES

The Committee's key roles and responsibilities are:

- regularly reviewing the size, structure and composition of the Board, and making recommendations to the Board with regard to any changes;
- considering the leadership needs of the Group including succession planning for Executive and Non-Executive Directors and for senior executives;
- identifying and recommending candidates to fill Board vacancies when they arise, for the Board's approval;
- making recommendations to the Board concerning the formulation of plans for succession for both Executive and Non-Executive Directors and suitable candidates for the roles of Senior Independent Director and Chairmen of Board Committees;
- considering the appointment or retirement of any Directors;
- reviewing the continued independence of the Non-Executive Directors;
- evaluating the Board's balance of skills, knowledge, experience and diversity;
- preparing a description of the role and responsibilities required for a particular appointment;
- being actively involved in the appointment process for the Chairman;
- reviewing the results of the annual Board performance evaluation process that relate to the composition of the Board;
- reviewing annually the time commitment required from Non-Executive Directors.

The Committee's roles and responsibilities are set out in the terms of reference and are available on the website of the Company.

KEY ACTIVITIES IN THE 2020 FINANCIAL YEAR

During the year the Committee discussed:

- Board composition and succession, including the position of the Chairman and CEO;
- executive management succession planning;
- the Board self-assessment;
- the assessment of senior executives, including their skill-sets, knowledge and experience to ensure that an appropriate balance of such qualities has been maintained. The Committee focused in particular on the finance and accounts, IT and HR functions; and
- Gender diversity targets, and increasing the proportion of female staff at the head office and country levels.

MEMBERSHIP AND MEETINGS

The Nomination Committee is chaired by me and the other members are Praful Patel and Salehuddin Ahmed (who succeeded Mr Md Shafiqual Haque Choudhury on 1 January 2021). The composition of the Committee satisfies the relevant requirements of the UK Corporate Governance Code.

Other individuals, such as the Group HR Director and external professional advisers, may be invited to attend all or part of any meeting, as and when appropriate and necessary. The Committee met three times during the year in April, October and December 2020. The details of members' attendance are set out on page 62.

CHANGES TO THE BOARD

Dirk Brouwer has been on the Board since the establishment of ASA International in 2007. All other Directors were appointed as Directors of Group companies prior to the listing, except Hanny Kemna who joined in May 2018 in the run-up to listing and Salehuddin Ahmed who joined on 7 December 2020. (See details on pages 68 and 69.) For health reasons Md Shafiqual Haque Choudhury resigned as a Director and as Chairman of ASA International with effect from 31 December 2020. At the request of the Board, he was assigned the role of President as of 1 January 2021. Very sadly, however, Md Shafiqual Choudhury passed away on 12 February 2021.

With effect from 1 January 2021, I was appointed Chairman of the Board, and Hanny Kemna replaced me as Senior Independent Director.

The CEO and I held interviews with Salehuddin Ahmed prior to his appointment as an Independent Director. After receiving our feedback the Committee agreed to propose his appointment to the Board.

COMMITTEE REPORTS CONTINUED
NOMINATION COMMITTEE REPORT CONTINUED

DIRECTORS' SKILL-SETS

Dirk Brouwer is an experienced investment banker, having held senior roles in Paine Webber and Merrill Lynch as well as over 14 years of experience in microfinance as Director of ASA International. Aminur Rashid has over 30 years of experience in microfinance and has held multiple senior industry positions. The Committee also considered and reaffirmed the skill-sets and experience of the Company's Non-Executive Directors, including their extensive experience within financial services. Guy Dawson has extensive experience within the financial industry, including as a Non-Executive Director, as well as Vice-Chairman and Chairman roles at Nomura International plc and Merrill Lynch. Praful Patel has strong operational skills and a track record of non-executive and independent directorial experience, and has held several senior leadership roles at the World Bank. Gavin Laws has worked in the banking industry for over 30 years, including multiple senior executive roles at Standard Chartered Bank; he currently sits on a number of UK boards. Hanny Kemna brings over 20 years of experience as Global Lead Partner of Operations and IT at Ernst & Young as well as broad experience as a supervisory board member of a variety of financial institutions. Salehuddin Ahmed is Professor at the Business School of BRAC University, Dhaka, Bangladesh. Mr Ahmed is also on advisory bodies of several government and non-government agencies in Bangladesh and a member of the board of trustees of two universities and a college and was the Governor of the Bangladesh Bank (Central Bank) between 2005 and 2009. Further information on the background and experience of each of the Directors can be found in their biographies on pages 68 and 69.

SUCCESSION PLANNING – BOARD AND MANAGEMENT

The Committee considered the Group's succession planning at Board and senior management level including in the various countries. The Board is of the view that the current plan offers a solid basis and should be further developed in the coming years to meet the demands of the expansion of the business and increased complexity of the operations.

The Committee discussed back-ups for all senior roles including the position of CEO, Director Operations and Chief Operating Officer which requires a number of well-developed skills, as they are complex roles. The Committee recommended that active steps should be taken to ensure that timely succession can be implemented. The Committee will monitor progress regularly. The Committee also discussed the preparedness of the Group for the need to support or even replace key managers unexpectedly, for as long as COVID-19 remains a serious threat. The Committee agreed that the management succession plan would be monitored and reviewed again in 2021. The Committee also agreed that further refreshment of the Non-Executive group on the Board should be discussed in 2021.

The Committee focused on the reinforcement of the IT, accounts and finance functions and how to best embed various roles within the Group.

DIVERSITY

Diversity continues to be a key focus of the Committee and the Board. The Committee considers that the Board remains diverse, drawing on the knowledge, skills and experience of Directors from a range of professional and cultural backgrounds. Currently, one of the Company's seven Directors is a woman and we intend, subject to the need for all appointments to be made on merit against objective criteria, to bring more female Directors onto the Board to increase female Board representation. At the operational level, the representation of women is much higher. The Group continuously endeavours to make ASA International appealing to a diverse population, and its commitment to equal, respectful and dignified treatment throughout recruitment processes and through all stages of the employee cycle is underpinned by the Group's Non-Discrimination Policy, as referenced below.

The Committee discussed the increasing importance of gender, national and cultural diversity. The Company focuses on appointing more women in senior management roles and stepped up the hiring of women across the board. Concrete targets have been set by the Company to increase the proportion of female staff, particularly in senior roles in East Africa and South Asia. Progress on this front will be tracked by the Committee. Further measures are expected to be developed in 2021 to ensure gender balance at various levels within the Group. Kindly refer to page 27 in the Non-financial statement.

NON–DISCRIMINATION POLICY

Unfair discrimination in any form is not acceptable. Management and employees are expected to ensure that a fair and sympathetic work environment exists for all employees, irrespective of marital status, religion, disability, sexuality, gender, racial or ethnic background. This policy of equal opportunities and diversity applies to recruitment, remuneration, training, staff development, promotion, discipline, and all other aspects of employment. The policy also applies to volunteers, interns, current or prospective clients, suppliers or beneficiaries, and all others outside ASA International with whom ASA International or its employees do business.

More detail on the Group's approach to diversity can be found in the Non-financial statement on pages 26 to 27.

INSURANCE

The Committee also noted that one of the consequences of the COVID epidemic was that the premium required in order to maintain the aggregate Directors and officer's liability insurance cover of USD 10m had increased.

REAPPOINTMENT OF DIRECTORS

Prior to the Company's AGM each year, the Committee considers and makes recommendations to the Board concerning the reappointment of the Directors, having regard to their performance and ability to continue to contribute to the Board. The Board has concluded that the Non-Executive Directors remain independent and continue to make a significant contribution to the Board and its Committees.

Following this year's review in advance of the 2021 AGM, the Committee recommended to the Board that all serving Directors be recommended to the shareholders for reappointment at the AGM.

COMMITTEE EFFECTIVENESS

The annual evaluation of the Board and Committee's effectiveness has been undertaken in 2020. Generally, the views expressed are that the Board and Committees functioned well during 2020 despite the constraints imposed by COVID-19. The Executive Directors performed well in managing the business, and the Non-Executive Directors willingly gave additional time to adhoc COVID-19 related Board discussions.

The Committee considers that it has access to sufficient resources to enable it to carry out its duties.

GUY DAWSON
CHAIRMAN OF THE NOMINATION COMMITTEE
31 May 2021

Remuneration Committee report

This remuneration report contains information about the remuneration policy of the Company and details about remuneration of the Company's Directors.

PRAFUL PATEL
CHAIRMAN OF THE REMUNERATION COMMITTEE

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIR

On behalf of the Remuneration Committee, I am pleased to present the report on Directors' remuneration for the 2020 financial year.

REMUNERATION POLICY

The Remuneration Policy under which we operated during the year was approved by the shareholders at the 2019 AGM and is set out later in this report. It will apply to Board and senior executive remuneration for three years from the date of approval, unless it is changed earlier (which requires the approval of the shareholders).

HOW THE GROUP PERFORMED

This year's results have been substantially impacted by COVID-19. The Group has, however, shown considerable underlying resilience as a result of the efforts of our management and employees. Staff retention has been strong at 81%.

KEY ACTIVITIES IN THE 2020 FINANCIAL YEAR

During the year the Committee met on two occasions and:

- discussed the Directors' Remuneration Policy, incentive structures and LTIP;
- discussed the draft Remuneration Policy to be proposed at the 2021 AGM;
- reaffirmed the UK Corporate Governance requirements in terms of workforce and stakeholders and agreed to build further on the stakeholder engagement action plan for 2021 once the COVID pandemic permits;
- discussed and agreed the appointment of the new Chairman.

REMUNERATION IN 2020

The Committee discussed and confirmed the Company's current remuneration strategy, which is to attract and retain talented men and women on an equal pay basis, albeit within a structure that tailors pay levels to the market in individual countries so as to ensure local compliance and competitiveness. The Committee's approach to remuneration continues to be centred around the Company's business model. ASA International has a long-established model, and its human resources policies are tailored to this model including its standardised remuneration policies.

The Committee supported management's desire to adopt a cautious approach and to keep existing staff remuneration policies in place for the time being. These are based on paying competitive local base salaries with no performance incentives or discretionary bonuses other than in exceptional circumstances. A major focus during this difficult year has been to concentrate on paying compensation that is adequate to ensure retention of staff in key roles, particularly at the level of country senior management. Base salaries are in any event subject to an annual cost of living increase: average total compensation for employees across the Group increased by 7% in 2020.

There was no increase in the Directors' remuneration during the year (except for the standard fixed-rate increment for the Executive Director, Operations).

PRIORITIES FOR 2021

The Committee believes that the Remuneration Policy framework, including the design of detailed terms and conditions for future awards to key senior executives under the Long-Term Incentive Plan, should be further developed and refined in 2021 and then submitted to shareholders for approval at the AGM in 2022. The Committee will not make any LTIP awards until a clear plan has been agreed with all relevant terms and conditions, and presented to shareholders.

The Committee agreed that there should be an independent market benchmark review of the remuneration of the Directors in 2021, so that the Committee was able to make a recommendation to the Board. The Committee will in addition take particular care to ensure that key staff generally across the Group continue to be rewarded appropriately. In this context, the Committee noted the importance of ensuring there is a documented and consistent annual performance appraisal process for senior members of staff that meet the requirements of a leading microfinance company and to gradually introduce it over a period of time.

COMPANY CULTURE

The Company has a strong culture which was built on the heritage of ASA Bangladesh. Management is committed to strengthening that culture and to reinforcing it throughout its operations as they continue to grow. A clear and fair Remuneration Policy is a key part of this process.

COMMITTEE REPORTS CONTINUED
REMUNERATION COMMITTEE REPORT CONTINUED

1. REMUNERATION COMMITTEE ROLES AND RESPONSIBILITIES

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration. This includes making recommendations to the Board on the Company's policy on executive remuneration, setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors. The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration.

The Committee's key objectives are to:

- determine the overarching principles and parameters of the Remuneration Policy on a Group-wide basis;
- establish and maintain a competitive remuneration package to attract, motivate and retain high-calibre Executive Directors ('EDs') and senior management across the Group;
- promote the achievement of the Group's annual plans and strategic objectives by providing a remuneration package that contains appropriately motivating targets that are consistent with the Group's risk appetite; and
- align senior executives' remuneration with the interests of shareholders.

The Committee's main responsibilities are to:

- review and determine the total remuneration packages of EDs and other senior executives in consultation with the Chairman and CEO and within the terms of the agreed policy;
- approve the design and targets of any performance-related pay schemes operated by the Group;
- ensure that contractual terms on termination and any payments made are fair to the individual and the Group, that failure is not rewarded and that a duty to mitigate risk is fully recognised;
- review any major changes in employee benefits structures throughout the Group;
- select, appoint and determine terms of reference for independent remuneration consultants to advise the Committee on Remuneration Policy and levels of remuneration;
- ensure that the remuneration structures in the Group are compliant with the rules and requirements of regulators, and all relevant legislation;
- address the requirements as specified in the Corporate Governance Code for clarity, transparency, simplicity, mitigation of reputational risk, proportionality and alignment to culture and strategy; and whether the Remuneration Policy operates as intended in terms of Company performance and quantum and if not what changes are necessary; and
- seek advice from Group control functions to ensure remuneration structures and annual bonuses are appropriately aligned to the Group's risk appetite.

2. REMUNERATION COMMITTEE MEMBERSHIP

The UK Corporate Governance Code provides that a Remuneration Committee should comprise at least three members who are independent Non-Executive Directors (other than the Chairman of the Board). The Remuneration Committee is chaired by Praful Patel, and its other members are Gavin Laws and Hanny Kemna. All of them are independent. Details of members' attendance at meetings in 2020 are set out on page 62.

3. DIRECTORS' AND KEY MANAGERS' SALARIES

The salaries and fees of the Directors were approved by the Board on 28 June 2018. The salaries and fees of all Directors remained unchanged in 2020 except for the standard fixed-rate increment for the Executive Director, Operations.

The salary levels for senior managers responsible for managing the Group were set in 2018 based on advice received from the remuneration consultants Willis Towers Watson who performed a benchmarking study of salaries in Dhaka and the Netherlands at the time of the IPO in 2018. Senior management was rewarded at the time of the IPO through the exercise of stock options. See page 88.

Salaries at a country level are set by the local country management. Through our employee surveys management collects insights on salary expectations. The Company also considers salary levels paid in the markets including those paid by our competitors. In 2020, the average percentage increase in salaries at ASAI was 7%, and the actual increase in expenditure was 7% (see table below).

PARTICULARS	TOTAL (2020) USD	TOTAL (2019) USD	INCREASE IN USD	%
Employees' remuneration	50,477,980	47,157,912	3,320,068	7%

The Company has adopted a long-term incentive plan as more fully described on page 90. The allocation mechanism for senior staff at the head office (and/or in the countries) will be designed in due course. No shares or options have yet been awarded under this plan.

KEY PERFORMANCE INDICATORS

(AMOUNTS IN USD THOUSANDS)	2020	2019	2018	% CHANGE 2020 – 2019	% CHANGE 2019 – 2018
Number of clients (m)	2.4	2.5	2.2	-6%	17%
Number of branches	1,965	1,895	1,665	4%	14%
Net loss/profit	-1.4	34.5	24.5	-104%	41%
OLP[1]	415.3	467.4	378.5	-11%	23%
PAR>30 days[2]	13.1%	1.5%	0.6%		

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

The annual percentage change in the Directors' pay over the five years to 2020, compared to the average for other employees, is set out below:

ANNUAL SALARY/FEE	2020	2019	2018	% CHANGE 2020–2019	% CHANGE 2019–2018
Executive Directors: (USD)					
Dirk Brouwer	425,000	425,000	425,000	0%	0%
Aminur Rashid	172,347	167,328	165,000	3%	1%
Non-Executive Directors: (GBP)					
Md Shafiqual Haque Choudhury[1]	250,000	250,000	250,000	0%	0%
Praful Patel	60,000	60,000	60,000	0%	0%
Gavin Laws	60,000	60,000	60,000	0%	0%
Guy Dawson	60,000	60,000	60,000	0%	0%
Hanny Kemna	50,000	50,000	50,000	0%	0%
Salehuddin Ahmed	50,000	–	–		
Average salary per staff (all ASAI staff excl. Dirk & Aminur salary) (USD)	3,665	3,440	3,099	7%	11%
Earnings growth – ASAIG Consolidated	-104%	6.0%	20.1%		

1 Md Shafiqual Haque Choudhury salary figures are in USD.

4. REMUNERATION POLICY FOR KEY EXECUTIVES

The below constitutes the framework for the Remuneration Policy of the key executives both at the country level and the head office level, as approved at the AGM in 2019. The policy aims to:

- attract, motivate and retain high-calibre employees across the Group;
- reward employees fairly, according to their performance;
- promote the achievement of the Group's annual plans and its long-term strategic objectives;
- align the interests of employees with those of all key stakeholders, in particular, our shareholders, clients and regulators; and
- support effective risk management and promote a positive client conduct culture.

The Company will work closely with the Remuneration Committee to set the right policies and incentives for the key executives both in the countries and at its head office.

REMUNERATION ELEMENT AND HOW IT SUPPORTS THE GROUP'S SHORT-TERM AND LONG-TERM STRATEGIC OBJECTIVES	COMPONENTS
Base salary	
Attracts and retains high-calibre employees	Reviewed annually based on the individual's role and experience, pay for the broader employee population and external factors, where applicable
Reflects the employee's role and experience	Annual increment
	Paid monthly
Benefits	
Enables the executives to perform their roles effectively by contributing to their well-being and security	Private medical cover
	Life assurance cover
	13th month bonus
Provides competitive benefits consistent with the role	Accommodation for expatriate experts (country level only)
	Education allowance for children of expatriate CEO (country level only)
	Two free air tickets per year to and from home for the expatriates (country level only)
	LTIP/stock options for the key executives (to be determined in the future)
	Long-term incentives for country key executives to be determined in the future
	Certain additional country-specific requirements may apply

COMMITTEE REPORTS CONTINUED
REMUNERATION COMMITTEE REPORT CONTINUED

SHAREHOLDING (BENEFICIAL INTEREST IN ASAI SHARES) FOR KEY MANAGERS

On 18 July 2018 a number of the senior managers (including Managing Directors of the subsidiaries) who were instrumental in the creation of ASA International were awarded a beneficial interest in a portion of the shares of the Company following the exercise of the 10% stock option under the Memorandum of Understanding between ASA International and ASA NGO Bangladesh executed in 2007. The combined economic interest in the proceeds of the sale of the shares of the Company amount to 6.7% of the issued and outstanding share capital of the Company. This interest is indirectly held via Catalyst Continuity.

AESP

NEW ALL-EMPLOYEE SHARE PLAN

The Company has adopted a framework for a new All-Employee Share Plan (the 'AESP'), the principal features of which mirror the Plan. *This plan is not yet in effect and implementation will be considered in due course.*

5. DIRECTORS' REMUNERATION REPORT 2020

This section of the report explains how the Group's Remuneration Policy for Directors, as approved at the Annual General Meeting in 2019, was applied during the year.

The report also summarises the fees paid to Directors in 2020 as well as the current shareholding of the Chairman and the Executive Directors in the Company.

The Remuneration Policy was approved by 92.80% votes at the AGM held in 2019 and the remuneration report was approved by 100 % votes at the AGM held in 2020.

A table with audited Director pay data is shown below.

NAME	POSITION	ANNUAL SALARY/FEE	BENEFITS	BONUS	TOTAL FIXED PAY (2019)	TOTAL FIXED PAY (2020)	TOTAL VARIABLE PAY (2019)	TOTAL VARIABLE PAY (2020)
Md Shafiqual Haque Choudhury	Chairman and Non-Executive Director	USD 250,000	Travel expenses on actuals	0	USD 250,000	USD 250,000	0	**0**
Dirk Brouwer	Chief Executive Officer – Executive Director	USD 425,000[1]	Travel expenses on actuals	0	USD 425,000	USD 425,000	0	**0**
Aminur Rashid	Executive Director – Operations	USD 172,347	Travel expenses on actuals	0	USD 165,000	USD 172,347	0	**0**
Non-Executive Directors								
Praful Patel	Non-Executive Director	GBP 60,000	Travel expenses on actuals	0	GBP 60,000	GBP 60,000	0	**0**
Gavin Laws	Non-Executive Director	GBP 60,000	Travel expenses on actuals	0	GBP 60,000	GBP 60,000	0	**0**
Guy Dawson	Non-Executive Director	GBP 60,000	Travel expenses on actuals	0	GBP 60,000	GBP 60,000	0	**0**
Hanny Kemna	Non-Executive Director	GBP 50,000	Travel expenses on actuals	0	GBP 50,000	GBP 50,000	0	**0**
Salehuddin Ahmed	Non-Executive Director	GBP 50,000	Travel expenses on actuals	0	GBP 0	GBP 3,360	0	**0**

1 While the salary remained at USD 425,000, the amount paid was USD 443,002 and the difference comes from translating the monthly salary to Euro for payment to Mr Brouwer and the tax authorities and then back to USD for reporting purposes.

6. DIRECTORS' SHAREHOLDINGS

The shareholding of Directors in the Company as of 31 December 2020 are shown below. There were no changes in the shareholdings between 31 December 2020 until 31 May 2020:

NAME OF DIRECTOR	NUMBER OF SHARES	% HOLDING
Md Shafiqual Haque Choudhury[1]	1,401,810	1.4%
Dirk Brouwer[1,2]	20,266,146	20.3%
Aminur Rashid[1]	373,178	0.37%

1 Reflects the Company's share capital held in the form of indirect beneficial holdings of shares through an indirect holding in Catalyst Continuity. The votes attaching to the shares held by Catalyst Continuity are ultimately controlled by CMIMC (a company ultimately controlled by Dirk Brouwer). Decisions taken by CMIMC, including decisions as to the voting of the relevant shares, are made by the board of Directors of CMIMC, which includes the founders. CMIMC is ultimately owned by entities ultimately controlled by Dirk Brouwer. Post his death, the entitlement to the proceeds of the shares pass on to the heirs of Mr Choudhury (his wife and children).

2 Dirk Brouwer holds his interest in the Company via CMIMC which in turn holds its interest in the Company via Catalyst Microfinance Investors and Catalyst Continuity.

Directors and employees of the Group are required to comply with applicable legislation relating to dealing in the Company's shares as well as the Company's share dealing rules.

DATES OF EDs' SERVICE CONTRACTS

NAME	DATE OF SERVICE CONTRACT
Dirk Brouwer	28 June 2018
Aminur Rashid	28 June 2018

7. REMUNERATION POLICY FOR THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

SHORT-TERM AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION AND MAXIMUM PAYABLE
Fees Attract and retain a Chairman and independent Non-Executive Directors who have the requisite skills and experience to determine the strategy of the Group and oversee its implementation.	Fees are paid monthly and are reviewed periodically. Fees for the Chairman and Non-Executive Directors are set by the Board. The Non-Executive Directors do not participate in decisions to set their remuneration. The Chairman of the Board receives a fee as Chairman of the Board and Chair of the Nomination Committee. Non-Executive Directors receive a base fee. The Senior Independent Director receives an additional fee for this role. Additional fees are paid for chairmanship of each of the Audit and Risk Committees, Remuneration Committee and the Nomination Committee. The Chairman and Directors are entitled to claim reimbursement for reasonable expenses incurred in connection with the performance of their duties for the Company, including travel expenses. The Executive Directors will also be entitled to participate in the long-term incentive plan as more fully described on page 90. It was agreed to design the allocation in due course and no time frame has yet been agreed upon. No shares or options were awarded to Directors under this plan in 2020.

NON-EXECUTIVE DIRECTORS' APPOINTMENT LETTERS

NAME	DATE OF APPOINTMENT LETTER
Guy Dawson	28 June 2018
Gavin Laws	28 June 2018
Praful Patel	28 June 2018
Hanny Kemna	28 June 2018
Salehuddin Ahmed	7 December 2020

COMMITTEE REPORTS CONTINUED
REMUNERATION COMMITTEE REPORT CONTINUED

All Directors were already on the Board of ASA International Holding prior to the establishment of ASA International Group plc in May 2018, except Hanny Kemna and Salehuddin Ahmed. In view of the proposed listing, Ms Kemna had been identified as a potential candidate through well-established contacts in the financial industry including the Company's network of advisers. Dr Ahmed was identified through the network of Mr Choudhury in Bangladesh.

CONSIDERATION OF SHAREHOLDERS' VIEWS
The Chairman of the Board will consult our major shareholders on a regular basis on key issues, including remuneration, and is available to be consulted by them. The Board shall ensure that a satisfactory dialogue with shareholders shall take place based on mutual understanding of objectives.

DIRECTORS' PAY FOR 2020
Details of Directors' pay are stated on page 88. The policy on executive remuneration and for fixing the remuneration packages of individual Directors shall be developed in a fair and transparent manner. No Director is involved in deciding his or her own remuneration. There has been no change in pay for Directors other than increase in pay of Mr Dawson (pursuant to appointment as Chairman) and Ms Kemna (pursuant to appointment as Senior Independent Director) from 1 January 2021.

MD SHAFIQUAL HAQUE CHOUDHURY – CHAIRMAN AND NON-EXECUTIVE DIRECTOR UNTIL 31 DECEMBER 2020
Mr Choudhury was the Chairman of the Company and a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He was also a member of the Nomination Committee. His fee as a Non-Executive Director was USD 250,000 per annum. He resigned on 31 December 2020.

DIRK BROUWER – CHIEF EXECUTIVE OFFICER
Mr Brouwer is employed through a service agreement dated 28 June 2018. His salary is USD 425,000 and he is entitled to participate in the long-term and/or short-term incentive schemes offered by the Company. Mr Brouwer's service agreement is terminable by either party with six months' notice, or earlier upon conclusion of a termination agreement. The Company will consider making a payment under any such agreement on a case-by-case basis, taking account of the contractual terms, the circumstances of the termination and any applicable duty to mitigate.

AMINUR RASHID – EXECUTIVE DIRECTOR, OPERATIONS
Mr Rashid is employed through a service agreement dated 28 June 2018. His salary is USD 172,347 and he is entitled to participate in the long-term and/or short-term incentive schemes offered by the Company. Mr Rashid's service agreement is terminable by either party with six months' notice, or earlier upon conclusion of a termination agreement. The Company will consider making a payment under any such agreement on a case-by-case basis, taking account of the contractual terms, the circumstances of the termination and any applicable duty to mitigate.

PRAFUL PATEL – NON-EXECUTIVE DIRECTOR
Mr Patel is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee. His fee as a Non-Executive Director is GBP 60,000 per annum (including a GBP 10,000 fee for chairing the Remuneration Committee) and his engagement with the Company can be terminated with three months' notice.

GAVIN LAWS – NON-EXECUTIVE DIRECTOR
Mr Laws is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee. His fee as a Non-Executive Director is GBP 60,000 per annum (including a GBP 10,000 fee for chairing the Audit and Risk Committee) and his engagement with the Company can be terminated with three months' notice.

GUY DAWSON – NON-EXECUTIVE DIRECTOR
Mr Dawson is the Chairman and Non-Executive Director engaged through a letter of appointment dated 28 June 2018 and appointed as Chairman on 1 January 2021. He is the Chairman of the Nomination Committee. His fee as a Non-Executive Director and Chairman is GBP 70,000 per annum (including a GBP 10,000 fee for chairing the Board and a GBP 10,000 fee for chairing the Nomination Committee) and his engagement with the Company can be terminated with three months' notice.

HANNY KEMNA – NON-EXECUTIVE DIRECTOR
Ms Kemna is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. She is a member of the Remuneration, and Audit and Risk Committees. Her fee as a Non-Executive Director and Senior Independent Director is GBP 60,000 per annum (including a GBP 10,000 fee for acting as the Senior Independent Director as of 1 January 2020) and her engagement with the Company can be terminated with three months' notice.

SALEHUDDIN AHMED – NON-EXECUTIVE DIRECTOR
Dr Ahmed is a Non-Executive Director engaged through a letter of appointment dated 7 December 2020. He is a member of the Nomination and Audit and Risk Committees. His fee as a Non-Executive Director is GBP 50,000 per annum and his engagement with the Company can be terminated with three months' notice.

