Press release

ASA International Group plc reports H1 2022 results

Amsterdam, The Netherlands, 20 September 2022 - ASA International Group plc, ('ASA International', the 'Company' or the 'Group'), one of the world's largest international microfinance institutions, today announces its half-year unaudited results for the six-month period from 1 January to 30 June 2022 (the 'Period').

Key performance indicators

(UNAUDITED) (Amounts in USD millions)	**H1 2022**	**FY2021**	**H1 2021**	**FY2020**	**YoY % Change**	**YTD % Change**	**YTD % Change (constant currency)**
Number of clients (m)	2.4	2.4	2.5	2.4	*-4%*	*1%*	
Number of branches	2,129	2,044	2,036	1,965	*5%*	*4%*	
Profit before tax	23.8	25.7	7.5	2.6	*217%*	*86%*	*91%*
Net profit	13.1	6.4	1.4	-1.4	*807%*	*311%*	*352%*
OLP[(1)]	378.4	403.7	415.0	415.3	*-9%*	*-6%*	*4%*
Gross OLP	399.0	430.7	456.9	445.3	*-13%*	*-7%*	*2%*
PAR > 30 days[(2)]	*5.1%*	*5.2%*	*12.3%*	*13.1%*			

[(1)] Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, excludes interest receivable, unamortized 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.

H1 2022 highlights

- The Company's operational and financial performance continued to improve with OLP growth and high portfolio quality in most markets leading to pre-tax profit increasing from USD 7.5 million in H1 2021 to USD 23.8 million in H1 2022.
- Almost all operating countries grew their OLP in constant currency terms, maintain high portfolio quality, and make positive contributions to the Group's profitability, with the exception of India, Myanmar and Sri Lanka.
- High OLP growth in Pakistan, the Philippines and Ghana, though tempered by significant currency depreciation in these markets (PKR down 16%, PHP down 8% and GHS down 30% against USD in the Period), which contributed to the decrease of Group OLP in USD terms.
- As portfolio quality improved or stabilized across most markets, the Company significantly reduced expected credit losses ('ECL') charged into the Income Statement to USD 1.9 million (H1 2021: USD 22.1 million and FY 2021: USD 37.5 million). Provisions for expected credit losses on OLP in the balance sheet, including the off-book BC portfolio and interest

receivables, reduced from USD 27.5 million to USD 22.0 million primarily for the write offs in H1 2022.

- ASA India's OLP reduced in order to continue to prioritise the recovery of existing and overdue loans with a responsible amount of disbursement. As of 30 June 2022, ASA India has collected USD 1.8 million from a total of USD 16.6 million in written-off loans since 2020, while collection efficiency continued to improve reaching 85%.
- The Group remains well capitalized and has a strong funding pipeline of fresh loans. At 30 June 2022, the Group had approximately USD 91 million of unrestricted cash and cash equivalents, with a funding pipeline reaching approximately USD 190 million. During the Period, the Group successfully raised USD 85 million in fresh debt to fund its operations.

Outlook

Based on the positive developments during the first half of 2022, it is expected that the Group's operating performance in terms of OLP growth and portfolio quality will continue to improve. However, the impact of inflation and related FX movements are expected to continue to dampen the financial performance in USD terms in the second half of 2022.

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

"I am pleased with the Company's operational and financial performance in the first half of 2022. In most markets we saw good growth of our loan portfolio and high portfolio quality, with pre-tax profits increasing to USD 23.8 million in the first half of 2022. Especially Pakistan, the Philippines and Ghana reported high OLP growth, though tempered by significant currency depreciation in these markets, which contributed to the decrease of Group OLP in USD terms. We expect that the positive operating developments of the first half of 2022 will continue to improve in the second half of 2022 but that the impact of inflation and related FX movements will also continue and therefore dampen the financial performance in USD terms in the second half of 2022.Despite the continuous challenging operating environments in India, Myanmar and Sri Lanka, we expect higher demand in the second half of the year from clients of our other subsidiaries which will drive the growth of the Group's operating performance."