INCENTIVE PLANS
All key managers receive a fixed salary, and there is no cash bonus scheme. Performance-based remuneration via the long-term incentive plan ('LTIP') will be introduced in due course. The Company is still to design the allocation mechanism as well as design the features for an incentive plan for key staff in the microfinance subsidiaries. The LTIP aligns the interests of executives with those of shareholders.

LONG-TERM INCENTIVE PLAN
In July 2018, the Company adopted a new long-term incentive plan (the 'Plan'), which is intended to be used to grant options over ASAI's shares to senior executives selected by the Remuneration Committee. The Plan also includes discretion for the Committee to grant various different kinds of award to take account of local legal and tax requirements and changing policy. As at the date of this report, no awards have yet been granted under the Plan pending agreement on all relevant terms and conditions, including quantum, performance conditions and performance measurements.

This report was approved by the Board of Directors on 31 May 2021 and signed on its behalf by:

PRAFUL PATEL
CHAIRMAN OF THE REMUNERATION COMMITTEE

INDEPENDENT DIRECTORS' COMMITTEE REPORT

The Independent Directors' Committee comprises all of the Non-Executive Directors, being Praful Patel, Gavin Laws, Guy Dawson, Salehuddin Ahmed and Hanny Kemna. It is chaired by Guy Dawson. The Independent Directors' Committee meets at least twice a year and at such other times as its Chairman may deem necessary or appropriate. It met three times in 2020.

The Independent Directors' Committee identifies and manages matters involving conflicts of interest (including potential conflicts of interest) between any Group company, on the one hand, and any controlling shareholder or related party (each as defined under the Listing Rules), on the other hand. It is also responsible for overseeing and scrutinising the relationship (set out in the Relationship Agreement described in the Corporate Governance section of this Annual Report) between the Group, its related parties and its controlling shareholders (including evaluating, monitoring and approving any material transactions or arrangements between such parties).

After due consideration of the matters placed before it during the year, the Committee concluded that there were no conflicts or other relevant issues to be managed.

DISCLOSURE COMMITTEE REPORT

The Disclosure Committee is chaired by the CEO and also includes the CFO and the General Counsel. It meets as required in order to assist the decisions of the Board concerning the identification of inside information and to make recommendations about how and when that information should be disclosed in accordance with the Company's disclosure procedures manual. Its primary duty is to ensure that inside information is properly disclosed in accordance with the requirements of the Market Abuse Regulation.

The Disclosure Committee had conference calls and meetings through the year in 2020 to assess developments in the Company and concluded on each occasion that there was no matter which could be considered as inside information or thought to be capable of becoming inside information.

There have been no material changes in the interests held by Directors or key managers since the listing of the Company on 13 July 2018 other than indirect shareholdings held by Dirk Brouwer and Md Shafiqual Haque Choudhury.

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FINANCIAL STATEMENTS

General information

DIRECTORS:	APPOINTED ON:
Guy Dawson	15 May 2018
Dirk Brouwer	15 May 2018
Aminur Rashid	28 June 2018
Gavin Laws	28 June 2018
Praful Patel	28 June 2019
Johanna Kemna	28 June 2019
Dr Salehuddin Ahmed	07 December 2020

REGISTRATION: ASA International Group plc is a company registered in England & Wales. Registered number: 11361159

COMPANY SECRETARY:
Prism Cosec Limited
Elder House, St Georges Business Park
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AUDITOR:
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Canary Wharf, London E14 5EY
United Kingdom

Independent auditor's report to the members of ASA International Group plc

OPINION

In our opinion:

- ASA International Group plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and the Parent Company's losses for the year then ended;
- the financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ASA International Group plc (the 'Company' or 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

GROUP	PARENT COMPANY
Consolidated statement of profit or loss and other comprehensive income for the year then ended	Statutory statement of profit and loss and other comprehensive income for the year then ended
Consolidated statement of financial position as at 31 December 2020	Statutory statement of financial position as at 31 December 2020
Consolidated statement of changes in equity for the year then ended	Statutory statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Statutory statement of cash flows for the year then ended
Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies	Related notes 39 to 47 to the financial statements including a summary of significant accounting policies
Information marked as 'audited' within the Directors' Remuneration Report on page 88.	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 in the financial statements which indicates that, with the ongoing COVID-19 pandemic, there is a risk that restrictions on the movement of people and other potential measures imposed by governments in the countries in which the Group operates may lead to increased levels of arrears and write-offs on the loan portfolio, and limitations on Group's ability to collect on its loans in a timely manner. The risk is potentially increased by the political situations in India and Myanmar, and the potential for further political interventions as governments struggle to tackle current and future waves of infection. Rising arrears and credit losses across the loan portfolio have caused breaches in the Group's covenants on its borrowings in 2020 and the ongoing crisis increases the potential for further breaches across the going concern assessment period. Unless covenant breach waivers are obtained the debt may be called due which could materially impact the ability of the Group to meet its debt obligations. The Group has demonstrated throughout its history, and particularly in 2020, an ability to negotiate covenant waivers and recover from natural disasters and debt relief programmes, across particular locations. However, the unprecedented nature of the COVID-19 pandemic, and the resulting uncertainty about future health and political impacts, makes it difficult to assess its likely scale of debt covenant breaches and whether the waivers necessary to avoid the immediate repayment of debt will be forthcoming.

As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of the going concern assessment process and also engaged with Management early to ensure all key factors were considered in their assessment.
- We considered the period of the going concern assessment which is from the date of approval of these financial statements to 31 May 2022 and confirmed this with those charged with governance.
- We agreed the Group's borrowing analysis to supporting evidence, including satisfying ourselves that there were no material intra-group liabilities in the form of parental guarantees or letters of support.
- We reviewed a sample of debt agreements across the Group in order to establish the existence of covenants and considered the risk of covenant breaches on the timing of the Group's debt repayment obligations.
- We established the accuracy and reasonableness of the budget and cashflow forecasts across the going concern period under normal conditions and under a series of stress and severe stress scenarios, including performing independent reverse stress testing. From this testing we considered the cash position in the Group through to 31 May 2022 and compared that to the external debt in the Group, in order to establish and highlight the level of risk associated with covenant breaches and the potential for debt being called due.
- We reviewed the performance of the Group in 2020 and since the onset of the pandemic and also the historical impact of natural disasters or other significant events on the business, including the recoverability of the loan portfolio, in order to assess the historic resilience of the Group to periods of stress.
- We considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion, including engaging the views of the component audit teams, reviewing loan arrears analysis and performing media searches relating to the impact of COVID-19, and other relevant matters.
- We reviewed the Group's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the accounting standards.

From our evaluation of the directors' going concern assessment we had the following observations:

- As detailed in note 24, the Group had $342.2m of external debt at 31 December 2020 of which, as detailed in note 24.1, $198m had breached loan covenants. The Group had obtained waivers from a number of lenders in order to reduce the risk associated with debt being called due but these waivers do not cover the complete period through to 31 May 2022. We observed that, should a significant proportion of the debt be called due at certain points in the going concern assessment period, the Group may have insufficient cash in order to fund the repayment.
- The COVID-19 pandemic has caused increased arrears levels across the Group which has reduced cash collection and caused the breach of a significant proportion of external debt covenants. We observed from management information after the balance sheet date that arrears levels have continued to be raised in a number of countries. Restrictions on loan disbursement and collection, caused by restrictions on movement and/or social interaction implemented by governments in response to the pandemic, would serve to reduce available cash and increase arrears levels. This risk may be further exacerbated by the political unrest in Myanmar, where the Group has operations.

Based on the work we have performed, we concur with the directors' that there are material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. The assessment period was to 31 May 2022 from when the financial statements are authorised for issue. Going concern has been determined to be a key audit matter.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OVERVIEW OF OUR AUDIT APPROACH

Audit scope	• We performed an audit of the complete financial information of 12 components of which 10 are trading entities. • The components where we performed full and specified audit procedures accounted for 101.1% of adjusted profit before tax, 97.2% of Revenue and 98.0% of Total assets.
Key audit matters	• Expected credit loss provisions • Risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers • Going concern
Materiality	• Overall group materiality of $2.3m which represents 5% of normalised profit before tax (2019: $2.6m).

Independent auditor's report to the members of ASA International Group plc continued

AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 30 reporting components of the Group, we selected 12 components covering entities within India, Pakistan, Ghana, Philippines, Nigeria, Myanmar, Sri Lanka, Uganda, Kenya and Tanzania, which represent the principal business units within the Group and the holding entities in Mauritius and the United Kingdom.

We performed an audit of the complete financial information of all 12 components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 119.1% (2019: 100.8%) of the Group's Profit before tax, 101.1% (2019: 100.8%) of the Group's adjusted Profit before tax measure used to calculate materiality, 97.2% (2019: 97.9%) of the Group's Revenue and 98.0% (2019: 98.2%) of the Group's Total assets.

For the current year, the full scope components contributed 252.9% (2019: 103.3%) of the Group's Profit before tax, 108.6% (2019: 103.3%) of the Group's adjusted Profit before tax measure used to calculate materiality, 97.1% (2019: 97.9%) of the Group's Revenue and 92.3% (2019: 97.5%) of the Group's Total assets. There were no specific scope components. We also performed specified procedures over two further components, being the intermediate holding company in The Netherlands and the service company in Bangladesh.

Of the remaining 16 components that together represent -19.1% of the Group's Profit before tax, none are individually greater than 5% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and performing foreign currency translation recalculations, to respond to any potential risks of material misstatement to the Group financial statements.

CHANGES FROM THE PRIOR YEAR

In the prior year there were two full scope trading components in Nigeria which have been merged during 2020. As a result, there was one full scope trading component in Nigeria for the 2020 audit.

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 12 full scope components, audit procedures were performed on two of these directly by the primary audit team. For the remaining 10 full scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Due to the impact of COVID-19 on global travel, it was not possible for the Group audit team to carry out its programme of planned visits to components. An alternative programme of involvement was implemented by the primary team which included the following activities:

- Issued detailed audit instructions;
- Held a group audit conference including the primary team and all component teams to discuss the plan for the audit, including but not limited to; significant risk areas and other areas of focus, independence procedures, materiality levels, updates from component territories, laws and regulations, and going concern procedures; and
- Held planning, execution and conclusions video conference meetings with all full scope components, in order to direct and supervise the work performed and conclusions reached.

In addition, the primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
Expected credit loss provisions (2020: $27.5m, 2019: $4.2m) *Refer to the Audit Committee Report (page 78); Accounting policies (page 119); and Note 13.2 of the Consolidated Financial Statements (page 135)* Expected credit loss (ECL) provisions under IFRS 9 is an accounting estimate that carries a high degree of uncertainty driven from judgemental assumptions, including historical loss rates, the application of loss rates to the outstanding loan portfolio, forward looking factors, and the impact on these assumptions from the current pandemic situation, natural disasters or governmental interventions. The vast majority of the Group's lending is short-term, low in value, unsecured (except for security deposits paid in certain territories) and lent to women in developing economies in order to start and grow their businesses. The impact of COVID-19, primarily through social restrictions and government support measures, has impaired the ability of the Group to distribute and collect loans made to borrowers, which has resulted in increased risk in certain countries in which the Group operates. The inherent ability of management to override internal controls in relation to loan impairment provisions also represents a risk of fraud.	With the support of EY credit modelling specialists we reviewed the model methodology, including the reasonableness of key assumptions and the application of forward looking information, and performed sensitivity analysis, in order to establish whether model weaknesses could be expected to give rise to a material misstatement. We performed a test of the dataflows into the ECL model, including testing historical loss rates, loan arrears and staging, and the borrower's last payment date. In order to further challenge the reasonableness of the ECL recorded by Management, including the allocation of ECL between the IFRS 9 stages, we produced an independent challenger model using the complete loan portfolio and auditor defined assumptions. This challenger model included the consideration of the completeness and accuracy of model overlays, including forward looking factors, through a review of post balance sheet events and a consideration of historical loss patterns. We assessed the adequacy and appropriateness of disclosures made within the financial statements, including the disclosures provided in relation to the credit risk related impacts of COVID-19.	We communicated that we are satisfied that ECL provisions were reasonable and in compliance with IFRS 9, following the recording of adjustments arising out of the audit. We highlighted to the Committee that there is increased uncertainty in determining forecast losses due to the impact of COVID-19 on the Group. We concluded that disclosures relating to loan impairments were in compliance with the requirements of IFRS.

Independent auditor's report to the members of ASA International Group plc continued

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
Risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers. (2020: $132m, 2019: $156m) *Refer to the Audit Committee Report (page 78); Accounting policies (page 112); and Note 4.1 of the Consolidated Financial Statements (page 127)* The income recognised may be fraudulently misstated due to the incorrect recording of interest income arising from loans being disbursed to fictitious borrowers, or otherwise fraudulently recorded, in order to manipulate income or disguise losses. The impact of COVID-19, in terms of payment deferrals and payment moratoria across the Group's trading components, results in the modification of contracts with borrowers which increases the risk that these are not accounted for appropriately. The increase in the IFRS 9 stage 3 population due to COVID-19 also increases the complexity in the recording of interest income. As such, the risk of material misstatement has increased.	For a sample of loans across each of the 10 trading full scope components, we independently recalculated the interest income using contractual terms from borrower agreements and agreed them through to the amounts recorded in the financial statements. This testing included a calculation of the impact of payment deferrals and payment moratoria on the recording of income under IFRS 9. For a sample of borrowers across the 10 trading full scope components we attended the borrower group meetings, where the borrowers meet periodically as a group to make scheduled payments, and physically verified the identity of the borrowers and traced the loan outstanding balance per the borrower's passbook to the accounting records. Where the physical verification of borrowers was not possible to perform in person, due to the impact of local social restrictions, borrower existence was tested through alternative means, including through video conference and phone calls. We performed an independent calculation of income recorded on IFRS 9 stage 3 loans and compared it to that recorded by Management.	We reported to the Audit Committee our conclusion that no fictitious borrowers were identified from our testing and that the recording of interest income was found to be materially accurate, including the modification loss recorded in the financial statements. From our test of income recorded on IFRS 9 stage 3 loans, following Management's recording of necessary adjustments arising out of our testing, we reported to the Audit Committee that the balance was materially accurate. From the audit procedures performed we did not identify evidence of fraud in the recognition of revenue.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $2.3 million (2019: $2.6 million), which is 5% (2019: 5%) of normalised profit before tax. 2019 materiality was determined on an unadjusted basis. The COVID-19 pandemic has impacted the Group's performance primarily through increased expected credit losses and reduced interest income in part driven by the actions taken by governments to restrict social interactions, on which the Group relies in order to distribute and collect upon its loans, and also through payment moratoria. In order to determine materiality, we have added back a proportion of these impacts, and considered an average to produce a normalised profit before tax, in order to establish a reasonable and sustainable profit before tax measure on which to base our assessment. We believe that profit before tax provides us with the most appropriate basis for materiality given the Group is a profit orientated entity.

We determined materiality for the Parent Company to be $709k (2019: $700k) which is 0.5% of total assets (2019: 0.5%). We consider that, in respect of the Parent Company, total assets is most relevant to the stakeholders and is representative of the economic size of the entity and as such provides us with an appropriate basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

STRATEGIC REPORT
GOVERNANCE REPORT
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Starting basis	• Starting point – $2.6m statutory profit before tax
Adjustment	• Added back a total of $33.5m in relation to expected credit loss charges, a proportion of the interest income decline in the year and the charge to income from the modification loss • Produced a normalised average of profit before tax for four years incorporating the adjusted profit before tax positions of 2017 through to 2020 • Total adjustments to profit before tax were $43.4m
Materiality	• Totals $46m adjusted profit before tax • Materiality of $2.3m (5% of materiality basis)

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely $1.2m (2019: $1.3m). Performance materiality for the Parent Company was 50% (2019: 50%) of planning materiality, namely $0.35m (2019: $0.35m). We have set performance materiality at this percentage (which is at the lowest end of the range of our audit methodology) based on various considerations including the past history of misstatements and the effectiveness of the control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $0.23m to $0.58m (2019: $0.25m to $0.69m).

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.12m (2019: $0.13m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The reporting threshold for the Parent Company was $0.04m (2019: $0.04m).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon, including the Strategic Report, the Governance Report, including Chairman's Introduction, Leadership of the Board, Governance Framework, Board of Directors, Management Team, Directors' Report including Statement of Directors' Responsibilities, Audit and Risk Committee Report, Nomination Committee Report, Remuneration Committee Report, Independent Directors' Committee Report and Disclosure Committee Report, and Additional information, including Alternative Performance Measures and Abbreviations.

The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of ASA International Group plc continued

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 73;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 82;
- Directors' statement on fair, balanced and understandable set out on pages page 74;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 61;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 61; and;
- The section describing the work of the audit committee set out on page 76 to 82.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:
  - Financial Conduct Authority ('UK Listing Authority' or 'UKLA') Listing Rules;
  - Companies Act 2006;
  - Legal and regulatory frameworks in operation in the countries in which the Group operates.
- We obtained an understanding of how ASA International Group plc complies with these legal and regulatory frameworks by making enquiries of Management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and its regulators; reviewed minutes of the Board and Executive Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework, and the Board's review of the Group's risk management framework ('RMF') and internal control processes.
- As the primary team we held discussions with each of the component teams during our Group Audit Conference in order to understand the applicable legal and regulatory frameworks at a component level and how the Group complies with these.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by holding discussions with senior management, internal audit and the Audit Committee and through an analysis of financial reporting information and areas of estimation which could be subject to manipulation. We considered the risk of fraud through management override of internal controls and in revenue recognition and designed specific audit procedures to address these risks, including those detailed in the Key Audit Matters section above.
- Based on the results of our risk assessment we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of the Legal team, the Audit Committee, senior management, internal audit and the review of reports prepared by internal audit, legal and compliance and the Group's Fraud and Misappropriation Unit. We also reviewed the whistleblowing reports presented to the Group's Audit Committee throughout the year. In order to further consider legal and regulatory compliance at a component level, we instructed each component audit team to report to us any instances of non-compliance with laws and regulations to which they had become aware.
- The Group operates in the financial services industry, which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team, including auditor's specialists, to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the Audit Committee we were appointed by the Company on 24 August 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2018 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

STEPHEN LITTLER
(SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR
London
31 May 2021

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
Interest income calculated using Effective Interest Rate (EIR)	4.1.	131,339	156,560
Other interest and similar income	4.2.	10,747	9,692
Interest and similar income		142,086	166,252
Interest and similar expense	5.	(40,445)	(39,200)
Net interest income		101,641	127,052
Other operating income	6.	10,460	13,621
Total operating income		112,101	140,673
Credit loss expense	7.	(27,250)	(4,249)
Net operating income		84,851	136,424
Personnel expenses	8.	(51,608)	(48,324)
Depreciation on property and equipment	16.	(1,782)	(1,898)
Depreciation on right-of-use assets	17.	(4,428)	(3,892)
Other operating expenses	9.	(24,961)	(27,679)
Exchange rate differences		506	(295)
Total operating expenses		(82,273)	(82,088)
Profit before tax		2,578	54,336
Income tax expense	11.	(3,518)	(18,595)
Withholding tax expense	11.7.	(455)	(1,244)
(Loss)/Profit for the period		(1,395)	34,497
(Loss)/Profit for the period attributable to:			
Equity holders of the parent		(720)	34,011
Non-controlling interest		(675)	486
		(1,395)	34,497
Other comprehensive income:			
Foreign currency exchange differences on translation of foreign operations		(2,130)	(4,348)
Movement in hedge accounting reserve	22.	322	(281)
Others		(3)	341
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		(1,811)	(4,288)
Gain/(Loss) on revaluation of MFX investment	15.	6	(7)
Actuarial losses on defined benefit liabilities	8.1.	(896)	(217)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net of tax		(890)	(224)
Total comprehensive (loss)/income for the period, net of tax		(4,096)	29,985
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(3,338)	29,052
Non-controlling interest		(758)	933
		(4,096)	29,985
Earnings per share	38.	USD	USD
Equity shareholders of the parent for the period:			
Basic earnings per share		(0.01)	0.34
Diluted earnings per share		(0.01)	0.34

The notes 1 to 38 form an integral part of these financial statements.

Company number: 11361159

Consolidated statement of financial position
For the year ended 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
ASSETS			
Cash at bank and in hand	12.	**90,165**	84,526
Loans and advances to customers	13.	**380,122**	412,304
Due from banks	14.	**73,279**	37,259
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	15.	**238**	232
Property and equipment	16.	**4,617**	5,331
Right-of-use assets	17.	**5,195**	5,882
Deferred tax assets	11.2.	**11,303**	3,865
Other assets	18.	**13,600**	10,525
Derivative assets	19.	**708**	–
Goodwill	20.	**33**	34
TOTAL ASSETS		**579,260**	559,958
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	21.	**1,310**	1,310
Retained earnings	22.	**147,291**	148,011
Other reserves	22.1.	**(718)**	(147)
Foreign currency translation reserve	23.	**(43,091)**	(41,044)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**104,792**	108,130
Total equity attributable to non-controlling interest	31.6	**2,281**	3,039
TOTAL EQUITY		**107,073**	111,169
LIABILITIES			
Debt issued and other borrowed funds	24.	**342,186**	322,837
Due to customers	25.	**80,174**	78,108
Retirement benefit liability	8.1.	**5,446**	3,373
Current tax liability	11.1.	**2,502**	6,416
Deferred tax liability	11.3.	**–**	76
Lease liability	17.	**3,629**	3,981
Derivative liabilities	19.	**2,147**	1,823
Other liabilities	26.	**33,855**	32,081
Provisions	27.	**2,248**	94
TOTAL LIABILITIES		**472,187**	448,789
TOTAL EQUITY AND LIABILITIES		**579,260**	559,958

Approved by the Board of Directors on 31 May 2021

Signed on behalf of the Board

DIRK BROUWER
CEO

TANWIR RAHMAN
CFO

The notes 1 to 38 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020

	ISSUED CAPITAL USD'000	REDEEMABLE PREFERENCE SHARES USD'000	RETAINED EARNINGS USD'000	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION RESERVE USD'000	NON-CONTROLLING INTEREST USD'000	TOTAL USD'000
At 1 January 2019	1,310	66	121,300	17	(36,249)	2,106	88,550
Profit for the year	–	–	34,011		–	486	34,497
Other comprehensive income:	–	–	–		–	–	–
Actuarial gains and losses on defined benefit liabilities	–	–	–	(217)	–	–	(217)
Foreign currency translation of assets and liabilities of subsidiaries	–	–	–	–	(4,795)	447	(4,348)
Movement in hedge accounting reserve	–	–	–	(281)	–	–	(281)
Other comprehensive income (net of tax)	–	–	–	334	–	–	334
Total comprehensive income for the period	–	–	34,011	(164)	(4,795)	933	29,985
Redemption of redeemable preference shares	–	(66)	–		–	–	(66)
Dividend	–	–	(7,300)	–	–	–	(7,300)
At 31 December 2019	1,310	–	148,011	(147)	(41,044)	3,039	111,169
At 1 January 2020	**1,310**	**–**	**148,011**	**(147)**	**(41,044)**	**3,039**	**111,169**
Loss for the year	**–**	**–**	**(720)**		**–**	**(675)**	**(1,395)**
Other comprehensive income:							
Actuarial gains and losses on defined benefit liabilities	**–**	**–**	**–**	**(896)**	**–**	**–**	**(896)**
Foreign currency translation of assets and liabilities of subsidiaries	**–**	**–**	**–**	**–**	**(2,047)**	**(83)**	**(2,130)**
Movement in hedge accounting reserve	**–**	**–**	**–**	**322**	**–**	**–**	**322**
Other comprehensive income (net of tax)	**–**	**–**	**–**	**3**	**–**	**–**	**3**
Total comprehensive income for the period	**–**	**–**	**(720)**	**(571)**	**(2,047)**	**(758)**	**(4,096)**
Dividend	**–**	**–**	**–**		**–**	**–**	**–**
At 31 December 2020	**1,310**	**–**	**147,291**	**(718)**	**(43,091)**	**2,281**	**107,073**

The notes 1 to 38 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

	NOTES	2020 USD	2019 USD
OPERATING ACTIVITIES			
Profit before tax		2,578	54,336
Adjustment for movement in:			
Operating assets	28.1.	(42,513)	(101,289)
Operating liabilities	28.2.	10,443	24,721
Non-cash items	28.3.	38,202	17,400
Income tax paid		(16,871)	(21,601)
Net cash flows used in operating activities		(8,161)	(26,433)
INVESTING ACTIVITIES			
Purchase of property and equipment	16.	(981)	(2,613)
Proceeds from sale of property, plant and equipment		31	(196)
Net cash flow used in investing activities		(950)	(2,809)
FINANCING ACTIVITIES			
Proceeds from debt issued and other borrowed funds		171,749	221,295
Payments of debt issued and other borrowed funds		(151,524)	(171,563)
Payment of principal portion of lease liabilities		(4,389)	(4,228)
Dividend paid		–	(7,300)
Net cash flow from financing activities		15,836	38,204
Cash and cash equivalents at 1 January		65,545	58,106
Net increase in cash and cash equivalents		6,725	8,962
Foreign exchange difference on cash and cash equivalents		(537)	(1,523)
Cash and cash equivalents as at 31 December	28.4.	71,733	65,545
Operational cash flows from interest			
Interest received		131,341	165,549
Interest paid		39,944	41,268

The notes 1 to 38 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2020

1. CORPORATE INFORMATION

ASA International Group plc ('ASA International', 'Group') is a publicly listed company which was incorporated by Catalyst Microfinance Investors ('CMI') in England and Wales on 14 May 2018 for the purpose of the initial public offer of ASA International Holding. ASA International Group plc acquired 100% of the shares in ASA International Holding and all its subsidiaries on 13 July 2018 in exchange for the issue of 100 million shares in ASA International Group plc with a nominal value of GBP 1.00 each.

INVESTMENT STRATEGY

ASA International is an international microfinance holding company with operations in various countries throughout Asia and Africa.

ABBREVIATION LIST

DEFINITIONS	ABBREVIATION
A1 Nigeria Consultancy Limited	A1 Nigeria
ASA Consultancy Limited	ASA Consultancy
ASA International Cambodia Holdings	ASAI Cambodia Holdings
ASA International Group plc	ASAIG
ASA International Holding	ASAIH
ASA International India Microfinance Limited	ASA India
ASA International Microfinance Limited (formerly 'ASA Limited')	ASA Kenya
ASA International N.V.	ASAI NV
ASA Leasing Limited	ASA Leasing
ASA Lanka Private Limited	ASA Lanka
ASA Microfinance (Myanmar) Ltd	ASA Myanmar
ASA Microfinance (Rwanda) Limited	ASA Rwanda
ASA Microfinance (Sierra Leone)	ASA Sierra Leone
ASA Microfinance (Tanzania) Ltd	ASA Tanzania
ASA Microfinance (Uganda) Limited	ASA Uganda
ASA Microfinance Zambia Limited	ASA Zambia
ASA NGO-MFI registered in Bangladesh	ASA NGO Bangladesh
ASA Pakistan Limited	ASA Pakistan
ASA Savings & Loans Limited	ASA S&L
ASAI Investments & Management B.V	ASAI I&M
ASAI Management Services Limited	AMSL
ASHA Microfinance Bank Limited	ASHA MFB
Association for Social Improvement and Economic Advancement	ASIEA
C.M.I. Lanka Holding (Private) Limited	CMI Lanka
Catalyst Continuity Limited	Catalyst Continuity
Catalyst Microfinance Investment Company	CMIC
Catalyst Microfinance Investors	CMI
CMI International Holding	CMII
Lak Jaya Micro Finance Limited	Lak Jaya
Pagasa ng Masang Pinoy Microfinance, Inc	Pagasa
PagASA ng Pinoy Mutual Benefit Association, Inc.	MBA Philippines
Pagasa Consultancy Limited	Pagasa Consultancy
Pagasa Philippines Finance Corporation	PPFC
Pagasa Philippines Finance Corporation and Pagasa ng Masang Pinoy Microfinance, Inc	Pagasa Philippines
Pinoy Consultancy Limited	Pinoy
Proswift Consultancy Private Limited	Proswift
PT ASA Microfinance	PT ASA Microfinance
PT PAGASA Consultancy	PT PAGASA Consultancy
Microfinance Institution	MFI
Reserve Bank of India	RBI
State Bank of India	SBI
Sequoia B.V.	Sequoia

2. ACCOUNTING POLICIES
ACCOUNTING POLICIES
2.1 GENERAL
The consolidated financial statements of ASA International Group plc have been prepared on a historical cost basis, except for derivative instruments, which have been kept at fair value. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD' 000), except when otherwise indicated.

After the issue of the financial statements the Company's owners or others do not have the power to amend the financial statements.

2.1.1 BASIS OF PREPARATION
These consolidated financial statements have been prepared on a going concern basis. It should be noted that in the 2019 Annual Report and Accounts, approved on 2 June 2020, the Directors concluded that the potential impact of the COVID-19 pandemic and the uncertainty over possible mitigating actions represented a material uncertainty that may have cast significant doubt over the Group's ability to continue as a going concern. In assessing going concern covering 12 months from the date of the approval of the annual consolidated financial statements and given the financial impact of the spread of COVID–19, which has an impact on the Group, management has analysed the Group's financial position and updated its budget and projections for the period up to the end of May 2022 (the 'Assessment Period'). The conclusion of this assessment remains consistent with that of the prior year – the Directors have concluded that there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

The Group has updated its detailed financial model for its budget and projections (the 'Projections') in line with current market conditions. Management used the actual numbers up to December 2020 and updated the operating projections for the Assessment Period. These Projections are based on a detailed set of key operating and financial assumptions, including the minimum required cash balances, capital and debt funding plan per country and consider the economic conditions of individual countries during the pandemic and includes management's estimation of increased credit and funding risks and a conservative view of reduced demand for new microfinance loans.

The Group is well capitalised and has USD 101 million of unrestricted cash (including fixed deposits) as of 31 December 2020. Also, the Group has a strong funding pipeline of USD 199 million, with over 70% having agreed terms and which can be accessed in the short to medium term at the time of approval of the annual consolidated financial statements. This continues to reaffirm the confidence lenders have in the strength of the Group's business model and management's ongoing strategies to steer the Group through the current pandemic. It should be noted that the majority of this additional funding contains loan covenants and there is a risk of covenant breaches in certain stress scenarios, consistent with the risks detailed in the remainder of the going concern assessment. The Group is confident it will generate positive cash flows and will be able to fully fund the projected loan portfolio until May 2022.

The increase in overdue loans is mainly due to four countries (India, the Philippines, Uganda, and Kenya) which faced significantly longer lockdowns and other measures related to COVID–19. This resulted in covenant breaches in certain subsidiaries. No lender has requested an early repayment of the loans for any of the current breaches. The Group has already received waivers from most of the lenders (see note 24.1 for details).

Under the Projections, the Group expects further breaches of loan covenants across the going concern period. These covenants mainly relate to arrears levels (portfolio at risk greater than 30 days, or 'PAR>30'), risk coverage ratios, cost to income ratio, and provisioning ratios on account of higher expected credit loss provisions required due to the impact of COVID-19. These breaches have not historically resulted in the immediate repayment request from lenders and these further evidences the supportive attitude of lenders during the challenges faced by COVID-19.

During the unprecedented situation of the COVID-19 pandemic, the Group has reached out to its lenders to seek waivers or no-action letters regarding prospective covenant breaches and in most of the cases received waivers or no-action letters from the lenders. Other lenders have confirmed that they are willing to provide waivers, but will only do so in case of actual breaches and subject to formal internal credit committee approvals.

Based on the received waivers, ongoing discussions, prior experience, and new funding commitments received since the outbreak of COVID-19, we have a high degree of confidence that we will obtain all the required waivers.

In the event the waivers are not provided by the funders, there may be cases where covenant breaches are considered as events of default under the loan agreements which could lead to the debt being called due and potentially significant liquidity challenges. It should also be noted that whilst the Group has a strong cash position, there are certain restrictions on intra-Group cash movements and there is a risk that further restrictions are imposed by local governments in response to the economic pressures imposed by the COVID-10 pandemic. However, given the unprecedented worldwide situation of COVID–19 and based on prior experience and recent discussions, we expect that a period would be provided by the funders for rectifying the breach of covenants before calling a default under the loan agreements. It is noted that none of the lenders initiated any debt calls during 2020.

Notes to the consolidated financial statements continued
For the year ended 31 December 2020

2. ACCOUNTING POLICIES CONTINUED
2.1.1 BASIS OF PREPARATION CONTINUED
In terms of mitigations, the Group could shrink its operations in certain countries by focusing on the collection of existing loans and through curtailing disbursements, as we did in India during the 'Andhra Pradesh crisis'. This would serve to significantly increase the available cash in the business although the timing of collections through this method could be delayed due to potential future lockdown measures or other governmental interventions across the Group's territories. This is not a preferred action but can be utilised to create liquidity in any country operation when unexpected repayments are requested by lenders. Further, the holding entities within the Group did not provide parent guarantees to funders of the operating entities, which protects the Group against cross defaults.

As of 31 December 2020, the total outstanding debt at the holding level (ASA International Holding and ASAI International NV combined) is USD 68.5 million which is part of the USD 342.2 million consolidated debt for the Group. The debt from the international funders and most of the covenants under the respective loan agreements for the USD 68.5 million are based on consolidated group statements. Waivers have been obtained by the Group in respect of expected covenant breaches on all loans to the holding companies from international funders up to December 2020. As stated above, international funders have been supportive of the Group and the microfinance sector in general during this pandemic. In the absence of waivers, breach of covenants that are not rectified within the time specified in the respective agreements, as applicable, would cause an event of default under the loan agreements.

In addition, the Group prepared a downside analysis with a stress assumption on the operations of four of its main subsidiaries (ASA India, PPFC, ASA Myanmar, and ASA Nigeria) and the related mitigating actions. The downside analysis of its business was carried out to see the sustainability of the operation if additional stress is provided to the operation in addition to the existing management assumptions. These assumptions included an additional 10% write-off of its portfolio over the base case (approved budget) assumption, 10% reduction of customer, 30% lower additional borrowings, and extended lockdown due to political instability in Myanmar.

The Projections and above downtrend point analysis show that the Group remains compliant with the regulatory requirements in the operating countries where these are applicable.

Whilst the Projections are formed from management's best estimation of the potential impact on the Group of the current pandemic, it is acknowledged that there remains significant uncertainty as to how the COVID-19 pandemic will continue to affect borrowers, businesses, and lenders across its operating countries, as certain countries, are seeing further waves of infections. Although in most of the operating countries the initial phase of vaccination has started, it is expected that the process will take at least 2022 to vaccinate a major part of the population.

Management and the Board of Directors extensively challenged the Projections and downtrend analysis and its underlying assumptions including the above considerations and factors. They also considered the remaining uncertainties around possible new lockdown periods, higher write-offs, and the risk of not obtaining waivers for prospective covenant breaches. They also considered that in recent months most countries have completely lifted or relaxed COVID-19 lockdowns, which has allowed the field operations to re-open their branches, with collections and new disbursements gradually returning to customary levels.

The Directors have assessed that there is a risk that restrictions on the movement of people leads to a decline in the business activities of the Group's borrowers and the Group's ability to collect on its loans which could lead to increased credit losses on the loan portfolio and cause the Group to breach covenants on its borrowings. Unless covenant breach waivers are obtained the debt may be called due which could materially impact the ability of the Group to meet its debt obligations. Although the Group has a history of negotiating covenant waivers and recovering from natural disasters and debt relief programmes, across particular locations, the unprecedented nature of the COVID-19 pandemic makes it difficult to assess its likely scale of debt covenant breaches and whether the waivers necessary to avoid the immediate repayment of debt will be forthcoming. As a result, the Directors have concluded that this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

Nevertheless, having assessed the Projections, downtrend analysis, and mitigations described above the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months from the date of approval of these consolidated financial statements, and through to 31 May 2022. For these reasons, they continue to adopt a going concern basis for the preparation of the consolidated financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

2.1.2 STATEMENT OF COMPLIANCE
The Group and Parent Company financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, the Group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

2.1.3 BASIS OF CONSOLIDATION
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December for each year presented. The financial statements of subsidiaries are similarly prepared for the year ended 31 December 2020 applying similar accounting policies. All intra–Group balances, transactions, income and expenses and profits and losses resulting from intercompany transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The Company has control over a subsidiary when it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The results of subsidiaries acquired or disposed of during the year are included (if any) in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate. No subsidiaries were acquired or disposed of in 2020.

Non–controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non–controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.2.1 FOREIGN CURRENCY TRANSLATION
The consolidated financial statements are presented in USD, which also is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances – Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to 'Exchange rate differences' in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies – As at the reporting date, the assets and liabilities of subsidiaries are translated into the Group's presentation currency (USD) at the rate of exchange ruling at the reporting date except investment in subsidiaries and issued capital which are translated at historical rate, and their statement of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year. Currency translation differences have been recorded in the Group's consolidated statement of financial position as foreign currency translation reserve through other comprehensive income.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2. ACCOUNTING POLICIES CONTINUED

2.2.2 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A) FINANCIAL ASSETS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(1) DATE OF RECOGNITION

Purchases or sales of financial assets that require the delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(2) INITIAL RECOGNITION AND MEASUREMENT

The Group recognises a financial asset in its statement of financial position, when, and only when, the entity becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

(3) SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (loans and advances to customers, other loans and receivables, cash at bank and in hand and due from banks);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through FVTPL (derivatives).

FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost are subsequently measured using the effective interest rate ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes Loans and advances to customers, Other loans and receivables, Cash and cash equivalents and due from banks.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING (EQUITY INSTRUMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Investments at FVOCI are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the Investments at FVOCI reserve. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derivatives are initially recognised at FVTPL. However, as the group applies cash flow hedge accounting the impact is later moved to FVOCI.

DERECOGNITION

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

B) IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses (ECLs) on Loans and advances to customers, Related party receivables, Cash at bank and Due from banks.

LOANS AND ADVANCES TO CUSTOMERS

Given the nature of the Group's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12M ECL) and stage 2 loans (lifetime ECL) for the ECL calculation. For disclosure purposes normally stage 1 loans are defined as loans overdue between 1-30 days. Stage 2 loans are overdue loans between 31-90 days. In 2020, in response to the challenges raised by COVID-19, the Group provided payment deferral periods to a proportion of its borrowers which resulted in delays in scheduled payments and increased arrears levels arising from collection difficulties. Payment deferral periods varied from country to country, and sometimes within country, and were implemented due to local governmental decisions and the decisions of local management to support the borrower population. In order to factor in this information, the Group introduced a 'last payment date' datapoint into the significant increase in credit risk (SICR) and ECL calculations. The objective of such is to identify how many days the client has not paid any single instalment irrespective of whether s/he was under payment moratorium or not. See note 2.5.2 A for more details.

To avoid the complexity of calculating separate probability of default and loss given default, the Group uses a 'loss rate approach' for the measurement of ECLs. The 'loss rates' are a provision matrix that is based on historical credit loss experience, adjusted for forward–looking factors specific to economic environment.

The Group considers significant increase in credit risk when contractual payments are 30 days past due. In addition, Loans and advances are treated as credit impaired (stage 3) when contractual payments are 90 days or more past due. These thresholds have been determined based on the historical trend and industry practice where the Group operates.

WRITE-OFF

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group considers financial assets as bad when those are over 365 days past due. As per the Group policy all bad assets are written off. The write-offs occur mainly two times in a year (June and December). However, the management (group and or subsidiary) can write-off loans earlier in case of national calamity or any regulatory reasons subject to Board approval.

Management monitors post write-off amounts for the previous two years to determine whether any of such amounts are recoverable. Any recovered amount is recognised as other income.

CASH AT BANK, DUE FROM BANKS AND RELATED PARTY

For Due from banks and Related party receivables, the Group used the S&P matrix for default rates based on the most recent publicly made available credit ratings of each counterparty. In the S&P matrix for default rates, there is no specified default rates for each of our external counterparties. Thus, ASAI applied the default rate for all financial institutions. Then, the Group calculated the adjusted probability of default ('PD')/default rates by accommodating management estimates. However, for non-credit rated external counterparties; the PD/default rate is determined by choosing the riskier one between the mid point of credit ratings of Banks the Group has business with and a similar level rated entity. Management collects the credit ratings of the banks where the funds are deposited and related parties (where applicable) on a quarterly basis and calculates the ECL on such items based using the default rate identified as above. The Group considers credit risk to have significantly increased when the credit ratings of the bank and the related parties have been down-graded which in turn increase the probability of default. The Group considers that the closure of a counterparty bank, dissolution of a related party or a significant liquidity crisis or any objective evidence of impairment such as bankruptcy to be indicators for stage 3.

C) FINANCIAL LIABILITIES–INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(1) INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include Debt issued and other borrowed funds, Due to customers, Lease liabilities, Other liabilities and Derivative financial instruments.

(2) SUBSEQUENT MEASUREMENT

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost (Debt issued and other borrowed funds, Due to customers and Lease liabilities); and
- Financial liabilities at FVTPL (Derivative instruments).

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2. ACCOUNTING POLICIES CONTINUED

2.2.3 FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL LIABILITIES AT AMORTISED COST

Debt issued and other borrowed funds, Other liabilities and Due to customers are classified as liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, Debt issued and other borrowed funds including Due to customers are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by considering any discount or premium on the issue and costs that are an integral part of the effective interest rate.

DERECOGNITION

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.2.4 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses derivative financial instruments, such as forward currency contracts and cross currency interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group uses forward currency contracts and cross currency interest rate swap agreements as hedges of its exposure to foreign currency risk and interest rate risk in forecast transactions and firm commitments.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve. The forward points and foreign exchange basis spreads are amortised throughout the contract tenure and reclassified out of OCI into P&L as interest expenses.

2.2.5 RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duties. The Group has concluded that it is principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

(1) INTEREST AND SIMILAR INCOME AND EXPENSE

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income based on the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate of a financial instrument including transaction costs, and all other premiums or discounts. Interest income is presented net of modification loss (note 2.5.4).

The Group charged interest to clients in certain countries for providing moratoria during Government instituted lockdown periods and clients' request. The additional interest is recognised on accrual basis in India, Pakistan and Sri Lanka where the Group have been able to obtain clients consent and it is customary to charge additional interest to the clients for providing moratoriums.

The Group recognises interest income on the stage 3 loans on the net loan balance.

(2) DIVIDEND INCOME

Revenue is recognised when the Group's right to receive the payment is established.

(3) AMORTISATION OF LOAN PROCESSING FEES

Revenue from amortisation of loan processing fee is recognised on accrual basis in the period to which they relate. The loan processing fee charged to clients is allocated to the total loan period and recognised accordingly.

(4) OTHER INCOME

Other income includes group member's admission fees, document fees, sale of passbook, income on death and multipurpose risk funds and service fee from off–book loans under BC model.

Group member's admission fees, document fees and sale of passbook fees are recognised on receipt as the then admission and sale can constitute as satisfactory performance obligation.

The Group collects fees for the death risk fund or multipurpose risk fund in the Philippines, Ghana, Sri Lanka, Kenya, Uganda, Myanmar and Tanzania. These fees cover settlement of the outstanding loan amount and other financial assistance when the borrower dies or is affected by natural calamities. The collections are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds. The judgement used to recognise the liability is disclosed in note 2.5.6.

Service fees from off–book loans under the BC model is recognised on the basis of receipt as the amount is received only after completion of the service.

2.2.6 CASH AND CASH EQUIVALENTS AND CASH AT BANK AND IN HAND

Cash and cash equivalents as referred to in the statement of cash flows comprises unrestricted cash in hand, current accounts with various commercial banks and amounts due from banks on demand or term deposits with an original maturity of three months or less. The cash flows from operating activities are presented using the indirect method, whereby profit or loss is adjusted for the effects of non–cash transactions, accruals and deferrals, and items of income or expense associated with investing or financing cash flows.

Cash in hand and in bank as referred in the statement of financial position comprises cash and cash equivalents and restricted cash relating to Loan Collateral Build Up (LCBU) in the Philippines.

2.2.7 PROPERTY AND EQUIPMENT

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives.

The estimated useful lives are as follows:

1. Furniture & Fixtures:	5 Years
2. Vehicles:	5 Years
3. Office equipment including IT:	3 Years
4. Buildings:	50 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2. ACCOUNTING POLICIES CONTINUED

2.2.7 PROPERTY AND EQUIPMENT CONTINUED

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

2.2.8 TAXES

(1) CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) DEFERRED TAX

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except: (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and (ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be set-off: (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and (ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the Group has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

2.2.9 DIVIDEND DISTRIBUTION ON ORDINARY SHARES

Dividends on ordinary shares will be recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that were approved after the reporting date will be disclosed as an event after the reporting date.

2.2.10 SHORT–TERM EMPLOYEE BENEFITS

Short–term benefits typically relate to the payment of salaries and wages. These benefits are recorded on an accrual basis, so that at period end, if the employee has provided service to the Group, but has not yet received payment for that service, the unpaid amount is recorded as liability.

2.2.11 POST-EMPLOYMENT BENEFITS

2.2.11.1 DEFINED BENEFIT PLAN

The Group maintains a defined benefit plan in some subsidiaries which leads to retirement benefit obligations. The defined benefit obligation and the related charge for the year are determined using assumptions required under actuarial valuation techniques. These benefits are unfunded.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding an amount included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of (i) the date of the plan amendment or curtailment, and (ii) the date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under Operating expenses in the consolidated statement of comprehensive income (i) service costs comprising current service costs, past–service costs, gains and losses on curtailments and non–routine settlements and (ii) net interest expense or income. Reference is made to note 2.5.5.

2.2.11.2 DEFINED CONTRIBUTION PLAN

Defined contribution plans are post–employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Similar to accounting for short–term employee benefits, defined contribution employee benefits are expensed as they are paid, with an accrual recorded for any benefits owed, but not yet paid. The expenses of the defined contribution plan are incurred by the employer. The contributions are to be remitted by the entities to the fund on a monthly basis. Employees are allowed to withdraw the accumulated contribution in their accounts from this fund as per the terms and conditions specified in the fund acts.

2.2.12 GOODWILL

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non–controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. The Group tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generating unit (CGU) (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.2.13 IMPAIRMENT OF NON–FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. For Right of Use Assets ('ROU') the fair value is determined based on estimated rental payments using incremental borrowing rate 'IBR' used for each country where such ROU exists. If there is a significant change in discount rates, the fair value is reviewed to see if there is impairment. The sensitivity analysis on account of IBR changes is shown in note 17.

Notes to the consolidated financial statements continued
For the year ended 31 December 2020

2 ACCOUNTING POLICIES CONTINUED

2.2.14 PROVISIONS
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.15 LIABILITY FOR DEATH AND MULTIPURPOSE RISK FUNDS
The Group collects 1–2% of disbursed loan amounts for Death Risk Funds or Multipurpose Risk Funds in certain markets (the Philippines, Myanmar, Ghana, Tanzania, Uganda, Kenya and Sri Lanka). These funds cover settlement of the outstanding loan amount and other financial assistance when the borrower dies or is affected by natural calamities. The collected amounts are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds. Reference is made to note 2.5.6 on the key judgement used.

2.2.16 FAIR VALUE MEASUREMENT
The Group measures financial instruments such as derivatives, and non-financial assets such as goodwill, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) In the principal market for the asset or liability; or (ii) In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

2.2.17 LEASES
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

RIGHT-OF-USE ASSETS
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight- line basis over the shorter of the lease term and the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2.2.13 Impairment of non-financial assets.

LEASE LIABILITIES

(1) INITIAL MEASUREMENT

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less (if any) lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. There are no obligatory extension clauses in the rental agreements. Although some lease contracts comprise the optional extension clauses, these are not included on initial recognition because it is not always reasonably certain that the Group will take the option. In calculating the present value of lease payments, ASA International uses the incremental borrowing rate at the lease commencement date due to the reason that the interest rate of implicit in the lease is not available. The incremental borrowing rate is calculated using a reference rate (derived as country specific risk-free rate) and adjusting it with company specific financing spread and integrating lease specific factors. Refer to section 2.5.10 on accounting estimates and assumptions used to determine the IBR rates.

(2) SUBSEQUENT MEASUREMENT

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

2.3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an material impact on the consolidated financial statements of the Group.

2.3.1 AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

2.3.2 AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39: INTEREST RATE BENCHMARK REFORM

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark–based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as there are no hedged exposures related to IBOR that go beyond the cessation date for any currency.

2.3.3 AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIAL

The amendments provide a new definition of material that states information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

2.3.4 CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2 ACCOUNTING POLICIES CONTINUED

2.3.5 AMENDMENTS TO IFRS 16 COVID–19 RELATED RENT CONCESSIONS

On 28 May 2020, the IASB issued COVID–19–Related Rent Concessions – amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID–19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID–19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID–19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

2.3.6 OTHER PRONOUNCEMENTS

Other accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

2.4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2.4.1 IFRS 17 INSURANCE CONTRACTS

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non–life, direct insurance and re–insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The Group is assessing the impact of implementing IFRS 17.

2.4.2 AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON–CURRENT

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non–current. The amendments clarify:

What is meant by a right to defer settlement?
That a right to defer must exist at the end of the reporting period
That classification is unaffected by the likelihood that an entity will exercise its deferral right

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

2.4.3 REFERENCE TO THE CONCEPTUAL FRAMEWORK – AMENDMENTS TO IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

2.4.4. PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2.4.5 ONEROUS CONTRACTS – COSTS OF FULFILLING A CONTRACT – AMENDMENTS TO IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss–making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.4.6 IFRS 1 FIRST–TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – SUBSIDIARY AS A FIRST–TIME ADOPTER

As part of its 2018–2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First–time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2.4.7 IFRS 9 FINANCIAL INSTRUMENTS – FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, judgements and estimates are applied in determining the amounts recognised in the financial statements. Significant use of judgements and estimates are as follows:

2.5.1 DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATION OPTIONS

The Group determines the lease term as the non-cancellable term of the lease. Any periods covered by an option to extend the lease is not considered unless it is compulsory to be exercised.

2.5.2 ALLOWANCE FOR EXPECTED CREDIT LOSS (ECL) IN LOANS AND ADVANCES

The Group calculates the allowance for ECL in a three step process as described below under A to C. The Group reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statement. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on certain assumptions such as the financial situation of the borrowers, types of loan, maturity of the loans, ageing of the portfolio, economic factors etc. Actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the industry the Group operates, i.e. micro credit to low income clients, the loan portfolio consists of a very high number of individual customers with low value exposures. These characteristics lead the Group to use a provisioning methodology based on a collective assessment of similar loans. The Group's policy for calculating the allowance for ECL is described overleaf:

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2 ACCOUNTING POLICIES CONTINUED

A) DETERMINATION OF LOAN STAGING

The Group monitors the changes in credit risk in order to allocate the exposure to the correct staging bucket. Given the nature of the Group's loan exposures (generally short term exposures, <12 months) no distinction have been made between stage 1 (12 months ECL) and stage 2 loans (Lifetime ECL) for calculating the ECL provision. For disclosure purposes, the Group previously defined stage 1 loans as loans overdue between 1-30 days overdue and Stage 2 loans between 31-90 days. However, in 2020 due to COVID-19, the Group provided significant moratoriums to the clients which resulted in clients' overdue days remaining static (and not increasing due to a lack of payment) and the time since the last payment was made increasing. Although the client is on an agreed payment deferral the credit risk increases, although not at a rate equivalent to arrears levels increasing. As a result, loans which are in arrears by more than 30 days and less than 91 days or have more than 30 days but less then 91 days since their last payment, are classified as stage 2. The stage comparison between 2019 and 2020 is shown below:

<table>
<tr><th colspan="2"></th><th colspan="6">FOR FY 2020
BUCKET BASED ON LAST PAYMENT DATE</th><th>FOR FY 2019</th></tr>
<tr><th colspan="2"></th><th>WITHIN 7 DAYS</th><th>WITHIN 7-30 DAYS</th><th>WITHIN 31-90 DAYS</th><th>WITHIN 91-180 DAYS</th><th>MORE THAN 180 DAYS</th><th>>365 DAYS</th><th></th></tr>
<tr><td rowspan="5">Bucket based on overdue age</td><td>Current</td><td rowspan="2">Stage 1</td><td rowspan="2" colspan="5">Stage 2</td><td rowspan="2">Stage1</td></tr>
<tr><td>1-30 days</td></tr>
<tr><td>31-90 days</td><td colspan="6">Stage 2</td><td rowspan="2">Stage 2</td></tr>
<tr><td>90-180 days</td><td rowspan="2" colspan="6">Stage 3</td></tr>
<tr><td>>180 days</td><td>Stage 3</td></tr>
</table>

B) CALCULATING ECL FOR STAGE 1-2 LOANS

For avoiding complexity of calculating separate probability of default and loss given default, the Group use a 'loss rate approach' for the measurement of ECLs under IFRS 9. Using this approach, the Group developed loss-rate statistics on the basis of the amounts written off over the last five years. The historical loss rates include the impact of security deposits held by the Group, which reduces the resulting write- off. ECL as per historical loss rate comes to USD 731K. Doubling the historical loss rate would add USD 731K to the ECL.

The forward-looking element in the ECL is built by looking at the write-offs trend in the most recent three-year period. ECL as per forward looking element comes to USD 1.04 million. Changing the write-off trend to two years, rather than three years for forward looking assessment, would add USD 251K to the ECL.

C) ASSESSING THE EXISTENCE OF STAGE 3 LOANS

As a change in accounting estimate the Group has adjusted the threshold at which it considers a loan to be credit impaired from 180 days at 31 December 2019 to 90 days at 31 December 2020. This change was implemented, in part, in response to challenges raised by COVID-19 and the increasing risk profile in the portfolio, and the knock-on impact of how the Group views loans in arrears more than 90 days. As the ECL applied to stage 3, at this stage in the ECL calculation, is calculated based on the balance of loans in excess of 180 days, the change in the ECL applied as a result of this change in accounting estimate is nil. ECL for stage 3 loans comes to USD 5.6 million. It should be noted that the additional risk arising in stage 3 is further captured in the management overlay, discussed below. An alternative assessment of stage 3 provisions would be to apply a 75% loss rate across the entire stage 3 population, being all loans more than 90 days past due. This would increase the ECL on the stage 3 population to $18.9 million.

D) MANAGEMENT OVERLAY

Due to the expected impact on our clients of recent government and regulatory actions related to COVID-19, like lockdowns and moratoriums, the Group considered an additional management overlay. Given the unavailability of reliable information as to the impact of the COVID-19 pandemic on borrowers and the recoverability of loans that have been subject to payment moratoria, there is significant uncertainty in the selection of the assumptions as to the expected credit loss calculation. The Management Overlay is calculated using the assumptions described below. The output is then compared to the ECL arising out of the modelled provision in points B and C above. Any additional ECL resulting from the matrix calculation is recorded as part of the Management Overlay. The overlay encompasses the below components:

Step-1: The OLP as of December 2020 have been segregated based on number of overdue days for each country to analyse the risk exposure for each bracket. Note that there is some judgement in whether loans are written-off when they are over 365 days past due, although this is generally the practice across the Group, and where loans have not been written off they are provided for in accordance with the matrix below.

Step-2: The buckets are further segregated based on the last payment date of each individual loans so that any impact of moratoriums on the overdue calculation can be factored into the expected credit loss calculation.

Step-3: Each country management then assessed the risks associated with loan portfolio under different overdue and last payment brackets independently and provided their estimates for expected write-off percentages for each part of the portfolio in the matrix. The longer the overdue/last payment brackets, the higher the credit risk exposure. In addition to historical defaults already considered in the modelled ECL, management considered previous calamities and the related write-offs, current field experience of loan officers and operational supervisors who have frequent contact with the clients during this pandemic. While analysing this expected credit risk matrix, customers' future expected payment behaviour and the performance of competitors have been considered therein. All the individual country assessments were then discussed between local management and Group senior management where the assessments were further discussed, challenged and agreed. The management at a Group and local level applied expert judgement in defining the expectations of losses in each of the positions in the overdue/last payment matrix, provided above.