CHIEF EXECUTIVE OFFICER'S REVIEW

Business review H1 2022

The Company maintained and improved upon its return to growth in the first half of 2022 with OLP increases and high portfolio quality achieved in most markets leading to improved profitability. Due to a combination of significant write-offs and reduced loan disbursements in India, and the significant currency depreciation in our main countries Pakistan, the Philippines and Ghana, the Group's net OLP decreased by 6% to USD 378 million. On a constant currency basis, however, OLP increased by 4%. Excluding India, the Group's Gross OLP increased by 12% in constant currency, and the Group's number of clients, increased by 6%.

Despite the macroeconomic challenges faced in our operating markets due to the global impact of food, commodities and energy inflation, demand from our clients remained high and contributed to growth of our operations. Combined with a high portfolio quality, this led to profitability in most of our operating countries, including in particular, Pakistan, Philippines, Ghana, Nigeria, Kenya and Tanzania.

In India, we continued to reduce the OLP as we focus on the recovery of existing and overdue loans with a low level of disbursement, even as we see gradual improvement in collections and recoveries. The continued challenging operating environment in Myanmar due to Covid and the military takeover, and the political and economic crisis in Sri Lanka also saw reduced operating and financial performance from these subsidiaries.

As a result of the improved operating performance in H1 2022, the significantly reduced ECL of 1.9 million (H1 2021: USD 22.1 million and FY 2021: USD 37.5 million) and having built up a strong provision in the balance sheet in 2021, the Group realised net profits of USD 13.1 million, which was substantially better than the USD 6.4 million generated in FY 2021.

ECL provision

The Company reduced its provision for expected credit losses from USD 27.5 million to USD 22.0 million, for its OLP, including the off-book BC portfolio and interest receivables. Following an additional write-off of the outstanding Covid affected portfolio (USD 7.5 million in H1 2022, in addition to USD 32.9 million in FY 2021), the Company maintained a significant provision, primarily due to the overdue in India and Myanmar that remains high. The USD 22.0 million ECL provision on OLP and interest receivables is concentrated in India (54%) and Myanmar (22%), with the remainder spread across the other countries as percentage of each countries outstanding loan portfolio or as aggregate amount. The assessment for the ECL provisions includes uncertainty in the selected assumptions due to the lack of reliable historical data on the Covid pandemic's impact on loan recovery. As such, the resulting outcome of losses on the loan portfolio may be materially different. A management overlay for the impact of the Russia-Ukraine conflict on global markets has also been factored in our ECL. Further details on the ECL calculation including the selected assumptions are provided in note 2.3.1 of the Interim Financial Report.

Dividend

After careful consideration, the Board has decided to not declare a dividend in 2022, however, the Company expects to return to its pre-Covid 30% dividend policy in 2023, assuming the operating and financial performance continues to improve.

Progress on digitalisation

During the Period, the Group recruited a Chief Information Officer and a team of senior IT professionals in Amsterdam, who will strengthen the Group's IT department and be involved in the implementation of our digital financial services platform and the core banking system. The SMP app is expected to be piloted in Ghana before the end of 2022. The DFS app in Ghana is scheduled to go live in the second half of 2023, subject to a successful pilot.

The implementation of the Core Banking System in Pakistan continues as planned and is targeted to go live in the second half of 2023.
Expenditure on digitalisation totalled USD 2.8 million in the first half of 2022.

Webcast

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

To access the audio webcast and download the 2022 H1 results presentation, please go to the Investor section of the Company's website: Investors | Asa (asa-international.com).

or use the following link:

https://stream.brrmedia.co.uk/broadcast/6308b4a5da906b287e9a02c5

The presentation can be downloaded before the start of the webcast.
In order to ask questions, analysts and investors are invited to submit questions via the webcast.

2022 Interim Financial Report

Today, the Company published the Interim Financial Report for the 6 months period ended 30 June 2022 on Investors | Asa (asa-international.com).