Step-4: If After estimating total ECL provision as of 31 December 2020 by using the above expected credit risk matrix, additional provision under management overlay was taken for each country if the total estimated loss as per matrix exceeds the estimated loss under step 2 and 3 above. The additional provision under management overlay was only taken if the outcome of the matrix analysis was higher than the Step 2 and 3. The provision was not reduced when the matrix analysis showed a lower required ECL provision.

On top of this ECL Matrix assessment, an additional provision of USD 8.07 million were recorded in relation to expected credit losses in ASA India, which is equivalent to 10% of OLP<90 days in West Bengal and Assam state in India. This additional provision was taken considering underlying reasons which were not yet visible in the ECL Matrix. These risk factors are mainly driven by the threat of government intervention and political activism in Assam and West Bengal due to the upcoming provincial election in both of these states, which may lead to restrictions on some of the customary operating procedures of MFIs, such as restrictions on the collection of loan instalments at the client's doorstep. In addition, the portfolio in the southern districts of West Bengal is still impacted by the difficulties faced by clients after the cyclone 'Amphan' in May 2020, but is not showing as long overdue because of the COVID–19 related government–instructed moratoriums to clients. Total ECL as per management overlay comes to USD 16.8 million.

The matrix can be visualised as below:

BUCKET BASED ON LAST PAYMENT DATE

<table>
<tr><th>Bucket based on overdue age</th><th>WITHIN LAST 7 DAYS</th><th>WITHIN LAST 7–30 DAYS</th><th>WITHIN LAST 31-90 DAYS</th><th>WITHIN 181–365 DAYS</th><th>>365 DAYS</th></tr>
<tr><td>Current</td><td rowspan="2">0.01%-1.02%</td><td rowspan="2">0.03%–20%</td><td rowspan="4">20%–50%</td><td rowspan="4">50%–75%</td><td rowspan="6">100%</td></tr>
<tr><td>1-30 days</td></tr>
<tr><td>31-90 days</td><td colspan="2" rowspan="2"></td></tr>
<tr><td>91-180 days</td></tr>
<tr><td>181-365 days</td><td colspan="2">20%–50%</td><td>50%–75%</td><td></td></tr>
<tr><td>>365 days</td><td colspan="2">50%–75%</td><td colspan="2"></td></tr>
</table>

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2 ACCOUNTING POLICIES CONTINUED

E) BUSINESS CORRESPONDENCE ('BC') PORTFOLIO, DIRECT ASSIGNMENT ('DA') PORTFOLIO AND SECURITISATION PORTFOLIO OF ASAI INDIA

A similar assessment has been performed for the off–book Business Correspondence ('BC') portfolio of ASA India (see note 13 for details on the BC portfolio). The provision rates for the on–book BC portfolio are the same as for ASA India's regular portfolio. For the off–book BC portfolio, similar process was followed subject to maximum provision of 5% of OLP, which is the maximum credit risk exposure for ASA India as per the agreement with IDFC First Bank. ECL for off book BC portfolio comes to USD 2.2 million.

The portion of the DA portfolio of ASA India which is on-book has also been treated the same as regular portfolio. No provision for the off- book portion of the DA portfolio was made because, as per the agreement with the State Bank of India, ASAI has no credit risk on this part of the DA portfolio.

The securitisation portfolio's of ASA India been assessed in line with ASAI India's own portfolio.

F) ECL ON INTEREST RECEIVABLE

A similar assessment (2.5.2.B – 2.5.2.D) was conducted for the interest receivable from customer to determine the expected credit loss on the interest outstanding as of 31 December 2020. ECL for interest receivable comes to USD 1.07 million.

Based on the above assessment the total provision for expected credit losses for loans and advances to customers can be summarised as follows:

PARTICULARS	2020 USD'000	2019 USD'000
ECL as per historical default rate	785	750
Forward considerations	1,078	535
ECL under stage 3 loans	6,555	2,923
Management overlay	19,072	50
	27,490	4,258

ALLOCATED TO:	2020		2019	
	GROSS OUTSTANDING USD'000	ECL USD'000	GROSS OUTSTANDING USD'000	ECL U USD'000
Own Portfolio (note 7.2, note 13.1 and 13.3)	396,605	24,171	415,348	3,980
On book BC portfolio	–	–	172	10
Off book BC portfolio (note 13.1 and note 27)	44,982	2,248	49,785	21
Interest receivable (note 13.1 and note 13.3)	14,688	1,071	3,890	247
	456,275	27,490	469,195	4,258

2.5.3 WRITE-OFF

The Group uses judgement to determine bad loans which are written off. Based on management experience in the local market and the microfinance industry practice, loans over 365 days past due are bracketed as bad, unless there are specific circumstances that lead local management to believe that there is a reasonable expectation of recovery. All bad loans are written off for accounting purposes. From an operational perspective all overdue loans are monitored for recovery up to two years overdue.

2.5.4 MODIFICATION OF LOANS

The Group decided to treat the period of the lockdowns instituted by the National Government and/or local authorities of each of our operating Entities due to COVID-19 as a payment holiday with no attempt by individual branches to collect loan instalments during the lockdown period. In addition, after the lockdown, the Group granted a temporary moratorium of payments to selected clients by senior management of the operating entities subject to approval by the Group management. In addition, in all operating countries except India, Pakistan and Sri Lanka no interest was charged to the clients for the extended period resulting from this payment holiday. The main objective of these payment holiday was to provide clients a temporary relief due to disruption of their livelihood on account of COVID-19. Extending only the loan term is not considered as a substantial modification and therefore does not result in derecognition and the original effective interest rate is retained. The catch-up adjustment or modification loss is then calculated as the difference between the carrying amount of the loans and the discounted value of the modified cash flows at the original effective interest rate. The modification loss is an adjustment to the carrying value of the loans and advances to customers and interest income. Any interest received for the outstanding loan balance during the lockdowns was considered in the calculation of the modification loss. Management have refined the calculation of modification loss from the half year to the year end. The modification loss amounted to USD 3.53 million for the year ended 31 December 2020 and is disclosed in note 13.

2.5.5 DEFINED BENEFIT PLANS

The cost of the defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff turnover and retirement age. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions used in December 2020 and December 2019 are as follows:

ASSUMPTIONS DEFINED BENEFIT PLAN

	2020					2019				
	LAK JAYA	ASA PAKISTAN	ASA INDIA	ASA NIGERIA	PAGASA PHILIPPINES	LAK JAYA	ASA PAKISTAN	ASA INDIA	ASA NIGERIA	PAGASA PHILIPPINES
Discount rate	6.7%	9.8%	6.8%	8.0%	3.9%	10.0%	11.3%	7.1%	14.0%	5.2%
Salary increment	10.0%	8.8%	9.5%	7.5%	3.0%	10.0%	10.3%	9.5%	11.5%	5.0%
Staff turnover	16.6%	23.4%	21.2%	5.0%	54.0%	21.0%	31.0%	24.6%	6.3%	53.0%
Retirement age	60 Yrs	60 Yrs	55–62 Yrs	60 Yrs	60 Yrs	60 Yrs	60 Yrs	55–62 Yrs	60 Yrs	60 Yrs

The parameter most subject to change is the discount rate. Management engages third-party actuaries to conduct the valuation. The defined benefit costs have been disclosed in note 8.2. The sensitivity analysis of the plan on account of any change in discount rate and salary increment is disclosed in note 8.3. Sensitivity analysis for changes in other two assumptions were not done as the effect is determined immaterial.

2.5.6 LIABILITY FOR DEATH AND MULTIPURPOSE RISK FUNDS

At the end of each period, management uses significant assumptions to reassesses the adequacy of the liability provided. These include estimated number of borrowers deaths among the total number of borrowers by applying the local mortality rates at the end of the period, outstanding loan amount per borrower and other financial assistance to the family where applicable. The mortality rate is based on historical mortality rates of the borrower for last three years for the specific countries. As of December 2020, mortality rates were 0.37% in Sri Lanka, 0.26% in Ghana, 0.17% in Uganda, 0.26% in Tanzania and 0.19% in Kenya. The liability is disclosed under note 26. No sensitivity analysis is done as the amount is not material.

2.5.7 BUSINESS CORRESPONDENCE AND PARTNERSHIP MODELS

The portfolios under the Business correspondence and partnership models in ASA India (BC model) are recognised on the statement of financial position when the agreed exposure to credit risk on these portfolios exceeds expected credit risk. The Group performs a sensitivity analysis to estimate the expected credit risk considering various adverse situations in India, probability of occurrence for these situations and three scenarios (optimistic, realistic and pessimistic) for the estimated write-offs for each situation. The overall credit risk on loans managed by ASA India is analysed below 5%. Based on this analysis the portfolios for MAS, Reliance and IDBI are recognised on the statement of financial position as the agreed exposure is higher than 5%, while the portfolio for IDFC First Bank is not recognised on the balance sheet due to the fact that the agreed exposure is below the expected credit risk. More information is available in note 13.

2.5.8 SECURITISATION AGREEMENTS

ASA India has entered into several securitisation agreements during 2018 and 2019. The loans to customers under the securitisation agreements do not qualify for derecognition as ASAI India provides cash collateral for credit losses and thereby the credit risk is not substantially transferred. Hence, the loans to customers continue to be recognised on the balance sheet of ASA India under Loans and advances to customers and the purchase consideration is presented under borrowings.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

2 ACCOUNTING POLICIES CONTINUED

Interest income from the customers continues to be recognised as interest income and the related portion of the interest which is transferred to the counterparty is presented as interest expense. The outstanding loan portfolio as per end of 2020 under the securitisation agreements amounts to USD 320K (31 December 2019: USD 3.2 million) and the related liability amounts to USD 325K (31 December 2019: USD 4.3 million). The loan portfolio is disclosed under note 13 'Loans and advances to customers' and the liability is disclosed under note 24 'Debt issued and other borrowed funds'. The loan portfolio balance at the start date of the relevant securitisation agreements as per end of 2020 amounts to USD 3.5 million (31 December 2019: USD 23.1 million) and the related liability amounts to USD 3.5 million (31 December 2019: USD 23.1 million). The cash collateral provided under these agreements amounts to USD 305K million (31 December 2019: USD 1.8 million) is disclosed under note 14 'Due from banks'. The agreement ended in January 2021.

2.5.9 DIRECT ASSIGNMENT

ASA India entered into two Direct Assignment agreement (DA) with State Bank of India (SBI) in 2019 and 2020, through which the entity has sold a pool of customers loans amounting to USD 16.5 million against a purchase consideration of USD 14 million. The balance (15%) is kept as minimum retention as per guideline issued by Reserve Bank of India (RBI). Based on the agreement the 85% loans are derecognised on the books on the ground that the entity transferred substantially all the risks and rewards of ownership of financial assets. 15% remained on- book. Further information is available in note 13.

2.5.10 LEASES – ESTIMATING THE INCREMENTAL BORROWING RATE (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

IFRS 16 describes the accounting for an individual lease and a discount rate that should be determined on a lease-by-lease basis. However, as a practical expedient, an entity may apply IFRS 16 to a portfolio of leases with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying a portfolio approach instead of a lease-by-lease basis would not differ materially from applying this standard to the individual leases within that portfolio. If accounting for a portfolio, an entity shall use estimates and assumptions that reflect the size and composition of the portfolio.

The Group applied a discount rate per country based on leases with similar characteristics applying a portfolio approach instead of a lease- by-lease approach which had no material impact for the Group. The starting point for estimating the reference rate is the local risk-free rate. The Group developed an approach to determine IBR that is closely aligned with the definitions and requirements prescribed in IFRS 16. In this approach the Group first determined the country risk free rate and adjusted that with the Group specific financing spread and lease specific adjustments to consider IBR rates.

The Group used country sovereign rates to determine the risk-free rate. If no sovereign risk-free rate is available, a build-up approach is applied that adjusts the USD based United States Treasury bond for (i) the Country Risk Premium, to capture country specific risk, and (ii) the long-term inflation differential, to capture any currency risk.

The Group specific financing spread is determined based on (i) the Group specific perspective/credit rating, (ii) the credit rating of the legal entities (lessees) of ASA International, and (iii) the market interest rates/yields on industry specific bonds.

The lease specific adjustment depends on the type/nature of asset, and relates to the fact that a secured bond will have a lower yield compared to an unsecured bond. However, the yield difference varies based on the type/nature of the asset that is used as collateral. The IBR used for different entities in 2020 is as follows:

COUNTRY	LEASE CURRENCY	CREDIT RATING	APPROACH REFERENCE RATE	IBR AT DIFFERENT LEASE DURATION (YEAR)			
TENURE OF LEASE				1	2-4	5-6	7-9
Ghana	GHS	BBB+	Local	20.7%	21.4%	21.8%	22.0%
Nigeria	NGN	BBB+	Local	4.5%	7.5%	10.6%	10.6%
Sierra Leone	SLL	BB-	Build-Up	16.7%	18.9%	19.1%	19.9%
Kenya	KES	BBB	Local	10.4%	10.8%	11.2%	11.5%
Rwanda	RWF	BB	Build-Up	2.9%	4.9%	4.7%	5.0%
Tanzania	TZS	BBB	Build-Up	4.1%	5.7%	4.8%	5.0%
Uganda	UGX	BBB	Local	11.8%	14.5%	15.6%	16.3%
Zambia	ZMW	BB-	Local	31.8%	32.2%	32.7%	33.1%
Bangladesh	BDT	B+	Build-Up	6.2%	9.2%	7.6%	8.6%
India	INR	BBB	Local	6.1%	6.4%	6.8%	7.0%
Pakistan	PKR	BBB+	Build-Up	12.5%	10.7%	8.7%	9.0%
Sri Lanka	LKR	BB+	Local	9.1%	9.3%	10.0%	10.5%
Myanmar	MMK	BB	Build-Up	7.3%	9.1%	8.9%	9.4%
Philippines	PHP	BBB	Build-Up	4.0%	4.1%	4.3%	4.4%

2.5.11 TAXES

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As of 31 December 2020, unused tax losses of USD 7.9 millions were not recognised to calculate the deferred tax asset in ASA International Group Plc and ASA Zambia as currently it is not probable when these entities will generate taxable profit. The Group has concluded that subsidiaries in question do not have a taxable temporary difference and at the moment future taxable profit for these subsidiaries cannot be readily ascertained. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by USD 1.6 millions.

2.5.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For Property and equipment, the fair value less costs of disposal calculation is based on available data from for similar assets or observable market prices less incremental costs of disposing of the asset. For ('ROU') the fair value is determined based on estimated rental payments using incremental borrowing rates used for each country where such ROU exists. If there is a significant change in discount rates, the fair value is reviewed to see if there is impairment.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into reportable segments based on its geographical areas and has five reportable segments, as follows:

- West Africa, which includes Ghana, Nigeria and Sierra Leone.
- East Africa, which includes Kenya, Uganda, Tanzania, Rwanda and Zambia.
- South Asia, which includes India, Pakistan and Sri Lanka.
- South East Asia, which includes Myanmar and the Philippines.
- Non-operating entities, which includes holding entities and other entities without microfinance activities.

No operating segments have been aggregated to form the above reportable operating segments. The Company primarily provides only one type of service to its microfinance clients being small microfinance loans which are managed under the same ASA Model in all countries. The reportable operating segments have been identified on the basis of organisational overlap like common Board members, regional management structure and cultural and political similarity due to their geographical proximity to each other.

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3. SEGMENT INFORMATION CONTINUED

The Executive Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operational profits and losses and is measured consistently with profit or loss in the consolidated financial statements. Transfer prices between operating and non-operating segments are on an arm's length basis in a manner similar to transactions with third parties and are based on the Group's transfer pricing framework.

Revenues and expenses as well as assets and liabilities of those entities that are not assigned to the four reportable operating segments are reported under 'Non-operating entities'. Inter-segment revenues, expenses and balance sheet items are eliminated on consolidation.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2020 or 2019.

The following table presents operating income and profit information for the Group's operating segments for the year ended 31 December 2020:

AS AT 31 DECEMBER 2020

	WEST AFRICA USD'000	EAST AFRICA USD'000	SOUTH ASIA USD'000	SOUTH EAST ASIA USD'000	NON-OPERATING ENTITIES USD'000	TOTAL SEGMENTS USD'000	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED
External interest and similar income	42,295	21,710	53,294	24,770	17	142,086	–	142,086
Inter-segment interest income	–	–	–	–	1,857	1,857	(1,857)	–
External interest expense	(4,058)	(3,987)	(22,177)	(5,699)	(4,524)	(40,445)	–	(40,445)
Inter-segment interest expense	(170)	(384)	(382)	(779)	(142)	(1,857)	1,857	–
Net interest income	38,067	17,339	30,735	18,292	(2,792)	101,641	–	101,641
External other operating income	1,653	1,525	4,651	2,528	103	10,460	–	10,460
Inter-segment other operating income[1]	–	–	–	–	32,059	32,059	(32,059)	–
Other inter-segment expense	(864)	(1,004)	(127)	(478)	(3,651)	(6,124)	6,124	–
Total operating income	38,856	17,860	35,259	20,342	25,719	138,036	(25,935)	112,101
Credit loss expense	(1,233)	(860)	(19,427)	(5,680)	(50)	(27,250)	-	(27,250)
Net operating income	37,623	17,000	15,832	14,662	25,669	110,786	(25,935)	84,851
Personnel expenses	(12,130)	(9,764)	(14,641)	(10,349)	(4,724)	(51,608)	–	(51,608)
Exchange rate differences	(89)	24	(192)	842	(79)	506	–	506
Depreciation of property and equipment	(391)	(335)	(526)	(347)	(1,568)	(3,167)	1,385	(1,782)
Amortisation of right-of-use assets	(870)	(900)	(1,315)	(1,114)	(229)	(4,428)	–	(4,428)
Other operating expenses	(4,876)	(4,371)	(4,696)	(8,041)	(2,977)	(24,961)	–	(24,961)
Tax expenses	(5,824)	(585)	1,178	981	277	(3,973)	–	(3,973)
Segment profit	13,443	1,069	(4,360)	(3,366)	16,369	23,155	(24,550)	(1,395)
Total assets	107,748	59,802	253,360	119,152	387,488	927,550	(348,290)	579,260
Total liabilities	58,715	43,489	200,128	98,893	144,622	545,847	(73,660)	472,187

Explanation: Segment profit is net profit after tax.

1 Inter-segment operating income includes intercompany dividends, management fees and share in results of the subsidiaries

The following table present operating income and profit information for the Group's operating segments for the year ended 31 December 2019

AS AT 31 DECEMBER 2019

	WEST AFRICA USD'000	EAST AFRICA USD'000	SOUTH ASIA USD'000	SOUTH EAST ASIA USD'000	NON-OPERATING ENTITIES USD'000	TOTAL SEGMENTS USD'000	ADJUSTMENTS AND ELIMINATIONS USD'000	CONSOLIDATED USD'000
External interest and similar income	45,678	24,532	62,558	33,458	25	166,251	1	166,252
Inter-segment interest income	–	–	–	–	2,593	2,593	(2,593)	–
External interest expense	(3,277)	(3,090)	(23,825)	(5,550)	(3,457)	(39,199)	(1)	(39,200)
Inter-segment interest expense	(495)	(605)	(443)	(840)	(210)	(2,593)	2,593	–
Net interest income	41,906	20,837	38,290	27,068	(1,049)	127,052	–	127,052
External other operating income	2,009	2,332	4,751	4,469	416	13,977	(356)	13,621
Inter-segment other operating income	–	–	–	–	69,230	69,230	(69,230)	–
Other inter-segment expense	–	–	(77)	(2,869)	(3,822)	(6,768)	6,768	–
Total operating income	43,915	23,169	42,964	28,668	64,775	203,491	(62,818)	140,673
Credit loss expense	(1,322)	(208)	(2,836)	(612)	(112)	(5,090)	841	(4,249)
Net operating income	42,593	22,961	40,128	28,056	64,663	198,401	(61,977)	136,424
Personnel expenses	(12,418)	(8,636)	(12,754)	(10,555)	(4,022)	(48,385)	61	(48,324)
Exchange rate differences	(208)	(39)	10	199	(257)	(295)	–	(295)
Depreciation of property and equipment	(494)	(365)	(599)	(298)	(142)	(1,898)	–	(1,898)
Amortisation of right-of-use assets	(765)	(803)	(1,202)	(859)	(264)	(3,892)	–	(3,892)
Other operating expenses	(5,595)	(4,333)	(5,563)	(9,032)	(3,499)	(28,021)	342	(27,679)
Tax expenses	(7,179)	(2,626)	(5,923)	(2,163)	(1,641)	(19,532)	(307)	(19,839)
Segment profit	15,934	6,159	14,097	5,348	54,838	96,378	(61,881)	34,497
Total assets	95,240	59,356	252,034	125,751	320,076	852,457	(292,496)	559,961
Total liabilities	57,788	43,880	193,331	104,298	109,554	508,851	(60,062)	448,789

4. INTEREST AND SIMILAR INCOME

The interest and similar income consist of interest income on microfinance loans to customers, and interest income on bank balances and fixed-term deposits.

	NOTES	2020 USD'000	2019 USD'000
Interest income calculated using EIR	4.1.	**131,339**	156,560
Other interest and similar income	4.2.	**10,747**	9,692
		142,086	166,252

4.1. INTEREST INCOME CALCULATED USING EIR

	2020 USD'000	2019 USD'000
Interest income on loans and advances to customers	**131,324**	155,894
Interest income from clients from on-book BC Model (ASA India)	**15**	666
	131,339	156,560

Interest income includes a modification loss for the changes in the expected original cash flows discounted at the original EIR due to payment holidays provided to clients on account of COVID-19 lockdowns and moratoriums. The amount of the modification loss is USD 3.53 million and further disclosed in note 13.

Notes to the consolidated financial statements continued
For the year ended 31 December 2020

4. INTEREST AND SIMILAR INCOME CONTINUED
4.2. OTHER INTEREST AND SIMILAR INCOME

	2020 USD'000	2019 USD'000
Interest income on short-term deposits	**3,703**	3,115
Amortisation of loan processing fees	**5,874**	6,192
Other interest income	**1,170**	385
	10,747	9,692

Other interest income includes additional interest charged to borrowers for the payment extension provided during Government instituted national lockdown periods in addition to the fixed interest amount in the loan agreements.

5. INTEREST AND SIMILAR EXPENSE
Included in interest and similar expense are accruals for interest payments to customers and other charges from banks.

	NOTES	2020 USD'000	2019 USD'000
Interest expense on loans		**(32,656)**	(31,484)
Interest expense on security deposits & others		**(4,100)**	(3,921)
Interest expense on lease liability		**(276)**	(395)
Commitment and processing fees		**(266)**	(274)
Amortisation of forward points of forward contracts and currency basis spread of swap contracts	36.	**(3,147)**	(3,126)
		(40,445)	(39,200)

6. OTHER OPERATING INCOME

	2020 USD'000	2019 USD'000
Member's admission fees	**1,200**	1,719
Document fees	**554**	980
Proceeds from sale of pass-books	**144**	185
Income from death and multipurpose risk funds	**3,329**	5,246
Service fees income from off-book BC model (ASA India)	**4,166**	3,903
Distribution fee MBA Philippines	**603**	745
Other	**464**	843
	10,460	13,621

Other includes a number of small items that are smaller than USD 100,000 on an individual basis.

7. EXPECTED CREDIT LOSS EXPENSE

	NOTES	2020 USD'000	2019 USD'000
ECL on loans advances	13.2.	(23,411)	(3,188)
Expected credit loss recovered/(expensed) on on-book BC model	13.3.	10	46
Impairment loss	7.1.	149	(445)
Other expected credit loss expense		(3,998)	(662)
		(27,250)	(4,249)

The key assumptions applied for the expected credit loss provision and related expense are explained in note 2.5.2. Other expected credit loss includes loss allowance provided against interest receivable from customers and BC model which are off-book and loan and interest exemptions for settlement of customer loans in case of death or disability.

7.1. IMPAIRMENT LOSS

	2020 USD'000	2019 USD'000
Impairment of bank balance	303	(285)
Impairment of due from bank	(48)	(32)
Impairment of receivable from related parties	(106)	(128)
	149	(445)

The loss includes impairment of receivable for ASAI Cambodia Holdings, ASA Leasing, ASA Lanka. Credit loss provided previously on GN Bank in Ghana has been released as all funds has been received. There was no material change in credit risk in any banks or related party balances.

7.2. THE FOLLOWING TABLE PROVIDES THE MOVEMENT OF THE EXPECTED CREDIT LOSS FOR CUSTOMERS (INCLUDING ON-BOOK BC) FOR THE PERIOD OF JANUARY TO DECEMBER 2020:

	STAGE 1 USD'000	STAGE 2 USD'000	STAGE 3 USD'000	TOTAL USD'000
Opening Balance during the period	(916)	(1,224)	(1,851)	(3,990)
Charge during the year	(1,358)	(6,797)	(15,245)	(23,400)
Transfer:				
Stage 1 to Stage 2	244	(244)	–	–
Stage 2 to Stage 1	1	(1)	–	–
Stage 1 to Stage 3	128	–	(128)	–
Stage 2 to Stage 3	–	8	(8)	–
Write off	–	–	3,219	3,219
Fx impact	–	–	–	–
Closing Balance during the period	(1,901)	(8,258)	(14,013)	(24,171)

Movement of the Expected credit loss for customer for the year January to December 2019 is as follows:

	STAGE 1 USD'000	STAGE 2 USD'000	STAGE 3 USD'000	TOTAL USD'000
Opening Balance during the period	(650)	(426)	(740)	(1,816)
Charge during the year	(300)	(900)	(1,942)	(3,142)
Transfer:	–	–	–	–
Stage 1 to Stage 2	8	(8)	–	–
Stage 1 to Stage 3	6	–	(6)	–
Stage 2 to Stage 3	–	83	(83)	–
Write off	–	–	879	879
Fx impact	20	27	41	89
Closing Balance during the period	(916)	(1,224)	(1,851)	(3,990)

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8. PERSONNEL EXPENSES
Personnel expenses include total base salary expenses and employee benefit plans:

	NOTES	2020 USD'000	2019 USD'000
Personnel expenses		(46,531)	(43,520)
Defined contribution plans		(3,385)	(2,865)
Defined benefit plans	8.2.	(1,692)	(1,939)
		(51,608)	(48,324)

8.1. RETIREMENT BENEFIT LIABILITY

	NOTES	2020 USD'000	2019 USD'000
Retirement benefit liability as at beginning of period		3,373	1,469
Payments made during the period		(413)	(177)
Charge for the period	8.2.	1,692	1,939
Actuarial gains and losses on defined benefit liabilities (OCI)		896	217
Foreign exchange differences		(102)	(75)
Retirement benefit liability as at end of the period		5,446	3,373

ASA India, ASA Pakistan, Lak Jaya, Pagasa Philippines and ASA Nigeria are maintaining defined benefit pension plans in the form of gratuity plans at retirement, death, incapacitation and termination of employment for eligible employees. The funds for the plans in ASA Pakistan, Pagasa Philippines and Lak Jaya and ASA Nigeria are maintained by the entity itself and no plan assets have been established separately. The funds for the plan of ASA India are being maintained with Life Insurance Corporation of India and the entity's obligation is determined by actuarial valuation. ASA Nigeria also maintains retirement benefits in the form of gratuity. There are no other post-retirement benefit plans available to the employees of the Group.