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GROUP FINANCIAL PERFORMANCE

(UNAUDITED) (Amounts in USD thousands)	H1 2022	FY2021	H1 2021	FY2020	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	23,843	25,705	7,522	2,578	*217%*	*86%*	*91%*
Net profit	13,079	6,358	1,442	-1,395	*807%*	*311%*	*352%*
Cost/income ratio	*66%*	*77%*	*85%*	*98%*			
Return on average assets (TTM)(1)	*4.6%*	*1.1%*	*0.5%*	*-0.2%*			
Return on average equity (TTM)(1)	*25.5%*	*6.0%*	*2.8%*	*-1.3%*			
Earnings growth (TTM)(1)	*807%*	*556%*	*197%*	*-104%*			
OLP	378,371	403,738	415,009	415,304	*-9%*	*-6%*	*4%*
Gross OLP	398,990	430,698	456,925	445,257	*-13%*	*-7%*	*2%*
Total assets	546,093	562,554	585,300	579,260	*-7%*	*-3%*	
Client deposits (2)	86,291	87,812	86,922	80,174	*-1%*	*-2%*	
Interest-bearing debt (2)	299,652	314,413	334,565	337,632	*-10%*	*-5%*	
Share capital and reserves	100,451	103,443	105,020	107,073	*-4%*	*-3%*	
Number of clients	2,403,172	2,380,690	2,506,110	2,380,685	*-4%*	*1%*	
Number of branches	2,129	2,044	2,036	1,965	*5%*	*4%*	
Average Gross OLP per client (USD)	166	181	182	187	*-9%*	*-8%*	*1%*
PAR > 30 days	*5.1%*	*5.2%*	*12.3%*	*13.1%*			
Client deposits as % of loan portfolio	*23%*	*22%*	*21%*	*19%*			

(1) TTM refers to trailing twelve months.
(2) Excludes interest payable.

Regional performance

South Asia

(UNAUDITED) (Amounts in USD thousands)	H1 2022	FY2021	H1 2021	FY2020	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	7,409	-8,229	-8,187	-5,537	*190%*	*280%*	*278%*
Net profit	4,653	-12,393	-6,414	-4,360	*173%*	*175%*	*183%*
Cost/income ratio	*60%*	*154%*	*335%*	*134%*			
Return on average assets (TTM)	*4.5%*	*-5.5%*	*-5.5%*	*-1.7%*			
Return on average equity (TTM)	*22.1%*	*-27.3%*	*-24.4%*	*-7.8%*			
Earnings growth (TTM)	*173%*	*-184%*	*-1180%*	*-131%*			
OLP	151,978	182,329	207,362	217,843	*-27%*	*-17%*	*-6%*
Gross OLP	164,092	201,405	237,031	238,738	*-31%*	*-19%*	*-8%*
Total assets	181,894	198,393	232,999	253,360	*-22%*	*-8%*	
Client deposits	1,445	2,464	2,588	2,610	*-44%*	*-41%*	
Interest-bearing debt	132,284	146,522	170,556	183,756	*-22%*	*-10%*	
Share capital and reserves	36,868	37,506	47,277	53,232	*-22%*	*-2%*	
Number of clients	1,071,710	1,106,469	1,231,989	1,185,656	*-13%*	*-3%*	
Number of branches	788	778	788	758	*0%*	*1%*	
Average Gross OLP per client (USD)	153	182	192	201	*-20%*	*-16%*	*-5%*
PAR > 30 days	*5.5%*	*9.6%*	*17.4%*	*21.3%*			
Client deposits as % of loan portfolio	*1%*	*1%*	*1%*	*1%*			

- Pakistan continued to grow its OLP (up 17% in *PKR*), while maintaining an excellent portfolio quality.
- ASA India continued to focus on collections with limited disbursements and therefore intentionally shrinking its operations, while in Sri Lanka, operations were substantially disrupted by the political and economic crisis in the country.