8.2. CHARGE FOR THE PERIOD

	2020 USD'000	2019 USD'000
Current service cost for the period	(1,282)	(1,793)
Interest cost for the period	(349)	(146)
Impact from change in assumptions (see note 2.5.5)	(61)	–
	(1,692)	(1,939)

8.3. SENSITIVITY ANALYSIS
A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 and 31 December 2019 is shown below.

ASSUMPTIONS

		DISCOUNT RATE		FUTURE SALARY INCREASES	
SENSITIVITY LEVEL	YEAR	1% INCREASE USD'000	1% DECREASE USD'000	1% INCREASE USD'000	1% DECREASE USD'000
Impact on defined benefit obligation	2020	(714)	1,329	1,316	(722)
	2019	(291)	345	355	(314)

9. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	NOTES	2020 USD'000	2019 USD'000
Administrative expenses	9.1.	**(20,668)**	(22,295)
Professional fees	9.2.	**(1,957)**	(3,043)
Audit fees	9.3.	**(1,365)**	(1,167)
International travel		**(298)**	(624)
Other		**(603)**	(550)
		(24,961)	(27,679)

9.1. ADMINISTRATIVE EXPENSES

	2020 USD'000	2019 USD'000
Office expenses	**(2,814)**	(3,077)
Transport and representation expenses	**(7,079)**	(7,848)
Gas, water and electricity	**(1,120)**	(1,225)
Telecommunications and internet expenses	**(2,285)**	(1,937)
VAT/ Output tax/ Service tax	**(1,907)**	(3,144)
Bank charges	**(1,353)**	(1,693)
Other administrative expenses	**(4,110)**	(3,371)
	(20,668)	(22,295)

Other administrative expenses include several small items that are smaller than USD 150,000 on an individual basis.

9.2. PROFESSIONAL FEES

	2020 USD'000	2019 USD'000
Technical assistance fees to ASA Bangladesh	**–**	(61)
Legal services fees	**(397)**	(417)
Other professional fees	**(1,560)**	(2,565)
	(1,957)	(3,043)

Other professional fees include fees for various consultants on tax, IT, accounting and, actuary valuation services.

9.3. FEES PAYABLE TO GROUP AUDITORS IS ANALYSED AS BELOW:

	2020 USD'000	2019 USD'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**(884)**	(780)
Fees payable to the Group's auditor for the other services:		
Audit of the accounts of subsidiaries	**(246)**	(200)
Audit related assurance services	**(225)**	(181)
Total audit and audit related assurance services	**(1,355)**	(1,161)
Other assurance services	**(10)**	(6)
	(1,365)	(1,167)

Notes to the consolidated financial statements continued

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10. EXCHANGE RATE DIFFERENCES

The Company incurred certain foreign exchange losses on monetary assets denominated in currencies other than the Company's functional currency.

	2020 USD'000	2019 USD'000
Foreign currency losses	(3,952)	(1,934)
Foreign currency gains	4,458	1,639
	506	(295)

11. INCOME TAX AND WITHHOLDING TAX EXPENSE

	2020 USD'000	2019 USD'000
Income tax expense		
Current income tax	(11,009)	(19,789)
Income tax for previous period	(28)	(143)
Changes in deferred income tax	7,519	1,337
	(3,518)	(18,595)

11.1. CURRENT TAX LIABILITY

	2020 USD'000	2019 USD'000
Balance as at beginning of period	6,416	7,263
Tax charge:		
Current period	11,009	19,789
Previous period	28	143
Tax paid	(14,784)	(20,423)
Foreign exchange adjustment	(167)	(356)
Balance as at end of period	2,502	6,416

11.2. DEFERRED TAX ASSETS

	2020 USD'000	2019 USD'000
Balance as at beginning of period	3,865	2,588
Change during the period	7,515	1,430
Foreign exchange adjustment	(77)	(153)
Balance as at end of period	11,303	3,865

Deferred tax assets are temporary differences recognised in accordance with local tax regulations and with reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

11.3. DEFERRED TAX LIABILITY

	2020 USD'000	2019 USD'000
Balance as at beginning of period	76	69
Change during the period	(74)	40
Foreign exchange adjustment	(2)	(33)
Balance as at end of period	–	76

11.4. DEFERRED TAX RELATES TO:

DEFERRED TAX RELATES TO:	2020 DEFERRED TAX ASSETS USD'000	2020 DEFERRED TAX LIABILITIES USD'000	2020 INCOME STATEMENT USD'000	2019 DEFERRED TAX ASSETS 2019 USD'000	2019 DEFERRED TAX LIABILITIES USD'000	2019 INCOME STATEMENT USD'000
Allowance for ECL	4,881	–	4,069	1,100	–	697
Provision for retirement liabilities	1,634	–	497	1,066	–	584
Provision on FX loss	–	(482)	(1,785)	884	–	(367)
Unused tax losses	1,469	–	1,176	304	–	304
Other temporary differences	1,253	654	2,080	463	24	163
IFRS 16 Lease	–	(172)	(234)	–	53	(43)
Modification loss	1,695	–	1,715	–	–	–
Other comprehensive income/Revaluation of cash flow hedge	371	–	71	48	–	53
	11,303	–	7,589	3,865	77	1,391

11.5. RECONCILIATION OF THE TOTAL TAX CHARGE

	2020 USD'000	2019 USD'000
Accounting result before tax	2,578	54,335
Income tax expense at nominal rate of consolidated entities	(2,142)	(16,572)
Over/(under) provision for income tax previous year	(28)	(143)
Net allowable/(Non allowable) expenses	223	(353)
Deferred tax recognised/(not recognised) on losses	(624)	(467)
Exempt income	1,476	125
Consolidation adjustment	(1,732)	–
Other permanent differences	(691)	(1,186)
Total income tax expense for the period	(3,518)	(18,596)
Weighted average nominal rate of consolidated entities	83%	30%
Consolidated effective tax rate	136%	34%

11.6. INCOME TAX PER REGION

	2020 USD'000	2019 USD'000
Corporate income tax – West Africa	(5,824)	(7,663)
Corporate income tax – South Asia	1,177	(7,093)
Corporate income tax – East Africa	(585)	(1,565)
Corporate income tax – South East Asia	1,025	(1,855)
Corporate income tax – Non operating entities	689	(139)
Total income tax per region	(3,518)	(18,315)

11.7. WITHHOLDING TAX EXPENSE

	2020 USD'000	2019 USD'000
Withholding tax on interest income, dividend, royalties and service fees	(455)	(1,244)
Total withholding tax expense	(455)	(1,244)

Interest income, dividends, royalties and service fees are subject to withholding tax in certain jurisdictions. The applicable withholding tax rates vary per country and per type of income.

Notes to the consolidated financial statements continued

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12. CASH AT BANK AND IN HAND

	2020 USD'000	2019 USD'000
Cash at bank	**90,012**	84,397
Cash in hand	**153**	129
	90,165	84,526

An amount of USD 18.4 million (2019: USD 19.0 million) of cash at bank in the Philippines is restricted as per Securities and Exchange Commission ('SEC') regulations as it relates to Loan Collateral Build Up ('LCBU', the collection of security collateral from clients of a lending company). LCBU is placed into a segregated account.

13. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are net of allowance for expected credit loss.

	NOTES	2020 USD'000	2019 USD'000
Gross loan portfolio	13.1.	**396,605**	415,348
Allowance for expected credit loss	13.2.	**(25,242)**	(4,228)
Interest receivable on loans to customers		**14,688**	3,890
Unamortised processing fee		**(2,396)**	(2,868)
Loan portfolio on-book BC model (ASA India)		**–**	172
Allowance for expected credit loss on-book BC model (ASA India)	13.4.	**–**	(10)
Modification loss		**(3,533)**	–
Net loan portfolio		**380,122**	412,304

Interest receivable on loans to customers is realisable in line with the loan repayment schedules.

During 2016 and 2017 ASA India started to operate under Business correspondent and partnership model (BC) for four BC Partners: Reliance Capital, IDBI, MAS and IDFC First Bank. ASA India operates as agent in a pass-through arrangement, whereby ASA India selects borrowers based on the selection criteria of the BC Partners. After approval of the selected borrowers, the BC Partners disburse the loans through ASA India and ASA India collects the interest and repayments from the borrowers on behalf of the BC Partners. In exchange for these services, ASA India receives service fees and processing fees.

The loans to borrowers of IDFC First Bank and related funding are not recognised on the balance sheet since ASA India has a limited liability for the non-performing loans under this agreement. The loans to borrowers and related funding for the other three BC Partners are recognised on the balance sheet similar to its own loan portfolio and funding thereof. The service fees for the IDFC portfolio are reported under "Other operating income" in note 6. Interest income and interest expense for the other three loan portfolios are presented in line with its own portfolio.

Under the agreements with the BC loan Partners, ASA India is liable for payment of non-performing loans, which is regarded as a financial guarantee. This liability for IDFC First Bank is reported under 'Provisions' in note 27. This liability for the other three BC Partners is deducted from the related loan portfolio. This liability is based on Group ECL policy as explained in note 2.5.2 taking into account any limits in the liability towards the BC Partners, because it is the best estimate for the expected outflow of cash at reporting date. The related expense is reported under credit loss expenses in note 7.

ASA India provided security deposits to the BC partners as collateral for the financial guarantees provided. These security deposits are reported under "Due from banks" in note 15. Other receivables and payables related to the BC model are reported under "Other assets" and "Other liabilities". More information is available in note 2.5.

ASA India has entered into a new Direct Assignment ('DA') agreement with State Bank of India ('SBI') in 28 January 2020. This time, the entity transferred a pool of its loans to customers amounting to USD 8.2 million to the SBI against a purchase consideration of USD 7 million which is 85% of the loan portfolio. 15% is retained by ASA India as the Minimum Retention Rate ('MRR') as per the guidance of RBI. ASA India will continue to collect the instalments from all the borrower and transfer the amount to the SBI where the SBI will retain collections from 85% of the clients and adjust that with the purchase consideration (borrowings) and repay collections from 15% of the customers to ASA India. The 85% of the pool is hence not recognised in the books of ASA India as the company transferred all significant risks and rewards of such loans to the SBI. The gain on transfer amounting to USD 372K is recognised as other interest income in note 4.2.

The outstanding loans to borrowers under the BC model and DA model which are not recognised on the balance sheet at 31 December 2020 amounted to USD 45 million and USD 3.7 million respectively (2019: USD 49.8 million and USD 6.1 million).

The modification loss of USD 3.53 million is explained in note 2.5.4.

13.1. THE FOLLOWING TABLE EXPLAINS THE MOVEMENT OF GROSS LOAN PORTFOLIO (INCLUDING ON BOOK BC) BETWEEN THE STAGES:

	STAGE 1 USD'000	STAGE 2 USD'000	STAGE 3 USD'000	TOTAL USD'000
Gross carrying value at 1st January 2020	**408,391**	**4,208**	**2,922**	**415,521**
New assets originated	**680,772**			**680,772**
Assets realised	**(686,973)**	**(2,925)**	**(2,484)**	**(692,382)**
Transfers:				
Stage 1 to Stage 2	**(51,176)**	**51,176**	**–**	**–**
Stage 2 to Stage 1	**12**	**(12)**	**–**	**–**
Stage 1 to Stage 3	**(26,972)**	**–**	**26,972**	**–**
Stage 2 to Stage 3	**–**	**(1,735)**	**1,735**	**–**
Write off	**–**	**–**	**(3,219)**	**(3,219)**
Fx impact	**(4,932)**	**1,490**	**(645)**	**(4,087)**
Gross carrying value at 31 December 2020	**319,122**	**52,202**	**25,281**	**396,605**

	STAGE 1 USD'000	STAGE 2 USD'000	STAGE 3 USD'000	TOTAL USD'000
Gross carrying value at 1 January 2019	341,358	1,418	836	343,612
New assets originated	965,352	–	–	965,352
Assets realised	(878,056)	(1,143)	(568)	(879,767)
Transfers:				
Stage 1 to Stage 2	(4,352)	4,352	–	–
Stage 1 to Stage 3	(3,289)	–	3,289	–
Stage 2 to Stage 3	-	(275)	275	–
Write off	-	–	(879)	(879)
Fx impact	(12,622)	(144)	(31)	(12,797)
Gross carrying value at 31 December 2019	408,391	4,208	2,922	415,521

13.2. ALLOWANCE FOR EXPECTED CREDIT LOSS

	NOTES	2020 USD'000	2019 USD'000
Balance as at beginning of the period		**(4,227)**	(1,837)
ECL on loans and advances	7.	**(23,410)**	(3,188)
ECL for overdue interest receivable on loans from customers		**(824)**	(168)
Exchange rate differences		**–**	87
Write-off of loans		**3,219**	879
Balance at end of the period		**(25,242)**	(4,227)

The key assumptions applied for the expected credit loss provision are explained in note 2.5.2.

The provision for expected credit losses has increased due to the increased credit risk profile across the portfolio arising out of the local lockdowns and various moratoria introduced and economic hardship due to COVID-19 pandemic. This has led to increased arrears and an increased credit risk associated with the length of time that the Group has not been able to collect upon the loans outstanding. Management have estimated the impact of these factors through a management overlay, the mechanics of which are described in note 2.5.2. Management considered this to be a reasonable best estimate given the available evidence of the impact of these factors on the recoverability of the loans outstanding.

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13. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

13.3. THE BREAKDOWN OF THE ALLOWANCE FOR EXPECTED CREDIT LOSS IS AS FOLLOWS:

	2020 USD'000	2019 USD'000
ECL on OLP	(24,171)	(3,980)
ECL on Interest receivable	(1,071)	(247)
	(25,242)	(4,227)

13.4. ALLOWANCE FOR ECL ON-BOOK BC MODEL

	2020 USD'000	2019 USD'000
Balance as at beginning of the period	(11)	(59)
Credit loss (expense)/recovered	10	46
Exchange rate differences	1	2
Balance at end of the period	–	(11)

With all other variables constant, a 10% sensitivity in the loss rate for management overlay will impact the ECL provision as below:

	CHANGE IN LOSS RATE	
	1% + USD'000	1%- USD'000
ECL on OLP	26,603	21,882
ECL on Interest Receivable	1,203	941
	27,806	22,823

14. DUE FROM BANKS

	NOTES	2020 USD'000	2019 USD'000
Due from banks		52,814	16,827
Escrow bank account at Citibank	14.1.	20,465	20,432
		73,279	37,259

14.1. ESCROW BANK ACCOUNT AT CITIBANK

In certain countries in which the Group operates, non–resident capital gains tax ('NRCGT') regimes have been enacted in recent years which may give rise to an NRCGT liability if there is a change of control (as defined by relevant local tax authorities) of more than 50% of the underlying ownership of a subsidiary of the Company resident in that country as measured over a rolling three–year (a 'COC'). In each case, the liability is payable by the local subsidiary. A COC of certain of the Group's subsidiaries resulting from the offering to certain institutional and professional investors in view of the admission of the Group to the London Stock Exchange in 2018 (the 'Global Offer'), or thereafter, may trigger NRCGT liabilities in certain jurisdictions for the affected subsidiaries. In connection with the potential NRCGT liability, CMI, being the selling shareholder at the time of the listing of the Group on 13 July 2018, agreed upon admission to place USD 20 million (the 'Escrow Amount') of its net proceeds from the sale of shares in the Global Offer in an escrow account for the sole benefit of the Company (the 'Escrow Account'). The Escrow Amount may be applied to fund NRCTG liabilities in accordance with the escrow deed dated 29 June 2018 between, inter alia, CMI and the Company. The Escrow Account is established in the name of the Company and is therefore presented as part of 'Due from banks. The beneficial ownership of these funds, including any interest accrued thereon and less any expenses, rests with CMI because the Company will need to return all remaining funds to CMI in accordance with the terms of the escrow deed. Therefore, the same amount is presented as a liability to CMI under 'Other liabilities.

15. EQUITY INVESTMENTS AT FVOCI

	2020 USD'000	2019 USD'000
MFX Solutions, LLC		
Balance at the beginning of the period	232	239
(Loss)/Gain on revaluation	6	(7)
Balance at the end of the period	238	232

The Group purchased 153,315 shares of MFX Solutions, LLC USA on 7 April 2017. This represents 1% of the total number of issued shares of 15,331,330. The purchase price per share was USD 1.3045. The investment has been classified as equity investment and valued at fair value. The fair value has been classified as level 2. The Group opts to report the changes in fair value through OCI.

16. PROPERTY AND EQUIPMENT

Property and equipment consists of land and buildings, office furniture, equipment and software. Depreciation policies are described in detail in the accounting policies. The movements are as follows.

	2020 FURNITURE & FIXTURES USD'000	2020 VEHICLES USD'000	2020 OFFICE EQUIPMENT INCLUDING IT USD'000	2020 BUILDINGS USD'000	2020 TOTAL USD'000	2019 FURNITURE & FIXTURES USD'000	2019 VEHICLES USD'000	2019 OFFICE EQUIPMENT INCLUDING IT USD'000	2019 BUILDINGS USD'000	2019 TOTAL USD'000
Cost at the beginning of the period	1,867	371	8,042	1,149	11,429	1,503	335	6,305	935	9,078
Accumulated depreciation at the beginning of the period	(1,123)	(250)	(4,623)	(102)	(6,098)	(925)	(238)	(3,334)	(75)	(4,572)
Carrying value at the beginning of the period	744	121	3,419	1,047	5,331	578	97	2,971	860	4,506
Additions during the period at cost	160	33	697	91	981	384	58	1,992	180	2,614
Foreign currency adjustment	(14)	(6)	(99)	66	(53)	(20)	(12)	(215)	34	(213)
Disposal during the period	(14)	2	(19)	–	(31)	–	(10)	(40)	–	(50)
Depreciation during the period	(251)	(50)	(1,453)	(28)	(1,782)	(241)	(43)	(1,590)	(24)	(1,898)
Adjustment of depreciation for disposals	6	–	129	–	135	34	23	189	–	246
Foreign currency differences	2	2	39	(7)	36	9	8	112	(3)	126
Carrying value at the end of the period	633	102	2,713	1,169	4,617	744	121	3,419	1,047	5,331
Cost at the end of the period	1,999	400	8,621	1,306	12,326	1,867	371	8,042	1,149	11,429
Accumulated depreciation at the end of the period	(1,366)	(298)	(5,908)	(137)	(7,709)	(1,123)	(250)	(4,623)	(102)	(6,098)
Carrying value at the end of the period	633	102	2,713	1,169	4,617	744	121	3,419	1,047	5,331

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

	2020 USD'000	2019 USD'000
Right-of-use assets at the beginning of the period	5,882	5,553
Additions during the period	3,588	4,167
Amortisation during the period	(4,428)	(3,892)
Exchange rate differences	153	54
Right-of-use assets at the end of the period	5,195	5,882

	2020 USD'000	2019 USD'000
Lease liability at the beginning of the period	3,981	3,723
Interest expense of lease liability	276	395
Additions of lease liabilities during the period	3,588	4,167
Payment of lease liabilities	(4,389)	(4,227)
Exchange rate differences	173	(77)
Lease liability at the end of the period	3,629	3,981

The Group recognises leased office premises under Right of Use Assets.

Due to the COVID-19 global pandemic many countries had instituted country-wide lockdowns which may have impacted the economic conditions of the respective countries. Hence, the IBRs used to calculate the IFRS 16 balances may have changed since the lockdown started. The lockdown period started in April 2020 and therefore, any contract with a start date on or after 1 April 2020 might have a different IBR than those entered before the lockdown.

Between April-December 2020, the Group entered into 579 new contracts (excluding the new contracts of Ghana, Nigeria and Tanzania as they have fully prepaid contracts and are not impacted by IBRs). A sensitivity analysis on the impact of a 50% increase in the IBR rates for the contracts gives a total impact in the net asset of negative USD 7K and in net profit of negative USD 7K, which is insignificant. Based on the above, management has decided not to take in any impairment on the ROU as of 31 December 2020.

18. OTHER ASSETS

The other assets comprise of the following:

	NOTES	2020 USD'000	2019 USD'000
Receivables from related parties	18.1.	397	720
Prepayments		2,227	2,378
Employee advances		2,214	1,827
Advance income tax		3,432	1,800
Security deposit		137	102
Receivables under on-book and off-book BC model (ASA India)		2,187	452
Insurance claim receivable		577	570
Interest receivable on due from banks		550	603
Securitisation and DA gain receivable		307	376
Other receivables	18.2.	1,572	1,697
		13,600	10,525

Prepayments and employee advances are in line with security against housing contracts, funding agreements and employee receivables.

Advance income tax will be set off against current tax payable after completion of the tax assessment.

18.1. RECEIVABLES FROM RELATED PARTIES

	2020 USD'000	2019 USD'000
CMI	–	173
ASA Bangladesh	–	189
Sequoia BV	52	–
MBA Philippines	225	220
ASAI Cambodia Holdings	108	108
Catalyst Investment Management services	6	–
CMI International Holding	6	–
Catalyst Continuity	–	16
ASA Social Services Ltd.	–	13
CMIC	–	1
	397	720

The receivables from related parties are short term in nature and do not accrue interest.

18.2. OTHER RECEIVABLES INCLUDES VARIOUS ADVANCES IN RELATION TO EMPLOYEE'S INSURANCE, RECEIVABLE FROM VAT AND SERVICE TAX AUTHORITIES ETC.

Individually none of the advances are over USD 150K.

19. DERIVATIVES

	2020 USD'000	2019 USD'000
Forward contracts	–	–
Swap agreements	708	–
Derivative assets total	708	–
Forward contracts	(2,147)	(1,659)
Swap agreements	–	(164)
Derivative liabilities total	(2,147)	(1,823)
Total Derivatives at fair value	(1,439)	(1,823)

19.1. THE GROUP IS HOLDING THE FOLLOWING FOREIGN EXCHANGE FORWARD CONTRACTS:

AS OF 31 DECEMBER 2020

	MATURITY				
	<30 DAYS	1-3 MONTHS	3-12 MONTHS	>12 MONTHS	TOTAL
Pakistan					
Notional amount (in USD)	–	4,000	22,800	–	26,800
Average forward rate (USD/PKR)	–	168	174	–	342
Carrying amount (in USD)	–	(166)	(787)	–	(953)
Myanmar					
Notional amount (in USD)	1,000	–	800	3,000	4,800
Average forward rate (USD/KYAT)	1,630	–	1,808	1,944	5,382
Carrying amount (in USD)	(215)	–	(238)	(620)	(1,073)
Tanzania					
Notional amount (in USD)	–	4,000	–	–	4,000
Average forward rate (USD/TZS)	–	2,372	–	–	2,372
Carrying amount (in USD)	–	(70)	–	–	(70)
Sierra Leone					
Notional amount (in USD)	–	–	–	2,000	2,000
Average forward rate (USD/SLL)	–	–	–	13,396	13,396
Carrying amount (in USD)	–	–	–	(51)	(51)

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19. DERIVATIVES CONTINUED

AS OF 31 DECEMBER 2019

	MATURITY				
	<30 DAYS	1-3 MONTHS	3-12 MONTHS	>12 MONTHS	TOTAL
Pakistan					
Notional amount (in USD)	667	4,000	21,842	–	26,509
Average forward rate (USD/PKR)	169	148	169	–	
Carrying amount (in USD)	(29)	203	(891)	–	(717)
Myanmar					
Notional amount (in USD)	3,000	–	3,500	3,800	10,300
Average forward rate (USD/KYAT)	1,628	–	1,717	1,839	
Carrying amount (in USD)	(285)	–	(352)	(228)	(865)
Tanzania					
Notional amount (in USD)	–	–	2,500	–	2,500
Average forward rate (USD/TZS)	–	–	2,482	–	
Carrying amount (in USD)	–	–	(77)	–	(77)

Please see note 36 for more information.

19.2. THE GROUP ALSO HOLDS THE BELOW SWAP CONTRACTS:

		2020 USD'000	2019 USD'000
Cross-currency interest rate swap	Notional value	**16,482**	16,141
	Carrying value	**708**	(164)

At 31 December 2020, the Group had two cross-currency interest rate swap agreements in place.

A swap agreement with a notional amount of USD 3 million was entered on 25 July 2019 by ASA India whereby ASA of interest of 11.8% in Indian Rupee (INR) and receives interest at a variable rate equal to six months LIBOR +4.3% on swap is being used to hedge the exposure to changes in the cash flow of its six months LIBOR +4.3% USD loan.

A swap with a notional amount of Euro 10 million on 9 December 2019 by the same whereby ASA India pays a fixed rate of interest of 12.55% in Indian Rupee and receives interest at a variable rate equal to six months EURIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six months EURIBOR +4.3% Euro loan.

The applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows using future exchange rates and discounting them with the appropriate interest rate curves. These derivative contracts are classified as Level 2 financial instrument.

20. GOODWILL

Goodwill arose from the acquisition of Lak Jaya by CMI Lanka in 2008.

	2020 USD'000	2019 USD'000
Balance at the beginning of the period	**34**	33
Foreign exchange differences during the period	**(1)**	1
Balance at the end of the period	**33**	34

For the year 2020, an impairment assessment on the remaining goodwill concluded that goodwill remains unchanged. The main factors considered for this assessment are (i) expected growth in profitability (ii) quality of the loan portfolio and (iii) regulatory status of Lak Jaya, the subsidiary of CMI Lanka.

21. ISSUED CAPITAL

	2020 USD'000	2019 USD'000
ASA International Group plc 100 million shares of GBP 0.01 each	1,310	1,310
	1,310	1,310

No movements in issued capital during 2019 and 2020.

22. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	2020 USD'000	2019 USD'000
Balance at the beginning of the period	148,011	121,300
Dividend declared	–	(7,300)
Result for the period	(720)	34,011
Balance at the end of the period	147,291	148,011
(Loss)/Profit for the period		
Attributable to equity holders of the parent	(720)	34,011
Non-controlling interest	(675)	486
	(1,395)	34,497

Part of retained earnings relates to NGOs which are consolidated in these financial statements. The retained earnings of these NGOs cannot be distributed to their respective members. Retained earnings relating to NGOs amounted to USD 1.5 million at 31 December 2020 (2019: USD 17.2 million). The reduction during 2020 relates to the acquisition of assets and liabilities of ASIEA by ASHA MFB in Nigeria as per 1 April 2020.

ASA S&L, ASA India and ASHA Nigeria have statutory requirements to add a percentage of the net profits to a legal reserve. Therefore, part of retained earnings cannot be distributed to shareholders. Retained earnings relating to these legal reserves amounted to USD 13 million in December 2020 (2019: USD 11.6 million).

No dividend is declared in 2020.

22.1. OTHER RESERVES

Total other reserves are calculated as follows:

	NOTES	2020 USD'000	2019 USD'000
Balance at the beginning of the period		(147)	17
Actuarial gains and losses on defined benefit liabilities	8.1.	(896)	(217)
Movement in hedge accounting reserve		322	(281)
(Loss)/Gain on revaluation of MFX investment	15.	6	(7)
Others		(3)	341
Balance at the end of the period		(718)	(147)

23. FOREIGN CURRENCY TRANSLATION RESERVE

The translation of the Company's subsidiaries and overseas branches from local currency into the Company's presentation currency (USD) results in the following currency translation differences:

	2020 USD'000	2019 USD'000
Balance at the beginning of the period	(41,044)	(36,249)
Translation of assets and liabilities of subsidiaries to USD	(2,047)	(4,795)
Balance at the end of the period	(43,091)	(41,044)

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24. DEBT ISSUED AND OTHER BORROWED FUNDS

	NOTES	2020 USD'000	2019 USD'000
Debt issued and other borrowed funds by operating subsidiaries	24.1.	269,132	260,643
Participation agreements Blue Orchard-managed funds (ASAIH)	24.2.	–	3,500
Loan from Symbiotics-managed funds (ASAIH/ASAI NV)	24.3.	20,000	14,500
Loan from Oikocredit (ASAIH)	24.4.	3,500	9,167
Loan from OPIC (ASAIH)	24.5.	20,000	20,000
Loan from BIO (ASAIH)	24.6.	10,000	10,000
Loan from OeEb (ASAIH)	24.7.	10,000	–
Loan from Citi (ASAINV)	24.8.	5,000	–
Interest payable on third-party loans		4,554	5,027
		342,186	322,837

24.1. BREAK DOWN OF BORROWINGS BY OPERATING SUBSIDIARIES ARE SHOWN BELOW:

	2020 USD'000	2019 USD'000
ASA India	139,109	130,654
PPFC	50,340	52,271
ASA Pakistan	36,037	35,899
ASA Tanzania	8,232	8,414
ASA Kenya	7,786	8,358
ASA S&L	4,619	6,560
ASA Myanmar	11,697	5,853
ASA Uganda	3,354	4,601
Lak Jaya	4,310	4,429
ASA Nigeria	2,782	2,951
Others	866	654
	269,132	260,644

Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in contracts. Out of total loans of USD 342 million, USD 198 million had breached loan covenants as at year end. The Group was able to receive waivers from most of the lenders. As of 31 December, balance for credit lines with breached covenants and does not have waivers is amounting to USD 31.5 million. Due to these breaches of covenant clauses, the lenders are contractually entitled to request for immediate repayment of the outstanding loan amounts. The outstanding balance is presented as on demand as at 31 December 2020.