ASA India

- Number of clients down from 541k to 451k (down 17% YTD)
- Number of branches down from 387 to 377 (down 3% YTD)
- OLP declined from INR 4.5bn (USD 61m) to INR 3.1bn (USD 39m) (down 33% YTD *in INR*)
- Off-book portfolio declined from INR 2.7bn (USD 35.7m) to INR 2.4bn (USD 30.7m) (down 9% *in INR*). This includes INR 94.6m (USD 1.2m) of the portfolio transferred under a direct assignment ('DA') agreement to State Bank of India
- Gross OLP/Client down from INR 16K to INR 14K (down 10% YTD *in INR*)
- PAR>30 decreased from 19.7% to 14.0%
- Outstanding amount of loans under RBI restructuring reduced to USD 16.2m from USD 27.1m in December 2021. The moratorium period for these loans ended in June 2022. No further moratoriums were granted to clients.

*See note 12.1 to the consolidated financial statements for details on the off-book portfolio.

ASA Pakistan

- Number of clients increased from 512k to 574k (up 12% YTD)
- Number of branches up from 325 to 345 (up 6% YTD)
- OLP up from PKR 13.8bn (USD 77.7m) to PKR 16.2bn (USD 78.9m) (up 17% in *PKR*)
- Gross OLP/Client up from PKR 27.3K (USD 154) to PKR 28.6K (USD 139) (up 5% YTD in *PKR)*
- PAR>30 remained at 0.2%

Lak Jaya (Sri Lanka)

- Number of clients down from 53k to 47k (down 12% YTD)
- Number of branches remained at 66
- OLP decreased from LKR 1.6bn (USD 7.7m) to LKR 1.3bn (USD 3.6m) (down 18*%* YTD in *LKR*)
- Gross OLP/Client down from LKR 32.0K (USD 158) to LKR 29.9K (USD 83) (down 7*%* YTD in *LKR*)
- PAR>30 increased from 6.0% to 8.5%

South East Asia

(UNAUDITED) **(Amounts in USD thousands)**	**H1 2022**	**FY2021**	**H1 2021**	**FY2020**	**YoY % Change**	**YTD % Change**	**YTD % Change (constant currency)**
Profit before tax	553	34	950	-4,348	*-42%*	*3121%*	*337%*
Net profit	171	-339	1,452	-3,366	*-88%*	*201%*	*19%*
Cost/income ratio	*92%*	*97%*	*92%*	*135%*			
Return on average assets (TTM)	*0.3%*	*-0.3%*	*2.5%*	*-2.7%*			
Return on average equity (TTM)	*2.0%*	*-1.8%*	*14.7%*	*-16.1%*			
Earnings growth (TTM)	*-88%*	*90%*	*137%*	*-163%*			
OLP	60,350	62,328	71,279	74,214	*-15%*	*-3%*	*4%*
Gross OLP	66,428	66,784	79,037	80,832	*-16%*	*-0.5%*	*6%*
Total assets	106,716	105,872	120,013	119,152	*-11%*	*1%*	
Client deposits	21,445	20,956	24,572	24,000	*-13%*	*2%*	
Interest-bearing debt	60,402	60,392	66,656	66,412	*-9%*	*0%*	
Share capital and reserves	15,481	16,827	19,454	20,259	*-20%*	*-8%*	
Number of clients	415,506	400,021	455,197	428,645	*-9%*	*4%*	
Number of branches	441	420	422	415	*5%*	*5%*	
Average Gross OLP per client (USD)	160	167	174	189	*-8%*	*-4%*	*2%*
PAR > 30 days	*11.2%*	*2.1%*	*14.1%*	*4.1%*			
Client deposits as % of loan portfolio	*36%*	*34%*	*34%*	*32%*			

- Pagasa Philippines' operational and financial performance continued to improve.
- In Myanmar, client and OLP growth stalled, due in large part to disruptions brought on by continuing civil unrest in certain regions.