The lenders have not requested any early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management is in the process of renegotiating to get waivers for the remaining balance.

24.2. PARTICIPATION AGREEMENTS BLUE ORCHARD-MANAGED FUNDS (ASAIH)

ASAIHH entered into three participation agreements with MIFA – a fund managed by Blue Orchard ('MIFA') – pursuant where to ASAIH sold and assigned the interest in its shareholder loans to ASAI Pakistan for a total amount of USD 10 million ("Participation Agreements"). All instalments and interest under the shareholder loans are paid by ASA Pakistan to ASAIH and from ASAIH to MIFA, whereby ASAIH is only acting as a pass-through. The amount has been repaid in 2020.

24.3. LOAN FROM SYMBIOTICS-MANAGED FUNDS (ASAIH/ASAINV)

ASAIH entered into loan agreements with three investment funds managed by Symbiotics SA in November 2018 for a total amount of USD 5 million (the 'Symbiotics loans'). ASAIH took a new loan of USD 5 million on July 2019 at 6.25%. In October 2019, ASAI NV entered into a loan agreement with one investment fund managed by Symbiotics SA for a total amount of USD 4.5 million at 6.15%. In March 2020 ASAI NV received an additional USD 5.5 million at 6.15%. All the loans will be repaid within three years of disbursement.

24.4. LOAN FROM OIKOCREDIT (ASAIH)

ASAIH entered into an agreement with Oikocredit in 24 July 2015 for a direct loan amount of USD 7.5 million and a credit line of USD 2.5 million (the 'Oikocredit loans'). The term of the Oikocredit loans is five years. As of 31 December 2019, the outstanding balance was USD 1.7 million. On 12 July 2018, ASAIH entered into a new agreement with Oikocredit for a credit line of USD 7.5 million which has been fully drawn as of December 2019. The term of this credit line is five years. Interest on the loans is six-month LIBOR or 3.5% whichever is lower plus a margin of 3% for the direct loan and 2,5% for the credit line.

24.5. LOAN FROM OPIC (ASAIH)

ASAIH entered into an agreement with OPIC in 2016 for a loan amount of USD 20 million, of which USD 5 million was drawn in December 2016, USD 5 million was drawn in July 2017 and another USD 10 million was drawn on November 2017. The term of this loan is five years. Interest amounts to the US Treasury Constant Maturity Yield plus 4.25% per annum.

24.6. LOAN FROM BIO (ASAIH)

ASAIH entered into a USD 10 million subordinated loan agreement with Belgian Investment Company for Developing Countries SA/NV ('BIO') on December 2019. The term of this loan is seven years. Interest amounts to Libor plus 5.9% per annum.

24.7. LOAN FROM OEEB (ASAIH)

ASAIH entered into a USD 15 million loan agreement with Oesterreichische Entwicklungsbank Ag ('OeEB') in March 2020 of which USD 10 million is drawn up to June 2020. The loan is repayable at eight equal instalments and the term of this loan is five years. Interest amounts to Libor plus 3.5% per annum. ASAI NV is also a co-borrower of the loan. The Loan is subject to certain covenant clauses in respect of certain ratios. As of June 2020, some of the required ratios was not fulfilled. The Group already received waivers for from lender against such breaches.

24.8. LOAN FROM CITI (ASAI NV)

ASAI NV entered into a USD 10 million loan agreement with CITIBANK, N.A., JERSEY BRANCH ('Citi') on October 2020. The term of this loan is 30 months. Interest amounts to Libor plus 4.55% per annum. ASAIH is also a co-borrower of the loan.

25. DUE TO CUSTOMERS

Clients of the Company's subsidiaries contribute to a "security deposit fund". These deposits can be withdrawn partly by clients but not in the full amount unless the client has fully repaid the outstanding loan balance.

	2020 USD'000	2019 USD'000
Clients' security deposits	68,103	66,279
Clients' voluntary savings	12,071	11,801
Interest payable on deposits and savings	–	28
	80,174	78,108

Clients can deposit voluntary savings where the subsidiary has a licence to do so. The rate of interest on client security deposits and client voluntary savings amount to 8% in Ghana and 7% in Nigeria. In ASA Myanmar the interest rate on voluntary savings is 10% and for compulsory savings 14%. ASA Rwanda provides 6% interest on voluntary savings.

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26. OTHER LIABILITIES

Other liabilities are as follows:

	NOTES	2020 USD'000	2019 USD'000
Security deposits		**2,366**	1,539
Other deposits		**518**	806
Liability for death and multipurpose risk funds		**354**	254
Accrued expenses		**1,362**	886
Accrued audit fees		**928**	891
Taxes payable, other than corporate income tax		**1,465**	1,781
Amount due to employees		**1,354**	1,530
Amount due to related parties	26.1.	**518**	1,050
Liability to CMI regarding Escrow Account at Citibank		**20,465**	20,432
Liabilities under on-book and off-book BC model (ASA India)		**1,638**	701
Liabilities under off-book DA model (ASA India)		**502**	–
Other liabilities	26.2.	**2,385**	2,211
		33,855	32,081

Security deposits mainly relate to deposits taken from employees as a form of security. Other deposits relate to various smaller deposits in different countries.

26.1. AMOUNT DUE TO RELATED PARTIES

	2020 USD'000	2019 USD'000
CMI	**1**	747
Sequoia BV	**60**	68
MBA Philippines	**457**	125
	518	1,050

26.2. Other liabilities include various smaller accruals and provisions for various entities in the Company. Individually none of the payables are over USD 150 K.

27. PROVISIONS

	2020 USD'000	2019 USD'000
Provision for financial guarantees under off-book BC model (ASA India)	**2,248**	21
Provision for service tax (ASA India)	**–**	73
	2,248	94

Provision for financial guarantees include expect loss provided against off-book BC portfolio in India. As at 31 December 2020, stage 3 loans under this portfolio is USD 2.98 million.

The provision for financial guarantee under off book BC model is made based on the risk percentage of the Group on such portfolio. ASA India uses the risk percentage for each BC contract to determine the risk for the entity and then uses the Group provisioning policy on such risk adjusted amount to calculate the provision required. For details on group ECL policy see note-2.5.2

28. ADDITIONAL CASH FLOW INFORMATION

28.1. CHANGES IN OPERATING ASSETS

	2020 USD'000	2019 USD'000
Loans and advances to customers	**(2,374)**	(87,554)
Movement in due from banks	**(36,587)**	205
Movement in restricted cash	**1,551**	(3,530)
Movement in right-of-use assets	**(3,588)**	(9,720)
Other assets excluding income tax advances	**(1,515)**	(690)
	(42,513)	(101,289)

28.2. CHANGES IN OPERATING LIABILITIES

	2020 USD	2019 USD
Due to customers	**2,768**	17,019
Other liabilities	**2,469**	1,043
Retirement benefit	**(413)**	(177)
Movement in lease liability	**3,588**	7,890
Movement in provisions	**2,031**	(1,054)
	10,443	24,721

28.3. NON-CASH ITEMS INCLUDED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2020 USD'000	2019 USD'000
Depreciation on:		
– Property and equipment	**1,782**	1,897
– Right-of-use assets	**4,428**	3,892
Interest expense on lease liability	**276**	395
Credit loss expense	**27,250**	4,249
Write-off of loans	**3,342**	879
Fair value movement of forward contracts	**(62)**	3,854
Charge against defined benefit plan	**1,692**	1,939
Foreign exchange result	**(506)**	295
	38,202	17,400

28.4. RECONCILIATION OF CASH AND CASH EQUIVALENTS

	2020 USD'000	2019 USD'000
Cash and cash equivalents as per cash flow statement	**71,733**	65,545
Restricted cash for Loan Collateral Build Up ('LCBU') in PPFC	**18,432**	18,981
Cash at bank and in hand as per balance sheet	**90,165**	84,526

29. RISK MANAGEMENT

29.1 GENERAL

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to certain risk limits and other controls as described in the paragraphs below. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is, amongst others, exposed to operational risk, financial risk, legal and compliance risk, and strategic risks.

The independent risk control process does not include business risks such as changes in demand, technology and industry. These changes are monitored through the Group's strategic planning process.

29.2 RISK MANAGEMENT STRUCTURE

The Group's risk management principles allow it to balance its risk and reward effectively by aligning its risk appetite with its business strategy. The Group's risk management framework is based on its three lines of defence model, which has been adopted at both the Group level and at each of the subsidiaries. The Group's objectives in using the three lines of defence model include: identifying risk areas and minimising loss; protecting its clients by minimising financial risk; protecting the interests of its shareholders and investors; preserving its branches, data, records and physical assets; maintaining its business and operational structure; enforcing a standard operational procedure for managing risk; and providing guidelines in line with internationally accepted risk management principles. The first line of defence is the team, person or department that is responsible for executing particular tasks/activities, as well as for mitigating any related risks. The second line of defence is comprised of management of the respective departments and personnel that oversee the first line of defence and provide expertise in risk management to help develop strategies, policies and procedures to mitigate risks and implement risk control measures. The third line of defence is the Internal Audit department, which evaluates and improves the effectiveness of the risk management, control and governance processes through independent verification of risk control measures. The Internal Audit department is based in the country head office of each of the Group's microfinance institutions and audits each branch twice a year.

Notes to the consolidated financial statements continued

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29. RISK MANAGEMENT CONTINUED

The Group's risk management philosophy is to promote a comprehensive risk management strategy to maintain a sustainable financial institution. This strategy is achieved by adapting an integrated approach to risk management where clear communication and consensus establish the foundation of the Group's risk management philosophy. To ensure that the Group's philosophy is implemented across its various departments, there is a clear segregation of duties between operational and risk management functions in the country head office of each of the Group's microfinance institutions as well as at the Group level.

The Group's risk culture is based on its values, beliefs, knowledge, attitudes and understanding of risk across its various countries. The Group assesses its risk culture by identifying and evaluating its quantifiable and non-quantifiable risks. The Group's risk management principles allow it to effectively balance its risk and reward by aligning its risk appetite with its business strategy.

The Group evaluates its risk appetite on a quarterly basis. The Group first identifies and reports its risk appetite at the microfinance institution level, where a financial target is established and a risk appetite statement is produced by each microfinance institution and submitted for consideration to senior management at the Group's corporate headquarters. At the Group's corporate headquarters, each microfinance institution's risk appetite report is evaluated, and the Group establishes an overall risk appetite that is later implemented across its countries.

The Group's key risk management areas are operational risk, financial risk, legal and compliance risk and strategic risk.

RISK CATEGORY	DEFINITION	RISKS	DESCRIPTION
Operational	The risk of loss resulting from inadequate or failed internal processes, human behaviour and systems from external events.	Growth risk	All risk and challenges associated in the Group's operational expansion
		Fraud and integrity	Fraud and misappropriation
		Information and technology	Maintenance of effective technology and security of systems
		Human resources	Likelihood of negative results due to a failure within its human resource department
		Transaction risk	Human or system errors within the Group's daily product delivery and services
		Social, Health and environmental risk	Global and regional economic conditions and natural disasters
		Risks related to the disclosure of confidential or sensitive information	Loss or theft of confidential or sensitive information
Financial	The Group experiences financial risks such as credit risk, liquidity risk, exchange rate/currency risk and interest rate risk. The Group encounters impacts on the Group's earning.	Credit risk	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations
		Interest rate risk	Risk that the Group's profitability or result of operations will be affected by fluctuations in interest rates
		Liquidity risk	Risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances
		Exchange rate/currency risk	Possibility of financial loss to the Group arising from adverse movements in foreign exchange rates

RISK CATEGORY	DEFINITION	RISKS	DESCRIPTION
Legal (regulatory) and compliance	Financial and other losses the Group may suffer as a result of regulatory changes or failure to comply with applicable laws and regulation.	Regulatory: changes in local regulations and including political risks	Anticipating and responding to changes in laws or regulations and political changes
		Legal and compliance	Compliance with applicable laws and regulations
		Interest rate caps	Anticipating and responding to change limits on (i) the amount of interest or fees charged to customers, or (ii) our net interest margin
		Foreign ownership	Risks associated with foreign ownership or shareholder concentration restrictions
		Legal uncertainty	Anticipating and responding to lack of legal certainty in some jurisdictions. Risk inherent to investing in emerging markets, including nationalisation, expropriation or confiscatory taxation, and political instability
Strategic	Current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the environment.	Competition risk	Risk that Group might face by not responding to the competitive environment or failing to ensure our proposition meets customer needs
		Reputational risk	Risk to earnings or capital arising from negative public opinion

29.3 OPERATIONAL RISK

Operational risks can be substantial where large amounts of cash are distributed to, and collected from, a large group of clients through extensive branch networks. Examples of certain operational risks include fraud or misappropriation, and other operational and managerial errors and/or omissions as well as information technology risk, human resources risk, and social and environmental risk. The Company requires its subsidiaries and associates to develop and implement prudent systems to substantially mitigate operational risk, including proper control measures, sufficient and qualified management staff, and proactive corporate governance. By means of proactive measures and frequent monitoring, which is part of the standardised operational procedures adopted by all MFIs, risks can be identified and controlled at an early stage. COVID-19 has contributed largely towards health hazard and operational movement. The Group has taken adequate steps in maintaining all health and safety guidelines and regular off-site monitoring.

INFORMATION AND TECHNOLOGY RISK

Information and technology risks are not uncommon in microfinance institutions. The Group regularly analyses risks that arise from password hacking or sharing, changes in its data and varying roles of its users. To mitigate its potential information and technology risks, the Group ensures that its staff have appropriate technical support and computer skills. Furthermore, the Group has implemented disaster management strategies, quality control and ensures that it has data security policies in place.

HUMAN RESOURCE RISK

Human resource risk is the likelihood that an organisation would experience negative results due to a failure within its human resource department. This may occur due to lack of proper recruitment techniques or training or low staff retention rates. The Group evaluates its human resource risk by observing the availability of skilled staff within its compensation bands as well as compliance and regulatory issues that impact staff, including visas or work employment permits needed for its expatriate staff and the impact of its health and safety policies.

SOCIAL AND ENVIRONMENTAL RISK

Social and environmental risk may be caused by the Group itself, by its clients or because of natural disasters. The Group monitors and evaluates its social and environmental risk by assessing each microfinance institution's natural environment, each target client's business sector and the number of clients involved in businesses that may lead to harmful impacts on the environment. The Group generates reports on any social and environmental policy violations and the number of client and staff complaints it receives and resolves. Furthermore, the Group evaluates the number of branches located in zones or areas prone to natural disasters and keeps track of the proportion of loans classified as more than 30 days overdue within those zones or areas.

Notes to the consolidated financial statements continued

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29. RISK MANAGEMENT CONTINUED

The Group requires its microfinance institutions to develop and implement prudent systems to substantially mitigate operational risk, including proper control measures, sufficient and qualified management staff, and proactive corporate governance. By means of proactive measures and frequent monitoring, which is part of the standardised operational procedures adopted by all the Group's microfinance institutions, risks can be identified and controlled at an early stage.

PROVEN MICROFINANCE METHODOLOGY

The microfinance model followed by the Group is based on several core principles: (i) standardised loan products (ii) basic voluntary deposit services, (iii) effective and rigid procedures for cost–effective delivery of microcredit and limited deposit services, and (iv) zero–tolerance on the late repayment of loan instalments. Each of the microfinance operating entities owned and/or controlled by the Group, have adopted and implemented an internal operational manual. The operational manuals set forth the principles and guidelines for managing the microfinance portfolios in the various countries. It contains detailed procedures regarding the credit methodologies and operating procedures.

These procedures that are largely similar for all MFIs lending to micro–entrepreneurs, have the following features including but not limited to:

- Lending predominantly to low–income, female micro–entrepreneurs.
- Group selection without joint liability.
- Loans granted exclusively for income generating activities.
- Full repayment via instalments before eligibility for new loan.
- No incentive or bonus payments for operating staff.
- Frequent client interactions through weekly collections.
- Ongoing assessment of client needs, benefits and satisfaction.
- Repeat loan cycles with set limits.
- Low ticket size.
- Standardised credit approval lending procedures, and standardised internal monitoring and audit procedure.

The principles and procedures described above are based on the credit methodologies and operating procedures that are part of the ASA Model of microfinance.

GENERAL RISK MITIGATION

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to avoid excessive concentrations of risk, the Group is focused on maintaining a diversified loan portfolio, by means of operating in different geographic areas (also within each country). Identified concentrations of credit risks are controlled and managed locally according to the operational procedures above. The Group does not, in principle, use collateral nor guarantees, to reduce its credit risks (apart from the client security deposit where permitted).

29.4 FINANCIAL RISK

29.4.1 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by adhering strictly to the operating procedures set forth in the operational manual which includes setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

MAXIMUM EXPOSURE TO CREDIT RISK

The maximum credit exposure is equal to the carrying amounts of the financial instruments on the Group's statement of financial position except off book BC portfolio where the risk is determined as per contract with BC partners. As mentioned above, the Group reduces its concentration risk by ensuring a widely diverse portfolio, distributed amongst various countries and continents. At present the Group invests in West Africa, East Africa, South Asia and South East Asia.

MAXIMUM EXPOSURE TO CREDIT RISK

	2020 USD'000	2019 USD'000
Cash and cash equivalents (excluding cash in hand)	**90,012**	84,397
Loans and advances to customers	**380,122**	412,304
Customer security deposit	**(68,103)**	(66,279)
Off-book portfolio (BC model)[1]	**2,248**	2,488
Due from banks	**73,279**	37,259
Other assets	**8,649**	6,347
Maximum credit exposure	**486,207**	476,516

1 Credit risk on off-book BC model portfolio is restricted to 5% of the outstanding.

Customer security deposits are cash collateral and are presented as part of Due from customers in the statement of financial position. These security deposits are considered as collateral for the loans to customers and therefore reduce the credit risk on these loans.

There are no significant concentrations of credit risk through exposures to individual customers, specific industry/sectors. However, India holds 34% of the Group's credit exposure in 2020 (2019: 35%). Management regularly monitors the concentration risk and manages loan distribution if required.

GEOGRAPHIC DISTRIBUTION OF MAXIMUM CREDIT EXPOSURE AS AT 31 DECEMBER 2020.

	CASH AND CASH EQUIVALENTS (EXCLUDING CASH IN HAND) USD'000	LOANS AND ADVANCES TO CUSTOMERS USD'000	CUSTOMER SECURITY DEPOSIT USD'000	DUE FROM BANKS USD'000	OTHER ASSETS USD'000	OFF-BOOK PORTFOLIO (BC MODEL) USD'000	TOTAL
West Africa	**7,617**	**78,767**	**(29,546)**	**16,590**	**995**	**–**	**74,423**
East Africa	**8,955**	**45,056**	**(12,998)**	**2,486**	**258**	**–**	**43,757**
South Asia	**24,453**	**180,701**	**(2,610)**	**30,738**	**5,409**	**2,248**	**240,939**
South East Asia	**32,805**	**75,598**	**(22,949)**	**3,000**	**1,506**	**–**	**89,960**
Non-operating entities	**16,182**	**–**	**–**	**20,465**	**481**	**–**	**37,128**
Maximum credit exposure	**90,012**	**380,122**	**(68,103)**	**73,279**	**8,649**	**2,248**	**486,207**

GEOGRAPHIC DISTRIBUTION OF MAXIMUM CREDIT EXPOSURE AS AT 31 DECEMBER 2019.

	CASH AND CASH EQUIVALENTS (EXCLUDING CASH IN HAND) USD'000	LOANS AND ADVANCES TO CUSTOMERS USD'000	CUSTOMER SECURITY DEPOSIT USD'000	DUE FROM BANKS USD'000	OTHER ASSETS USD'000	OFF-BOOK PORTFOLIO (BC MODEL) USD'000	TOTAL
West Africa	9,308	77,538	(27,350)	4,084	1,026	–	64,606
East Africa	4,671	50,933	(14,040)	1,085	186	–	42,835
South Asia	31,544	198,848	(2,082)	11,657	3,054	2,488	245,509
South East Asia	35,123	84,986	(22,807)	–	1,245	–	98,547
Non-operating entities	3,752	–	–	20,432	834	–	25,018
Maximum credit exposure	84,398	412,305	(66,279)	37,258	6,345	2,488	476,515

The Group provides direct lending to customers through the MFIs (owned and controlled by it). In addition, the Group accepts savings in the countries where it has a deposit taking licence.

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29. RISK MANAGEMENT CONTINUED

CREDIT RISK FROM LENDING AS AT 31 DECEMBER 2020

	DUE FROM BANKS[1] USD'000	GROSS LOANS AND ADVANCES TO CUSTOMER USD'000	TOTAL LENDING USD'000	TOTAL DIRECT LENDING/IFRS 9 STAGES STAGE 1 USD'000	STAGE 2 USD'000	STAGE 3 USD'000
West Africa	16,590	79,499	96,089	76,888	620	1,991
East Africa	2,485	46,189	48,674	40,057	2,476	3,656
South Asia	30,738	190,086	220,824	149,086	23,931	17,069
South East Asia	3,000	80,831	83,831	53,091	25,175	2,565
Non-operating entities	20,465	–	20,465	–	–	–
Total	73,278	396,605	469,883	319,122	52,202	25,281
ECL provision	–	–	24,171	1,901	8,258	14,013

1 Due from banks are neither past due nor credit impaired.

CREDIT RISK FROM LENDING AS AT 31 DECEMBER 2019

	DUE FROM BANKS[1] USD'000	GROSS LOANS AND ADVANCES TO CUSTOMER USD'000	TOTAL LENDING USD'000	TOTAL DIRECT LENDING/IFRS 9 STAGES STAGE 1 USD'000	STAGE 2 USD'000	STAGE 3 USD'000
West Africa	4,084	78,078	82,163	76,654	660	764
East Africa	1,085	51,878	52,963	51,529	215	134
South Asia	11,657	200,679	212,336	196,230	2,956	1,492
South East Asia	–	84,886	84,886	83,978	377	532
Non-operating entities	20,432	–	20,432	–	–	–
Total	37,258	415,521	452,780	408,391	4,208	2,922
ECL provision	–	–	3,990	265	1,225	2,500

1 Due from banks are neither past due nor credit impaired.

OVERVIEW OF MODIFIED LOANS

ASAI provided moratoriums to customer during the lockdown period instituted by the local and national government. The modification itself was not deemed to be an indicator of SICR.

The summary of the lockdown period and affected loan portfolio is shown below:

	COUNTRIES	LOCKDOWN LEVEL	START DATE	END DATE	LOCKDOWN (WEEKS)	CLIENTS UNDER LOCK DOWN (IN '000)	OLP UNDER LOCK DOWN (IN USD'000)
1	**India**	National	23/03/2020	31/05/2020	11 weeks	490	122,906
2	**Pakistan**	National	25/03/2020	09/05/2020	6 weeks	438	60,342
3	**Sri Lanka**	National, but organised regionally	20/03/2020	11/05/2020	7 weeks	62	9,805
4	**The Philippines**	Initially national, mostly localised and regionwide in Luzon, Visayas and Mindanao	15/03/2020	30/06/2020	15 weeks	341	52,772
5	**Myanmar**	Localised	03/04/2020	10/05/2020	5 weeks	150	33,643
6	**Nigeria**	Localised	30/03/2020	04/05/2020	5 weeks	252	28,555
7	**Ghana**	Localised	30/03/2020	20/04/2020	3 weeks	154	38,502
8	**Sierra Leone**	National	05/04/2020 03/05/2020	07/04/2020 & 05/04/2020	6 days	35	3,408
9	**Kenya**	National	27/03/2020	11/05/2020	6 weeks	100	15,402
10	**Tanzania**	Localised	07/04/2020	17/05/2020	6 weeks	118	18,363
11	**Uganda**	National	30/03/2020	02/06/2020	10 weeks	98	9,404
12	**Rwanda**	National	22/03/2020	18/05/2020	8 weeks	21	2,853
13	**Zambia**	None				–	–

In addition, the Group provided temporary moratoriums to selected clients based on need. Moratoriums provided per month in addition to the lockdown period is shown below:

	CLIENTS UNDER MORATORIA IN '000					
COUNTRIES	JUL	AUG	SEP	OCT	NOV	DEC
India	182	166	–	–	–	–
Pakistan	–	–	–	–	–	–
Sri Lanka	9	–	–	23	–	11
Myanmar	65	60	100	95	81	58
The Philippines	8	15	32	65	9	86
Ghana	10	–	–	–	–	–
Nigeria	–	–	–	–	–	–
Sierra Leone	1	–	–	–	–	–
Kenya	27	–	–	–	–	–
Tanzania	–	–	–	–	–	–
Uganda	60	50	4	–	–	–
Rwanda	5	3	–	–	–	–
Zambia	–	–	–	–	–	–
Total	**367**	**294**	**136**	**183**	**90**	**155**

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29. RISK MANAGEMENT CONTINUED

	OLP UNDER MORATORIA (IN USD'000)					
COUNTRIES	JUL	AUG	SEP	OCT	NOV	DEC
India	5,379	3,666	–	–	–	–
Pakistan	–	–	–	–	–	–
Sri Lanka	237	2	23	250	–	190
Myanmar	2,102	2,245	3,913	4,884	3,880	2,229
The Philippines	231	373	802	1,803	227	3,951
Ghana	431	–	–	–	–	–
Nigeria	–	–	–	–	–	–
Sierra Leone	20	–	–	–	–	–
Kenya	799	–	–	–	–	–
Tanzania	–	–	–	–	–	–
Uganda	1,567	1,180	158	–	–	–
Rwanda	123	74	–	–	–	–
Zambia		–	–	–	–	–
Total	**10,889**	**7,540**	**4,896**	**6,937**	**4,107**	**6,370**

The table below includes Stage 2 and 3 assets that were modified with the related modification loss suffered by the Group.

	IN USD'000	
PARTICULARS	STAGE 2	STAGE 3
Gross Amortised cost	4,208	2,922
Net modification loss	(1,188)	(327)
Amortised cost after modification loss	3,020	2,595

29.4.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Most subsidiaries of ASAI are now able to attract third-party funding and various local currency and USD loans are in place.

Liquidity management is evaluated at the microfinance institution level and on a consolidated Group basis. Each of the Group's microfinance institutions are required to meet the financial obligations of its internal and external stakeholders. Failure to manage liquidity risks may cause the Group to lose business, miss opportunities for growth, or experience legal or reputational consequences. To mitigate its liquidity management risk, the Group has established liquidity management policies, published in its operation manual, finance manual and its treasury manual.

The Group is confident it will be able to meet the payment obligations under the aforementioned loans for various reasons, including but not limited to:

- The main class of assets are loans to customers. Due to the nature of the microfinance business the Company is engaged in these loans to customers have short-term maturities, hence the Company is in a position to generate a constant stream of cash inflows. The Company is in the position to accumulate sufficient funds to cover its obligations, although this may entail limitations on new loan disbursements.
- As at 31 December 2020 the Company had a cash balance of USD 90.2 million (2019: USD 84.5 million).
- The Company is able to fund its operations and budgeted growth of its loan portfolio from new loan facilities supplied by third parties, security collateral and/or savings provided by its clients, and internally generated cash flows.

The table below shows undiscounted cash flow analysis of liabilities according to when they are expected to be recovered or to be settled.

LIABILITIES FY2020 IN USD'000	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Debt issued and other borrowed funds	32,496	26,347	125,928	184,771	142,143	15,272	157,415	–	342,186
Due to customers	10,891	35,447	33,610	79,948	226	–	226	–	80,174
Lease liability	–	28	424	452	2,659	518	3,177	–	3,629
Derivative liabilities	–	451	1,025	1,476	671	–	671	–	2,147
Other liabilities	588	6,376	2,862	9,826	635	–	635	23,394	33,855
Provisions	–	–	2,248	2,248	–	–	–	–	2,248
	43,975	68,649	166,092	278,721	146,334	15,790	162,124	23,394	464,239

LIABILITIES FY2019 IN USD'000	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Debt issued and other borrowed funds	10,383	12,957	125,108	148,448	174,389	–	174,389	–	322,837
Due to customers	7,941	27,086	42,914	77,941	167	–	167	–	78,108
Lease liability	–	27	471	498	2,893	590	3,483	–	3,981
Derivative Liabilities	–	112	1,319	1,431	392	–	392	–	1,823
Other liabilities	442	4,239	4,090	8,771	118	–	118	23,192	32,081
Provisions	–	–	72	72	22	–	22	–	94
	18,766	44,421	173,974	237,161	177,981	590	178,571	23,192	438,924

The table below shows undiscounted cash flow analysis of assets according to when they are expected to be recovered or to settled.

ASSETS FY2020 IN USD'000	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Cash at bank and in hand	68,763	2,771	18,631	90,165	–	–	–	–	90,165
Loans and advances to customers	29,388	51,589	266,069	347,046	33,076	–	33,076	–	380,122
Due from banks	–	44,753	5,843	50,596	2,218	–	2,218	20,465	73,279
Equity investments at FVOCI	–	–	–	–	–	–	–	238	238
Derivative assets	–	–	–	–	708	–	708	–	708
Other assets	–	2,647	7,633	10,280	3,125	–	3,125	195	13,600
	98,151	101,760	298,176	498,087	39,127	–	39,127	20,898	558,112

ASSETS FY2019 IN USD'000	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Cash at bank and in hand	63,966	–	20,269	84,235	291	–	291	–	84,526
Loans and advances to customers	1,278	65,412	305,770	372,460	39,844	–	39,844	–	412,304
Due from banks	–	3,919	9,400	13,319	3,508	–	3,508	20,432	37,259
Equity investments at FVOCI	–	–	–	–	–	–	–	232	232
Derivative assets	–	–	–	–	–	–	–	–	–
Other assets	–	371	8,087	8,458	1,941	112	2,053	14	10,525
	65,244	69,702	343,526	478,472	45,584	112	45,696	20,678	544,846

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29. RISK MANAGEMENT CONTINUED

Changes in liabilities arising from financing activities:

FY 2020	1 JANUARY 2020 USD'000	CASH FLOWS USD'000	NON CASH MOVEMENT USD'000	FOREIGN EXCHANGE MOVEMENT USD'000	31 DECEMBER 2020 USD'000
Debt issued and borrowed funds	322,837	20,225	–	(876)	342,186
Lease liabilities	3,981	(4,389)	3,864	173	3,629
Total liabilities from financing activities	326,818	15,836	3,864	(703)	345,815

FY 2019	1 JANUARY 2019 USD'000	CASH FLOWS USD'000	NON CASH MOVEMENT USD'000	FOREIGN EXCHANGE MOVEMENT USD'000	31 DECEMBER 2019 USD'000
Debt issued and borrowed funds	280,082	49,732	–	(6,977)	322,837
Lease liabilities	3,723	(4,227)	4,562	(77)	3,981
Total liabilities from financing activities	283,805	45,505	4,562	(7,054)	326,818

29.4.3 FOREIGN EXCHANGE RATE RISK

Currency risk is the possibility of financial loss to the Group arising from adverse movements in foreign exchange rates. Currency risk is a substantial risk for the Group, as most loans to MFIs and borrowers are in local currency in countries where currency depreciation against the USD is often considered less predictable. At present the Group manages currency risk mainly through natural hedging, i.e. by matching the MFI's local currency assets consisting of the MFI's loan portfolio with local currency liabilities. The Group's risk policy allows the Group treasurer the possibility of hedging with instruments such as swaps and forward contracts if and when appropriate. In order to mitigate the foreign exchange risk on foreign currency loans, ASA India, ASA Pakistan, ASA Myanmar, ASA Sierra Leone and ASA Tanzania has entered into hedging agreements. The Group applies hedge accounting to the foreign currency loans and related hedge contracts. Reference is made to note 36.

While the Group faces significant translation exposure on its equity investments in local MFIs (as the functional currency of the Group is USD), the policy is not to hedge equity investments since the currency translation gain and loss on the latter do not affect the net profit of the Group.

In summary, the Group takes a number of measures to manage its foreign currency exposure:
- Investments are only made in countries that show a reasonable level of macroeconomic stability. A detailed macroeconomic and socio-political assessment is carried out before the Group decides to invest in a certain country.
- The Group endeavours to procure its MFIs to secure local currency loans (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

SIMULATION: FOREIGN CURRENCY TRANSLATION RESERVE

	FX TRANSLATION RESERVE ACTUAL 2020	FX TRANSLATION RESERVE AFTER –10% RATE 2020	MOVEMENT 2020	FX TRANSLATION RESERVE ACTUAL 2019	FX TRANSLATION RESERVE AFTER -10% RATE 2019	MOVEMENT 2019
West Africa	(22,987)	(27,440)	(4,453)	(20,998)	(24,392)	(3,395)
East Africa	(1,477)	(2,967)	(1,490)	(839)	(2,246)	(1,357)
South Asia	(18,402)	(23,979)	(5,110)	(16,863)	(21,987)	(5,125)
South East Asia	137	(1,745)	(1,882)	(2,035)	(3,985)	(1,950)
Non-operating entities	(362)	(89)	(17)	(308)	(314)	(5)
Total	(43,091)	(56,042)	(12,952)	(41,043)	(52,924)	(11,832)

Analysis of the actual exchange rate fluctuations against the USD for the period 2020 shows different trends for the all operating currencies. The annual exchange rate fluctuations are between -1% and 33%, but most moved within -1% to 9%. For the simulation of foreign currency effects the Company has therefore assumed a maximum 10% movement year on year in these currencies as compared to USD.

The following overview shows the actual foreign currency exchange results by country for 2020 as well as the simulation of the impact of a 10% downward movement of the FX rates on the foreign exchange results.

As at 31 December 2020 a 10% downward movement of FX rates against the USD has a negative impact on the foreign currency exchange result of USD 0.8 million (2019: USD 1.5 million). The higher impact on the result of the Company results from increase in short term intercompany USD loans which cannot be hedged.

SIMULATION: FOREIGN EXCHANGE PROFIT AND LOSS

	FOREIGN EXCHANGE PROFIT AND LOSS ACTUAL 2020 USD'000	FOREIGN EXCHANGE PROFIT AND LOSS AFTER -10% RATE 2020 USD'000	MOVEMENT 2020 USD'000	FOREIGN EXCHANGE PROFIT AND LOSS ACTUAL 2019 USD'000	FOREIGN EXCHANGE PROFIT AND LOSS AFTER -10% RATE 2019 USD'000	MOVEMENT 2019 USD'000
West Africa	(94)	(212)	(117)	(208)	(449)	(241)
East Africa	24	(604)	(628)	(39)	(347)	(308)
South Asia	(192)	(204)	(12)	10	154	144
South East Asia	842	797	(45)	199	(455)	(654)
Non-operating entities	(74)	(114)	(40)	(257)	(739)	(482)
Total	506	(337)	(842)	(295)	(1,836)	(1,541)

29.4.4 INTEREST RATE RISK

Interest rate risk is the risk that profitability is affected by fluctuations in interest rates. The greatest interest rate risk the Group experiences occurs when the cost of funds increases faster than the Group can or is willing to adjust its lending rates. The Group's strategy in evaluating and managing its interest rate risk is to consider any risk at the pre-investment stage, to conduct a cost of funds analysis and to consider interest rates in particular, where there is a limit on the amount of interest it may charge, such as in India and Myanmar.

The credit methodology of the MFIs determines that loans to microfinance clients have short-term maturities of less than one year and at fixed interest rates. Third-party loans to MFIs, sourced from both local and international financial institutions, mostly have relative short terms between one and three years. 27% of the consolidated debt has variable interest rates. Depending on the extent of the exposure and hedging possibilities with regard to availability of hedging instruments and related pricing, the Group might actively hedge its positions to safeguard the Group's profits and to reduce the volatility of interest rates by using forwards, futures and interest rate swaps. The very short tenor of the loans provided to microfinance dampens the effect of interest rate fluctuations. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

			2020		2019	
	INCREASE IN BASIS POINTS	DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX USD'000	USD'000	EFFECT ON PROFIT BEFORE TAX USD'000	USD'000
USD	+100	–100	397	(425)	527	(527)
PKR	+100	–100	127	(127)	137	(137)
INR	+100	–100	159	(159)	213	(213)

29.5 MANAGING INTEREST RATE BENCHMARK REFORM AND ASSOCIATED RISKS

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting. In terms Group's LIBOR cash flow hedging relationships, all the contracts will mature before the anticipated cessation date of June 2023. In terms of non-hedged loans, the Group has loans linked to USD LIBOR which will mature after cessation date. The Group is in the process of amending contracts of those affected loans.

The treasury and risk department have started the process to monitor and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The department reports to the Company's board of directors and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

Notes to the consolidated financial statements continued

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29. RISK MANAGEMENT CONTINUED

DERIVATIVES

The Group holds cross currency interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to either Euribor or LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association's (ISDA) master agreements.

ISDA has published new fallbacks for derivatives linked to key interbank offered rates (IBORs) in January 2021 to ensure a viable safety net is in place in the event an IBOR becomes permanently unavailable while firms continue to have exposure to that rate. The fallbacks for a particular currency will apply following a permanent cessation of the IBOR in that currency. For derivatives that reference LIBOR, the fallbacks in the relevant currency would also apply following a determination by the UK Financial Conduct Authority that LIBOR in that currency is no longer representative of its underlying market. In each case, the fallbacks will be adjusted versions of the risk-free rates identified in each currency. The Group plans to adhere to the protocol.

HEDGE ACCOUNTING

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020. The Group's hedged items and hedging instruments continue to be indexed to Euribor or LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual. The calculation methodology of Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor for both existing and new contracts and the Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future.

29.6 LEGAL AND COMPLIANCE RISK

Legal and compliance risks in the countries that the subsidiaries or MFIs are active in will be mitigated through continuous monitoring of the regulatory and legal environment, through inter alia tier-one law firms and the local corporate secretaries and compliance officers in certain countries. In most countries the relevant microfinance subsidiary also maintains direct relationships with the regulator, including central banks. In addition, the Group believes it is, through its local and international network, well positioned to identify any relevant changes in the law that will have a material impact on any of the businesses it invests in. A number of investments in the MFIs are made by ASAI NV in the Netherlands. The Netherlands has entered into an extensive network of Bilateral Investment Treaties that offer compensation in case any of such investments are nationalised or expropriated by a country in which an investment is made. Currently the investments in the Philippines, Sri Lanka, Uganda, Kenya and Ghana are owned by ASAI NV, an indirectly owned but wholly controlled subsidiary of the Group.

Product transparency is also key to the Group's strategy in mitigating its legal and compliance risk. Because the education and knowledge levels of the Group's target clients are low, the Group aims to be transparent in its products and prices. The Group established a Legal and Compliance department headed by the General Counsel. The General Counsel assigns and supervises all legal matters involving the Group. The General Counsel, Deputy General Counsel and Group Compliance Manager establish and maintain an operationally independent Compliance function at the corporate level led by the Group. Whilst the General Counsel bears overall responsibility for the Compliance function, the General Counsel has delegated day-to-day responsibility for managing the Compliance function to the Group Compliance Manager who performs the compliance duties independently. The Group Compliance Manager is responsible for overseeing and implementing the Group compliance framework, including the Group compliance policy (the Compliance Policy). The Compliance Policy sets out the principles and standards for compliance and management of compliance risks in the Group. The Group seeks to reduce compliance risks taking into account the nature, scale and complexity of the business and ensures the policies are in alignment with the Group strategy and its core values.

29.7 STRATEGIC RISK

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the environment. The Group evaluates its strategic risk by analysing its cost reduction and growth, its liquidity management and its competition and reputational risk.

Competition and reputational risk are frequent in the microfinance industry. The Group defines reputational risk as the risk to earnings or capital arising from negative public opinion. The Group believes that reputational risk may impact its ability to sell products and services or may limit its access to capital or cash funds. To mitigate any competition or reputational risk, the Group evaluates the introduction of highly subsidised competitors, movements in average borrowing rates, and information sharing with different agencies.

30. COMMITMENTS

The Group agreed certain commitments to BC Partners under the BC model in ASAI India. Reference is made to note 13. As per the current model ASAI India holds 5% risk on the portfolio managed on behalf of IDFC. Similar commitments were agreed with MAS Financial Services Ltd in India. As of 31 December 2020, the risk of the Group on such BC portfolio stands at USD 2.2 million (2019: USD 2.5 million).

There are no other contingent liabilities at the balance sheet date except for the pending litigation claims disclosed in note 33.

31. RELATED PARTY DISCLOSURES

31.1 KEY MANAGEMENT PERSONNEL

In 2017 ASAI Management Services Ltd ('AMSL') was incorporated by the Company in Bangladesh and from 1 April 2018 all staff deployed in Dhaka are on the pay-roll of AMSL or ASAIH. The Dhaka office is managed by a team of seasoned microfinance experts who have previously held senior positions in ASA NGO Bangladesh, and have many years of expertise in managing and supporting microfinance institutions across Asia and Africa. In addition to supervising the performance of the Group's local microfinance institutions, executive management in Dhaka is primarily responsible for finance and accounts, risk management, audit, IT, human resource management, and corporate secretarial functions for the Group. The Amsterdam office, which hosts executive management (including the Chief Executive Officer), provides specialised accounting, finance, legal, corporate and compliance functions along with investment, treasury, (international) tax and funding, as well as the management of business development projects. All Amsterdam based staff are on the payroll of ASAI NV. In 2020, all Dhaka based Directors were also brought under the payroll of ASAI NV.

The remuneration for the Non-Executive Chairman, CEO and Executive Director are paid by ASA International Group plc.

REMUNERATION OF DIRECTORS

In 2020, the Directors of the Group received total compensation of USD 1.2 million (2019: USD 1.2 million).

TOTAL REMUNERATION TO KEY MANAGEMENT PERSONNEL OF THE GROUP

	2020 USD'000	2019 USD'000
Short-term employee benefits	2,018	1,919
Post-employment pension and medical benefits	–	–
Termination benefits	–	–
Share-based payment transaction	–	–
	2,018	1,919

Total remuneration takes the form of short-term employee benefits. In 2020, total remuneration paid to key management personnel of the Group amounted to USD 2.0 million (2019: USD 1.9 million).

No retirement benefits are accruing to Directors under defined benefit schemes. The aggregate of emoluments and amounts receivable under incentive schemes of the highest paid Director was USD 425K.

31.2 REPORTING DATES OF SUBSIDIARIES

All of the Group's subsidiaries have reporting dates of 31 December, with the exception of ASAI India, Proswift, Pinoy, Pagasa Consultancy and ASA Myanmar (where the market standard reporting date is 31 March). These entities have provided financial statements for consolidation purposes for the year ended 31 December.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

31. RELATED PARTY DISCLOSURES CONTINUED

31.3 SUBSIDIARIES

	COUNTRY OF INCORPORATION	2020 OWNERSHIP	2019 OWNERSHIP
ASAIH subsidiaries:			
ASA Consultancy	Ghana	100%	100%
ASA India	India	74.70%	74.70%
Pagasa Consultancy	India	99.99%	99.99%
Pinoy	India	99.99%	99.99%
Proswift Consultancy:	India	99.99%	99.99%
ASA India	India	15.31%[1]	15.31%
Pagasa	The Philippines	N/A[2]	N/A[1]
PT PAGASA Consultancy	Indonesia	99.00%	99.00%
A1 Nigeria	Nigeria	100%	100%
ASHA MFB	Nigeria	99.99%	99.99%
ASIEA	Nigeria	N/A[3]	N/A[2]
ASA Pakistan	Pakistan	99.99%	99.99%
ASA Tanzania	Tanzania	99.99%	99.99%
ASA Myanmar	Myanmar	99.99%	99.99%
ASA Zambia	Zambia	99.99%	99.99%
ASA Rwanda	Rwanda	99.99%	99.99%
ASA Sierra Leone	Sierra Leone	99.99%	99.99%
ASAI NV subsidiaries:	The Netherlands	N/A	N/A
PPFC	The Philippines	100%	100%
ASA Leasing	Sri Lanka	100%	100%
ASA S&L	Ghana	100%	100%
CMI Lanka	Sri Lanka	99.99%[4]	99.99%[3]
Lak Jaya	Sri Lanka	97.14%	97.14%
ASA Lanka	Sri Lanka	100%	100%
ASA Kenya	Kenya	100%[5]	100%[4]
ASA Uganda	Uganda	99.99%	99.99%
AMSL	Bangladesh	95%	95%
ASAI I&M	The Netherlands	100%	100%

1 Calcutta High court approved the merger of ASA India and Proswift on 19 December 2020. Final Confirmation is pending.
2 ASAI officials/representatives control the governing body and the Board.
3 ASAHA MFB purchased the assets and liabilities of ASIEA. The process was completed by 1 April 2020.
4 This refers to the beneficial ownership only. The legal ownership is held by CMI.
5 ASAIH holds 0.5% of the shares.

31.4 RELATIONSHIP AGREEMENT

Relationship agreement with the Controlling Shareholder Group

The Group, CMI, Catalyst Continuity and Mr Dirk Brouwer and Mr Md Shafiqual Haque Choudhury (CMI, Catalyst Continuity Ltd and Mr Dirk Brouwer and Mr Md Shafiqual Haque Choudhury jointly the 'Controlling Shareholders') have entered into a relationship agreement (the 'Relationship Agreement'), the principal purpose of which is to ensure that the Group will be able, at all times, to carry out its business independently of the members of the Controlling Shareholder Group and their respective associates and that all transactions and relationships between the Group and the Controlling Shareholder Group are at arm's length and on a normal commercial basis.

For so long as the Group has a controlling shareholder, the articles allow for the election of any independent Director to be approved by separate resolutions of (i) the shareholders' and (ii) the shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Group may propose a further resolution to elect or re-elect the proposed independent Director which (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (b) may be passed by a vote of the shareholders voting as a single class. Furthermore, in the event that the Group wishes the Financial Conduct Authority of the United Kingdom ('FCA') to cancel the listing of the shares on the premium segment of the official list maintained by the FCA or transfer the shares to the standard listing segment of the official list of the FCA, the Group must obtain at a general meeting the prior approval of (i) a majority of not less than 75% of the votes attaching to the shares voted on the resolution and (ii) a majority of the votes attaching to the shares voted on the resolution excluding any shares voted by a controlling shareholder.

In all other circumstances, each of CMI and Catalyst Continuity has, and will have, the same voting rights attached to the shares as all other shareholders.

31.5 OTHER RELATED PARTIES

A list of related parties with which ASA International has transactions is presented below. The transactions in 2020 and 2019 and the balances per the end of the year 2020 and 2019 with related parties can be observed in notes below. Related party transactions take place at arm's length conditions.

NAME OF RELATED PARTY	RELATIONSHIP
CMI	Major shareholder (2020: 30.4%, 2019: 30.4%)
Sequoia	Service provider to the Company
ASA NGO Bangladesh	Service provider to the Company
MBA Philippines	Business partner
IDFC	Minority shareholder in ASA India
ASAICH and CMIIH	Subsidiaries of CMI
CMIMC	Holding company of founders CMI
CMIC	Investment manager of CMI
CMII	Subsidiary of CMI
ASA Social Services	Service provider to the Parent
CIMS BV	Service provider to the Parent

		INCOME FROM RELATED PARTIES USD'000	EXPENSES TO RELATED PARTIES USD'000	AMOUNT OWED BY RELATED PARTIES USD'000	AMOUNT OWED TO RELATED PARTIES USD'000
CMI	31 December 2020	–	–	–	20,466
	31 December 2019	–	–	173	21,179
CMIC	31 December 2020	–	–	–	–
	31 December 2019	–	–	1	–
Sequoia	31 December 2020	158	71	52	60
	31 December 2019	109	127	–	68
ASA Bangladesh	31 December 2020	–	–	–	–
	31 December 2019	–	61	189	–
MBA Philippines	31 December 2020	603	–	225	457
	31 December 2019	745	–	220	125
ASAICH	31 December 2020	–	–	108	–
	31 December 2019	–	–	108	–
CMIMC	31 December 2020	–	–	–	–
	31 December 2019	–	–	–	109
IDFC	31 December 2020	4,166	–	2,187	1,638
	31 December 2019	3,903	–	450	701
Catalyst Continuity	31 December 2020	–	–	–	–
	31 December 2019	–	–	16	–
CIMS BV	31 December 2020	–	–	6	–
	31 December 2019	–	–	–	–
ASA Social Services	31 December 2020	–	–	–	–
	31 December 2019	–	–	13	–
CMII	31 December 2020	–	–	6	–
	31 December 2019	–	–	–	–

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31. RELATED PARTY DISCLOSURES CONTINUED
31.6 NON-CONTROLLING INTEREST
The Company reports non-controlling interest ('NCI') in its subsidiaries ASA India and Lak Jaya. The NCI in ASA India, having its principal place of business in India, amounts to 9.99%. ASA India did not pay any dividend in 2020. The NCI in Lak Jaya, having its principal place of business in Sri Lanka, amounts to 2.86%. Lak Jaya did not declare any dividend in 2020.

The summarised financial information of Lak Jaya and ASAI India as at 31 December 2020 is as follows:

	31 DECEMBER 2020		31 DECEMBER 2019	
	LAK JAYA USD'000	ASA INDIA USD'000	LAK JAYA USD'000	ASA INDIA USD'000
Current assets	11,275	163,656	12,196	164,318
Non-current assets	607	6,133	517	2,436
Current liabilities	7,722	145,586	7,681	135,724
Non-current liabilities	467	2,435	440	1,940
Net operating income	1,718	2,072	3,481	16,589
Profit	(805)	(6,520)	136	4,823
Non-controlling interest	106	2,175	131	2,907

The following table summarises financial information for each subsidiary that has material non-controlling interest to the Group. The voting rights are similar to NCI's shareholding percentage in India but in the case of Lak Jaya the Group holds 91.3% of the voting rights. The amounts disclosed for each subsidiary are before inter-company eliminations:

	31 DECEMBER 2020		31 DECEMBER 2019	
	LAK JAYA USD'000	ASA INDIA USD'000	LAK JAYA USD'000	ASA INDIA USD'000
Total no. of shares	10,704,955	195,950	10,704,955	195,950
Shares held by ASAI Group	10,398,950	176,369	10,398,950	176,369
Shares held by NCI	306,005	19,581	306,005	19,581
NCI %	2.860%	9.994%	2.860%	9.994%

	31 DECEMBER 2020		31 DECEMBER 2019	
	LAK JAYA USD'000	ASA INDIA USD'000	LAK JAYA USD'000	ASA INDIA USD'000
Summarised statement of financial position:				
Net assets	3,694	21,768	4,592	29,090
Net assets attributable to NCI	106	2,175	131	2,906
Summarised statement of profit or loss and other comprehensive income:				
Net operating income	1,718	2,072	3,481	16,589
Profit after tax	(805)	(6,520)	136	4,823
Profit allocated to NCI	(23)	(652)	4	482
Dividend paid to NCI	–	–	–	–
Summarised statement of cash flow:				
Cash flow from operation activities	177	3,624	1,660	(22,053)
Cash flow from investing activities	(3)	(77)	(29)	(326)
Cash flow from financing activities	(225)	(9,535)	(1,612)	42,395
Net cash flow attributable to NCI	(1)	(598)	1	2,000

Reference to note 31.3, the remaining shares in Pagasa Consultancy, Pinoy, Proswift Consultancy, A1 Nigeria, ASHA Nigeria, ASA Pakistan, ASA Tanzania, PPFC, ASA Uganda, CMI Lanka and AMSL is held either by employee's nominated by the Group or by ASAI I&M, CMI or CMII. Hence those are not treated as non-controlling shares.

32. SUBSEQUENT EVENTS DISCLOSURE

Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in contracts. Out of total loans of USD 342 million, USD 198 million had breached loan covenants as at year end. The Group was able to receive waivers from most of the lenders. As of 31 December 2020, the balance for credit lines with breached covenants without waivers is USD 31.5 million, which are fully drawn. The Group has received waivers amounting to USD 10 million and fully repaid loans amounting to USD 6.9 million after the balance sheet date. The Group is in discussions with the lenders for waivers on the remaining balance and expects those waivers will be in place in the second quarter of 2021.

The Company expects the operating environment to remain challenging in many countries. Although we assume that the disruption caused by COVID-19 will continue to reduce over time, the pandemic will still have a material impact on the financial performance of the Group in 2021 in terms of overdue and write-offs on the loan portfolio, the disbursement of new loans, and the profitability of the Group as some subsidiaries are facing new waves of infections. We expect that in some markets the overdue will remain temporarily high.

The Reserve Bank of India proposed new uniform regulations for all lenders in microfinance, including banks, which had fewer restrictions so far compared to NBFC-MFIs. This may have a positive impact on NBFC-MFIs, including ASA India. There is a threat of government intervention, including possible loan and/or interest waivers, in the microfinance sector in the State of Assam following aggressive lending practices in the certain districts of the State.

Disruptions and civil unrest in Myanmar following the military's takeover of the government in February 2021 with nationwide protests and any related governmental measures could have a material impact on our performance in that country.

At the current time, it is not possible to estimate the financial impact on the Group of the above mentioned post-balance sheet events. The Group has performed several scenario forecasts to establish its going concern assessment and these are detailed in note 2.1. These incidents have been treated as post-balance sheet non-adjusting events.

33. CONTINGENT LIABILITIES

ASA INDIA

A demand was raised by income tax authorities after the disallowance of some expenditures such as the misappropriation of funds, gratuity etc. for the assessment years (AY) 2011–2012 and 2012–2013. The disallowance amount for AY 2011–2012 is USD 177K and for AY 2012-2013 is USD 69K. The matters are pending before the Commissioner of Taxes (Appeals) and no provision has been created.

A demand has been raised by the income tax authorities for USD 1.1 million for the AY 2012–13 in December 2019 which has been challenged before the concerned assessing officer. ASAI India has also applied for a stay order of the demand. No provision is created for such demand as management concludes that the merit of such demand is low.

LAK JAYA

A demand was raised by the Department of Inland Revenue ('IRD') for 2016-2017 and 2017-2018 amounting to USD 332K and USD 412K respectively by disallowing certain expenses. The Company has filed an appeal and submitted necessary documentation. The matter is pending to commissioner of IRD. No provision is taken in the financial statement against such demand as management concludes that the merit of such demand is low.

ASA UGANDA

Demand was raised by the Uganda Revenue Authority ('URA') for 2016–2020 amounting to USD 288K by disallowing certain expenses. The management filed an appeal to the Appellate tribunal against such order. The matter is resolved in March 2021 at USD 57K.

34. CAPITAL MANAGEMENT

The Company is a public limited company, incorporated in England and Wales with the registered number 11361159 and with its registered office situated at Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge KT13 0TS, United Kingdom. The Company listed its shares on the premium listing segment of the London Stock Exchange on 18 July 2018. The Group is not subject to externally imposed capital requirements and has no restrictions on the issue and re-purchase of ordinary shares.

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 2020, the Group and its subsidiaries were in full compliance with minimum regulatory capital requirements.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

35. FINANCIAL INSTRUMENTS

The table below shows the classification of financial instruments, as well as the fair value of those instruments not carried at fair value.