Pagasa Philippines

- Number of clients up from 289k to 313k (up 8% YTD)
- Number of branches up from 324 to 345 (up 6% YTD)
- OLP up from PHP 2.3bn (USD 44.6m) to PHP 2.5bn (USD 45.5m) (up 10% YTD in *PHP*)
- Gross OLP/Client increased from PHP 8.23K (USD 161) to PHP 8.24K (USD 150) (up 0.2*%* YTD in *PHP)*
- PAR>30 increased from 2.5% to 2.7%

ASA Myanmar

- Number of clients down from 111k to 103k (down 8% YTD)
- Number of branches remained at 96

- OLP down from to MMK 31.5bn (USD 17.7m) to MMK 27.6bn (USD 14.8m) (down 13% YTD *in MMK*)
- Gross OLP/Client up from MMK 324K (USD 182) to MMK 353K (USD 190) (up 9% YTD *in MMK*)
- PAR>30 increased from 1.1% to 31.5%

West Africa

(UNAUDITED) (Amounts in USD thousands)	H1 2022	FY2021	H1 2021	FY2020	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	14,979	35,583	15,859	19,268	*-6%*	*-16%*	*-7%*
Net profit	10,454	25,019	10,826	13,443	*-3%*	*-16%*	*-8%*
Cost/income ratio	*42%*	*37%*	*39%*	*49%*			
Return on average assets (TTM)	*17.2%*	*20.6%*	*20.0%*	*13.2%*			
Return on average equity (TTM)	*34.6%*	*45.4%*	*45.5%*	*31.1%*			
Earnings growth (TTM)	*-3%*	*86%*	*104%*	*-16%*			
OLP	87,796	94,201	81,905	77,835	*7%*	*-7%*	*8%*
Gross OLP	89,669	95,879	84,007	79,499	*7%*	*-6%*	*8%*
Total assets	120,512	134,719	122,729	107,748	*-2%*	*-11%*	
Client deposits	42,905	46,548	43,506	39,788	*-1%*	*-8%*	
Interest-bearing debt	5,504	7,100	9,427	10,255	*-42%*	*-22%*	
Share capital and reserves	62,749	61,222	58,204	49,033	*8%*	*2%*	
Number of clients	439,004	457,302	446,727	447,122	*-2%*	*-4%*	
Number of branches	442	440	440	433	*0%*	*0%*	
Average Gross OLP per client (USD)	204	210	188	178	*9%*	*-3%*	*13%*
PAR > 30 days	*3.5%*	*2.6%*	*2.4%*	*2.7%*			
Client deposits as % of loan portfolio	*49%*	*49%*	*53%*	*51%*			

- West Africa saw a slight decrease in operational performance due to challenges in the operating environment in Nigeria and Sierra Leone.
- Significant depreciation of GHS (30% down against USD in H1 2022) and SLL (17% down against USD in H1 2022) impacted profitability and OLP growth in USD terms.
- OLP continued to grow in Ghana (up 14*%* YTD in *GHS)*, with excellent portfolio quality.

ASA Savings & Loans (*Ghana)*

- Number of clients up from 158.4k to 165.7k (up 5% YTD)
- Number of branches remained at 133
- OLP up from GHS 301.7m (USD 48.9m) to GHS 343.7m (USD 42.8m) (up 14*%* YTD in *GHS*)
- Gross OLP/Client up from GHS 1.9k (USD 310) to GHS 2.1k (USD 258) (up 9% YTD in *GHS*)
- PAR>30 remained at 0.3%

ASA Nigeria

- Number of clients down from 254k to 235k (down 7% YTD)
- Number of branches maintained at 263
- OLP up from NGN 15.9bn (USD 38.5m) to NGN 16.3bn (USD 39.3m) (up 3% YTD *in NGN*)
- Gross OLP/Client up from NGN 65k (USD 157) to NGN 72k (USD 174) (up 12*%* YTD *in NGN*)
- PAR>30 increased from 4.6% to 6.0%