	CARRYING VALUES		FAIR VALUES	
	31 DECEMBER 2020 USD'000	31 DECEMBER 2019 USD'000	31 DECEMBER 2020 USD'000	31 DECEMBER 2019 USD'000
ASSETS				
Equity investments at FVOCI	**238**	232	**238**	232
Derivative assets	**708**	–	**708**	–
Loans and advances to customers	**380,122**	412,304	**380,122**	412,304
Due from banks	**73,279**	37,259	**73,279**	37,259
Other assets	**7,057**	5,401	**7,057**	5,401
Cash at bank and in hand	**90,165**	84,526	**90,165**	84,526
LIABILITIES AND EQUITY				
Financial liabilities measured at amortised cost				
Debt issued and borrowed funds	**342,186**	322,837	**342,186**	322,837
Due to customers	**80,174**	78,108	**80,174**	78,108
Derivative liabilities	**2,147**	1,823	**2,147**	1,823
Other liabilities	**33,855**	32,081	**33,855**	32,081

- The carrying amounts of Cash and cash equivalents, Due from banks, Due to customers, Other assets and Other liabilities approximate the fair value due to the short-term maturities of these items;
- Loans and advances to customers are carried at amortised cost net of ECL. Furthermore, the term of the loans to the microfinance borrowers are short (6 to 12 months). Due to these circumstances, the carrying amount approximates fair value;
- Regarding the "Debt issued and other borrowed funds", this amount reflects the loans from third parties on holding level as well as the loans provided by third parties directly to the subsidiaries of ASA International. The loans are held at amortised cost. The carrying amount is the best approximation of the fair value.

36. HEDGE ACCOUNTING

FORWARD CONTRACTS

The Group applies hedge accounting to USD and Euro loans provided to subsidiaries reporting in foreign currencies and the related forward contracts. The foreign currency risk exposure of the USD and Euro loans and the potential negative impact on net result of the subsidiaries are being mitigated by way of these forward contracts. Any positive impact is therefore also limited. ASA International has only entered into non-deliverable forward contracts. Management considers the hedges as cash flow hedges. The formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge are documented in the individual files and memos for every forward contract.

SWAP

At 31 December 2020, the Group had two cross-currency interest rate swap agreements in place.

1) A swap with a notional amount of USD 3 million was entered on 25 July 2019 by ASAI India whereby ASAI India pays a fixed rate of interest of 11.8% in Indian Rupee (INR) and receives interest at a variable rate equal to six months LIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six months LIBOR +4.3% USD loan.

2) Another swap with a notional amount of Euro 10 million on 9 December 2019 by the same whereby the ASAI India pays a fixed rate of interest of 12.55% in INR and receives interest at a variable rate equal to six months EURIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six months Euribor +4.3% Euro loan.

The Group applies the qualitative approach for prospective testing effectiveness because the critical terms of the hedged items and hedging instruments are identical. The Company applies a rollover hedge strategy when no forward instruments are available at reasonable pricing for the full term of the hedged item. In those cases, the Company accepts a rollover risk. Retrospective effectiveness is measured by comparing the change in the fair value of the actual derivative designated as the hedging instrument and the change in the fair value of a hypothetical derivative representing the hedged item.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the forward contracts and swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap and forward contracts are identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:
- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in the timing of the cash flows of the hedged items and the hedging instruments

The Group assessed it had no ineffectiveness during 2020 in relation to the foreign currency hedges.

Reference is made to note 29.4.3 for the strategy for currency exchange risk. Additional information on the hedged items and hedging instruments as per 31 December 2020 is provided below:

AS AT 31 DECEMBER 2020	ASA PAKISTAN USD'000	ASA SIERRA LEONE USD'000	ASA MYANMAR USD'000	ASA TANZANIA USD'000	ASA INDIA USD'000	TOTAL USD'000
Fair value of Derivative assets	–	–	–	–	708	708
Fair value of Derivative liabilities	953	51	1,073	70	–	2,147
Notional amount hedged foreign currency loans	26,800	2,000	4,800	4,000	16,482	54,082
Period in which the cash flows are expected to occur:		–				
cash flows in 2021	26,800	–	1,800	4,000	609	33,209
cash flows in 2022	–	2,000	2,000	–	15,872	19,872
cash flows in 2023	–	–	1,000	–	–	1,000
Total cash flows	26,800	2,000	4,800	4,000	16,481	54,081
Expected period to enter into the determination of profit or loss:						
amortisation of forward points in 2021	955	335	414	41	32	1,777
amortisation of forward points in 2022	–	289	153	–	29	471
amortisation of forward points in 2023	–	–	11	–	–	11
Total amortisation of forward points	955	624	578	41	61	2,259
Amounts recognised in OCI during the period:						
for amortisation of forward points/currency basis spread	2,209	44	734	129	31	3,147
for adjustment of net interest on swap	–	–	–	–	994	994
for changes in fair value of the forward contracts/ swaps	(1,061)	(51)	(1,412)	(149)	283	(2,390)
for recycling of FX result of foreign currency loans	(862)	(17)	870	(38)	(1,382)	(1,429)
Total amounts recognised in OCI during the period	286	(24)	192	(58)	(74)	322

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

36. HEDGE ACCOUNTING

AS AT 31 DECEMBER 2019	ASA PAKISTAN USD'000	PPFC USD'000	ASA MYANMAR USD'000	ASA TANZANIA USD'000	ASAI INDIA USD'000	TOTAL USD'000
Fair value of Derivative assets	–	–	–	–	–	–
Fair value of Derivative liabilities	717	–	865	77	164	1,823
Notional amount hedged foreign currency loans	26,508	–	10,300	2,500	16,141	55,449
Period in which the cash flows are expected to occur:	–	–	–	–	–	–
cash flows in 2020	26,508	–	6,500	2,500	644	36,152
cash flows in 2021	–	–	1,800	–	641	2,441
cash flows in 2022	–	–	2,000	–	14,856	16,856
Total cash flows	26,508	–	10,300	2,500	16,141	55,449
Expected period to enter into the determination of profit or loss:						
amortisation of forward points in 2020	1,420	–	590	80	33	2,123
amortisation of forward points in 2021	–	–	266	–	33	299
amortisation of forward points in 2022	–	–	32	–	30	62
Total amortisation of forward points	1,420	–	888	80	96	2,484
Amounts recognised in OCI during the period:						
for amortisation of forward points/currency basis spread	1,932	–	990	204	3	3,129
for adjustment of net interest on swap	–	–	–	–	117	117
for changes in fair value of the forward contracts/swaps	1,482	(37)	(1,255)	(262)	(164)	(236)
for recycling of FX result of foreign currency loans	(3,488)	3	381	102	(290)	(3,292)
Total amounts recognised in OCI during the period	(74)	(34)	116	44	(334)	(282)

	CHANGES IN FAIR VALUE OF HEDGING INSTRUMENTS		
AS AT 31 DECEMBER 2020	EFFECTIVE PORTION RECOGNISED IN OCI USD'000	HEDGE INEFFECTIVENESS: RECOGNISED IN INCOME USD'000	TOTAL USD'000
Cash flow hedge			
Forward contracts	**396**	**–**	**396**
Cross-currency interest rate swap	**(74)**	**–**	**(74)**
	322	**–**	**322**

	CHANGES IN FAIR VALUE OF HEDGING INSTRUMENTS		
AS AT 31 DECEMBER 2019	EFFECTIVE PORTION RECOGNISED IN OCI USD'000	HEDGE INEFFECTIVENESS: RECOGNISED IN INCOME USD'000	TOTAL USD'000
Cash flow hedge			
Forward contracts	52	–	52
Cross-currency interest rate swap	(334)	–	(334)
	(282)	–	(282)

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. Loans and advances to customers are based on the same expected repayment behaviour as used for estimating the EIR. Debt issued and other borrowed funds reflect the contractual repayments except for debts, where no waivers has been received against breached covenants. Those borrowings are presented on demand.

AS AT 31 DECEMBER 2020	WITHIN 12 MONTHS USD'000	AFTER 12 MONTHS USD'000	TOTAL USD'000
Assets			
Cash at bank and in hand	90,165	–	90,165
Loans and advances to customers	347,046	33,076	380,122
Due from banks	50,596	22,683	73,279
Equity investment at FVOCI	–	238	238
Property and equipment	–	4,617	4,617
Right-of-use assets	1,145	4,050	5,195
Deferred tax assets	–	11,303	11,303
Derivative assets	–	708	708
Other assets	10,280	3,320	13,600
Goodwill	–	33	33
Total assets	499,232	80,028	579,260
Liabilities			
Debt issued and other borrowed funds	184,771	157,415	342,186
Due to customers	79,948	226	80,174
Retirement benefit liability	89	5,357	5,446
Current tax liability	2,502	–	2,502
Lease liability	452	3,177	3,629
Derivative liabilities	1,476	671	2,147
Other liabilities	9,826	24,029	33,855
Provisions	2,248	–	2,248
Total liabilities	281,312	190,875	472,187
Net	217,920	(110,847)	107,073

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES CONTINUED

AS AT 31 DECEMBER 2019	WITHIN 12 MONTHS USD'000	AFTER 12 MONTHS USD'000	TOTAL USD'000
Assets			
Cash at bank and in hand	84,235	291	84,526
Loans and advances to customers	372,460	39,844	412,304
Due from banks	13,319	23,940	37,259
Equity investment at FVOCI	–	232	232
Property and equipment	–	5,331	5,331
Right-of-use assets	1,085	4,797	5,882
Deferred tax assets	–	3,865	3,865
Derivative assets	–	–	–
Other assets	8,458	2,067	10,525
Goodwill	–	34	34
Total assets	479,557	80,401	559,958
Liabilities			
Debt issued and other borrowed funds	148,448	174,389	322,837
Due to customers	77,941	167	78,108
Retirement benefit liability	32	3,341	3,373
Current tax liability	6,416	–	6,416
Deferred tax liability	7	69	76
Lease liability	498	3,483	3,981
Derivative liabilities	1,431	392	1,823
Other liabilities	8,771	23,310	32,081
Provisions	72	22	94
Total liabilities	243,616	205,173	448,789
Net	235,941	(124,772)	111,169

38. EARNINGS PER SHARE

Basic earnings per share ('EPS') is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

There are no share options which will have a dilutive effect on EPS. Therefore, the Company does not have dilutive potential ordinary shares and diluted earnings per share calculation is not applicable.

The following table shows the income and share data used in the basic and diluted EPS calculations:

	2020 USD'000	2019 USD'000
Net (loss)/profit attributable to ordinary equity holders of the parent	(720)	34,011
Weighted average number of ordinary shares for basic earnings per share	100,000,000	100,000,000
	USD	USD
Earnings per share		
Equity shareholders of the parent for the year:		
Basic earnings per share	(0.01)	0.34
Diluted earnings per share	(0.01)	0.34

The Company has applied the number of shares issued by ASA International Group plc as at 31 December 2020 and 31 December 2019. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of financial statements which would require the restatement of EPS. No dividend is declared for the year 2020 (2019: USD 7.3 million).

The following table shows the dividend per share:

	2020 USD	2019 USD
Dividend per share	0.00	0.07

Statutory statement of profit or loss and other comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
Interest and similar income		2	15
Dividend income		1,000	30,683
Net revenue		1,002	30,698
Personnel expenses	39.	(1,177)	(1,167)
Professional fees	39.1.	(1,404)	(1,430)
Administrative expenses		(1,236)	(103)
Exchange rate differences		(5)	119
Total operating expenses		(3,822)	(2,581)
(Loss)/Profit before tax		(2,820)	28,117
(Loss)/Profit total comprehensive (loss)/profit for the period, net of tax		(2,820)	28,117

The notes 39 to 47 form an integral part of these financial statements.

FINANCIAL STATEMENTS CONTINUED

Statutory statement of financial position

As at 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
ASSETS			
Cash at bank and in hand		359	1,345
Due from banks	14.1.	20,465	20,432
Investment in subsidiaries	40.	120,684	120,684
Other assets	41.	274	127
TOTAL ASSETS		141,782	142,588
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	42.	1,310	1,310
Retained earnings	44.	92,508	95,328
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		93,818	96,638
LIABILITIES			
Other liabilities	45.	47,964	45,950
TOTAL LIABILITIES		47,964	45,950
TOTAL EQUITY AND LIABILITIES			
		141,782	142,588

Approved by the Board of Directors on 31 May 2021

Signed on behalf of the Board

DIRK BROUWER
CEO

TANWIR RAHMAN
CFO

The notes 39 to 47 form an integral part of these financial statements.

Statutory statement of changes in equity
For the year ended 31 December 2020

	ISSUED CAPITAL USD'000	REDEEMABLE PREFERENCE SHARES USD'000	RETAINED EARNINGS USD'000	TOTAL USD'000
At 1 January 2019	1,310	66	74,511	75,887
Profit for the period	–	–	28,117	28,117
Total comprehensive loss for the period	–	–	28,117	28,117
Redemption of redeemable preference shares	–	(66)	–	(66)
Dividend	–	–	(7,300)	(7,300)
At 31 December 2019	1,310	–	95,328	96,638
At 1 January 2020	1,310	–	95,328	96,638
Loss for the period	–	–	(2,820)	(2,820)
Total comprehensive loss for the period	–	–	(2,820)	(2,820)
Dividend	–	–	–	–
At 31 December 2020	1,310	–	92,508	93,818

The notes 39 to 47 form an integral part of these financial statements.

FINANCIAL STATEMENTS CONTINUED

Statutory statement of cash flows

For the year ended 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
OPERATING ACTIVITIES			
Profit before tax		**(2,820)**	28,117
Adjustment for movement in:			
Operating assets	46.	**(180)**	1,626
Operating liabilities	46.	**1,514**	(21,098)
Non-cash items	46.	**–**	–
Net cash flows used in operating activities		**(1,486)**	8,645
FINANCING ACTIVITIES			
Dividend paid		**–**	(7,300)
Loan received		**500**	–
Net cash flows used in financing activities		**500**	(7,300)
Net increase in cash and cash equivalents		**(986)**	1,345
Cash and cash equivalents at the beginning of the period		**1,345**	–
Cash and cash equivalents as at 31 December		**359**	1,345

The notes 39 to 47 form an integral part of these financial statements.

Notes to the statutory financial statements
For the year ended 31 December 2020

SEPARATE FINANCIAL STATEMENTS
The accounting policies applied in the statutory financial statements are similar to those used in the consolidated financial statements except for investments in subsidiaries. Investments in subsidiaries are accounted in separate financial statements, using the cost method.

At each reporting date it is determined whether there is objective evidence that the investment in the subsidiaries is impaired. If there is such evidence, a calculation will be made for the impairment amount as the difference between the recoverable amount of the subsidiaries and its carrying value.

39. TOTAL OTHER OPERATING EXPENSES
Total operating expenses include the following items:

	NOTES	2020 USD'000	2019 USD'000
Personnel expenses		(1,177)	(1,167)
Professional fees	39.1.	(1,404)	(1,430)
Administrative expenses		(1,236)	(103)
		(3,817)	(2,700)

39.1. PROFESSIONAL FEES

	2020 USD'000	2019 USD'000
Audit service fee	(976)	(989)
Other professional fees	(428)	(440)
	(1,404)	(1,429)

40. INVESTMENTS IN SUBSIDIARIES

	2020 USD'000	2019 USD'000
Investments in subsidiaries		
ASA International Holding	75,195	75,195
ASA International NV	45,489	45,489
	120,684	120,684

NAME OF COMPANY	COUNTRY	NATURE OF BUSINESS	2020 OWNERSHIP	2019 OWNERSHIP
ASA International Holding	Mauritius	MFI Holding Company	100%	100%
ASA International NV	Netherlands	MFI Holding Company	100%	100%

41. OTHER ASSETS

	2020 USD'000	2019 USD'000
The other assets comprised the following:		
Other receivables	244	104
Advances and prepayments	30	23
	274	127

42. ISSUED CAPITAL
100 million ordinary shares of GBP 1.00 each and after capital reduction of GBP 0.01 each. No movement occurred during 2020 and 2019.

Notes to the statutory financial statements continued

For the year ended 31 December 2020

43. REDEEMABLE PREFERENCE SHARES

50,000 redeemable preference shares of GBP 1.00 each.

	2020 USD'000	2019 USD'000
Movements in redeemable preference shares		
Amount at the beginning of the period	–	66
Issuance of redeemable preference shares	–	(66)
Balance at the end of the period	–	–

The redeemable preference shares were issued to CMI on 15 May 2018 to ensure sufficient paid-up share capital to apply for a trading certificate. The issue was on an 'undertaking to pay' basis which provided that CMI would pay for these shares on 15 May 2023 or, if sooner, upon a written demand by the Company. On 30 May 2019, all of these redeemable preference shares were redeemed by the Company in compliance with the requirements of the Company's articles of association and the Companies Act 2006.

44. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	2020 USD'000	2019 USD'000
Balance at the beginning of the period	95,328	74,511
Capital reduction	–	–
Dividend	–	(7,300)
Result for the period	(2,820)	28,117
Balance at the end of the period	92,508	95,328
(Loss)/Profit for the period		
Attributable to equity holders of the parent	(2,820)	28,117

45. OTHER LIABILITIES

	NOTES	2020 USD'000	2019 USD'000
Short-term liabilities			
Accrued audit fees		542	489
Accrued cost		199	76
Other payables intercompany		3,052	1,747
		3,793	2,312
Long-term liabilities			
Intercompany loan		500	
Escrow liability to CMI	14.1.	20,465	20,432
Purchase price for ASAI NV to ASAIH		23,206	23,206
		44,171	43,638
		47,964	45,950

46. ADDITIONAL CASH FLOW INFORMATION

	2020 USD'000	2019 USD'000
Changes in operating assets		
Due from banks	(33)	(294)
Other assets	(147)	1,920
	(180)	1,626
Changes in operating liabilities		
Other liabilities	1,514	(21,098)
	1,514	(21,098)
Changes in non-cash items		
Foreign exchange result	–	–
	–	–

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

AS AT 31 DECEMBER 2020	WITHIN 12 MONTHS USD'000	AFTER 12 MONTHS USD'000	TOTAL USD'000
Assets			
Cash at bank and in hand	359	–	359
Due from banks	–	20,465	20,465
Investment in subsidiaries	–	120,684	120,684
Other assets	274	–	274
	633	141,149	141,782
Liabilities			
Other liabilities	3,793	44,171	47,964
Net	(3,160)	96,978	93,818

AS AT 31 DECEMBER 2019	WITHIN 12 MONTHS USD'000	AFTER 12 MONTHS USD'000	TOTAL USD'000
Assets			
Cash at bank and in hand	1,345	–	1,345
Due from banks	–	20,465	20,432
Investment in subsidiaries	–	120,684	120,684
Other assets	127	–	127
	1,472	141,116	142,588
Liabilities			
Other liabilities	2,312	43,638	45,950
Net	(840)	97,478	96,638

ADDITIONAL INFORMATION

Alternative performance measures

KPI	2020	2019	DEFINITION
OLP	$415.3m	$467.4m	The figure depicts the consolidated outstanding loan portfolio, including offbook net BC loan portfolio from IDFC and DA loans. It excludes interest receivables and unamortised loan processing fees, as included in the Loans and Advances to customers in Note 13 of the Financial Statement, and maintains the deduction of modification losses and ECL provisions from the gross outstanding loan portfolio.
OLP/client	187	186	Gross outstanding loan portfolio including BC and DA loans divided by total number of clients.
Total Debt/OLP	81%	68%	The ratio is calculated by dividing closing balances of interest bearing debt with outstanding loan portfolio. Interest bearing debt includes Debt issued and other borrowed funds in Note 24, less interest payables.
Reported net profit after tax	-$1.4m	$34.5m	Consolidated Profit for the year as reported in the financial statement.
NIM	19%	26%	Net interest margin ('NIM') is calculated as net interest income divided by average interest earning assets on consolidated basis. Average interest earning assets is calculated as the sum of cash at bank and in hand, due from banks and loans and advances from customers.
ROA	-0.2%	6.7%	Return on assets ('ROA') is calculated by dividing the net profit after tax by the average of total asset. ROA is displayed as a percentage.
ROE	-1.3%	34.5%	Return on equity ('ROE') is calculated by dividing the net profit after tax by the average of shareholders' equity. ROE is displayed as a percentage.
EPS (USD)	-0.01	0.3	Earning per share ('EPS') is calculated by dividing the Company's net profit after tax by the weighted average number of ASAI Group plc ordinary shares outstanding during the year. For 2020, number of shares is equivalent to the number of ASA International Group plc shares which was 100 million.
DPS (US cents)	NIL	NIL	The figure is calculated by dividing the total dividends paid out by ASAI, including interim dividends, over a period of time by the weighted average number of ASAI Group plc ordinary shares outstanding during the year.
Cost to Income	97.6%	60.1%	Cost to Income Ratio is calculated by dividing total operating expenses by total net operating income on consolidated basis.
Client Economics Yield (CEY)	NA	7.1%	The Client Economic Yield ('CEY') is calculated by deducting the clients' weekly interest costs from their average weekly income, derived from their business activities.
Client Retention Rate	77.6%	75%	Determined by subtracting the total number of new clients in a period from number of clients at the end of that period divided by the total number of clients at the beginning of the period. Periods based on tenor of client loans (6, 10, 12, 18 or 24 months).
Number of New Branches	70	230	The number of new branches commencing operations in the period in all operating markets.
Satisfaction Survey	NA	92%	This survey is conducted by interviewing at least 2 clients per loan officer (long term & newer clients with loans of greater than 6/12 months as applicable) with yes/no, closed and open-ended questions. The responses are coded and converted into percentages to estimate client's satisfaction with the products and with the services delivered by ASAI.

KPI	2020	2019	DEFINITION
Carbon Foot print	**7,754 tonnes CO_2**	**7,132 tonnes CO_2**	Carbon footprint is measured as the sum of direct emissions of greenhouse gases, carbon emissions from direct purchase of electricity and fuel combustion for transportation purposes.
Social Performance Index (SP14)	**89%**	**88%**	SPI4 is a social audit tool made by CERISE as per Universal Standards managed by SMART CAMPAIGN. The assessment is divided into six dimensions with both qualitative & quantitative questions. Each dimension carries a score of 100. See www.cerise-spm.org/en/spi4/ for more details.
Number of Clients	**2.4m**	**2.5m**	The number of clients in all operating markets.
Number of Branches	**1,965**	**1,895**	The number of branches in all operating markets.
PAR>30	**13.1%**	**1.5%**	PAR>30 is the percentage of gross on-book OLP that have one or more instalment repayments of principal past due for more than 30 days, but less than 365 days, divided by total outstanding on-book gross loan portfolio. Credit exposure of the India off-book BC portfolio is capped at 5% of the outstanding portfolio amount. The off-book DA portfolio has no credit exposure.
Number of Staff	**12,535**	**12,480**	The number of people directly employed by the Company.
Client per Branch	**1,212**	**1,337**	Client per Branch is the total number of clients divided by total number of branches.
Employee recruitment	**24%**	**43%**	Number of staff hired in current period/number of staff at start of current period.
Employee Satisfaction Rate	**NA**	**83%**	Using qualitative methods, staff satisfaction analyses employee satisfaction rate along three main areas: professional satisfaction, facility satisfaction and department service satisfaction.

ADDITIONAL INFORMATION CONTINUED

List of abbreviations

ABBREVIATION	DEFINITION
A1 Nigeria	A1 Nigeria Consultancy Limited
Admission	Admission of the Company to the Main Market of the London Stock Exchange
AGM	Annual General Meeting
AMBS	ASA Microfinance Banking System
AMSL	ASAI Management Services Limited
ASA NGO Bangladesh	ASA NGO-MFI registered in Bangladesh
ASA Consultancy	ASA Consultancy Limited
ASA Kenya	ASA Limited
ASA Lanka	ASA Lanka Private Limited
ASA Leasing	ASA Leasing Limited
ASA Myanmar	ASA Microfinance (Myanmar) Ltd
ASA Model	The ASA model of microfinance as developed by ASA NGO Bangladesh
ASA Pakistan	ASA Pakistan Limited
ASA Rwanda	ASA Microfinance (Rwanda) Limited
ASA Savings & Loans	ASA Savings & Loans Limited (Ghana)
ASA Sierra Leone	ASA Microfinance (Sierra Leone)
ASA Tanzania	ASA Microfinance (Tanzania) Ltd
ASA Uganda	ASA Microfinance (Uganda) Limited
ASA Zambia	ASA Microfinance Zambia Limited
ASAIH	ASA International Holding
ASAI Cambodia Holdings	ASA International Cambodia Holdings
ASAI Coop	ASAI Coöperatief U.A.
ASAI I&M	ASAI Investments & Management B.V.
ASA India	ASA International India Microfinance Limited
ASAI NV	ASA International N.V.
ASA International	ASA International Group plc
ASA Nigeria	ASHA Microfinance Bank Limited
ASIEA	Association for Social Improvement and Economic Advancement (Nigeria)
BP	Blood pressure
BC	Business Correspondent
Board	Board of Directors of ASA International Group plc
CarbonX	CarbonX B.V.
CMI	Catalyst Microfinance Investors
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGAP	Consultative Group to Assist the Poor
COO	Chief Operating Officer
Companies Act	Companies Act 2006 (UK)
Company	ASA International Group plc
CMI Lanka	C.M.I. Lanka Holding (Private) Limited
CMIC	Catalyst Microfinance Investment Company
CMII	CMI International Holding
CMIV	CMI Ventures Ltd.
CO_2	Carbon dioxide
Code	UK Corporate Governance Code 2016 published by the Financial Reporting Council;
CSR	Corporate Social Responsibility
ESG Report	Environment Social and Governance Report
EY	Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited
FCA	Financial Conduct Authority

ABBREVIATION	DEFINITION
FSMA	The Financial Services and Markets Act 2000, as amended
Gates Foundation	Bill & Melinda Gates Foundation
GBP	Pound Sterling
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIIRS	Global Impact Investing Rating System
GMC	Grievance Mitigation Committee
Group	ASA International and its consolidated subsidiaries and subsidiary undertakings from time to time
HIV	Human immunodeficiency viruses
HR	Human Resources
IFRS	International Financial Reporting Standards
IR	Investor Relations
ISMS	Information Security Management System
IDFC	IDFC First Bank
IPO	Initial Public Offering
IT	Information Technology
KPI	Key Performance Indicator
Lak Jaya	Lak Jaya Micro Finance Limited (Sri Lanka)
Listing Rules	The listing rules relating to admission to the Official List made under section 73A(2) of the FSMA
LSE	London Stock Exchange
LTIP	Long Term Incentive Plan
MBA Philippines	PagASA Ng Pinoy Mutual Benefit Association, Inc.
METS	Micro Enterprise Trustee Services (Pvt.) Ltd.
MFI	Microfinance Institution
NBFC-MFI	Non-Banking Financial Company – Micro Finance Institutions
Non-Executive Directors	The Non-Executive Directors of ASA International
Oikocredit	Oikocredit, Ecumenical Development Co-Operative Society U.A.
Pagasa	Pagasa ng Masang Pinoy Microfinance, Inc.
Pagasa Consultancy	Pagasa Consultancy Limited
Pinoy	Pinoy Consultancy Limited
Pagasa Philippines/PPFC	Pagasa Philippines Finance Corporation, Inc.
Proswift	Proswift Consultancy Private Limited
PT ASA Microfinance	PT ASA Microfinance
PT PAGASA Consultancy	PT PAGASA Consultancy
Relationship Agreement	The relationship agreement to be entered into by the ASA International, Catalyst Microfinance Investors, Catalyst Continuity Limited, Dirk Brouwer and Md Shafiqual Haque Choudhury
RMC	Risk Management Committee
RMCC	Risk Management Coordination Committee
RMT	Risk Management Team
RMU	Risk Management Unit
Sequoia	Sequoia B.V.
SPM	Social Performance Management
Symbiotics	Symbiotics SA
UK	The United Kingdom of Great Britain and Northern Ireland
UKLA	United Kingdom Listing Authority
UMRA	Uganda Microfinance Regulatory Authority
UNDP	United Nations Development Programme
US or United States	The United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
USD	United States Dollar
WTW	Wills Towers Watson

Notes

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