ASA Sierra Leone

- Number of clients down from 45k to 39k (down 15% YTD)
- Number of branches up from 44 to 46 (up 5% YTD)
- OLP down from SLL 76.1bn (USD 6.7m) to SLL 75.2bn (USD 5.7m) (down 1% YTD *in SLL*)
- Gross OLP/Client up from SLL 1.7m (USD 154) to SLL 2.1m (USD 156) (up 18*%* YTD *in SLL*)
- PAR>30 increased from 7.5% to 10.1%

East Africa

(UNAUDITED) (Amounts in USD thousands)	H1 2022	FY2021	H1 2021	FY2020	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	5,433	6,605	2,293	1,652	*137%*	*65%*	*54%*
Net profit	3,267	4,631	1,414	1,069	*131%*	*41%*	*42%*
Cost/income ratio	*67%*	*75%*	*79%*	*90%*			
Return on average assets (TTM)	*7.4%*	*6.5%*	*4.4%*	*1.8%*			
Return on average equity (TTM)	*33.7%*	*25.5%*	*17.6%*	*6.7%*			
Earnings growth (TTM)	*131%*	*333%*	*325%*	*-83%*			
OLP	78,247	64,881	54,464	45,413	*44%*	*21%*	*24%*
Gross OLP	78,801	66,629	56,850	46,188	*39%*	*18%*	*21%*
Total assets	101,842	83,602	73,954	59,802	*38%*	*22%*	
Client deposits	20,495	17,843	16,256	13,776	*26%*	*15%*	
Interest-bearing debt	50,934	41,201	36,917	26,292	*38%*	*24%*	
Share capital and reserves	22,036	19,973	16,728	16,313	*32%*	*10%*	
Number of clients	476,952	416,898	372,197	319,262	*28%*	*14%*	
Number of branches	458	406	386	359	*19%*	*13%*	
Average Gross OLP per client (USD)	165	160	153	145	*8%*	*3%*	*6%*
PAR > 30 days	*0.9%*	*1.3%*	*6.5%*	*13.2%*			
Client deposits as % of loan portfolio	*26%*	*28%*	*30%*	*30%*			

- East Africa continued to improve its operational performance and profitability due to continued growth in Tanzania, Kenya, Uganda and Rwanda.

ASA Kenya

- Number of clients up from 119k to 134k (up 13% YTD)
- Number of branches up from 112 to 121 (up 8% YTD)
- OLP up from KES 1.8bn (USD 16.1m) to KES 2.3bn (USD 19.1m) (up 23% YTD in KES)
- Gross OLP/Client up from KES 16K (USD 140) to KES 17K (USD 144) (up 7% YTD in KES)
- PAR>30 decreased from 1.1% to 0.8%

ASA Tanzania

- Number of clients up from 174k to 201k (up 16% YTD)
- Number of branches up from 143 to 174 (up 22% YTD)
- OLP up from TZS 79.0bn (USD 34.3m) to TZS 98.5bn (USD 42.2m) (up 25% YTD in TZS)
- Gross OLP/Client up from TZS 460k (USD 200) to TZS 492k (USD 211) (up 7% YTD in TZS)
- PAR>30 decreased from 0.5% to 0.4%

ASA Uganda

- Number of clients up from 92k to 104k (up 14% YTD)
- Number of branches up from 103 to 109 (up 6% YTD)
- OLP up from UGX 31.8bn (USD 9.0m) to UGX 39.4bn (USD 10.5m) (up 24% YTD in *UGX)*
- Gross OLP/Client down from UGX 378.1K (USD 107) to UGX 377.5K (USD 100) (down 0.1% YTD in UGX)
- PAR>30 decreased from 3.8% to 1.4%

ASA Rwanda

- Number of clients increased from 18.2k to 18.7k (up 3% YTD)
- Number of branches maintained at 30
- OLP up from RWF 3.4bn (USD 3.3m) to RWF 3.8bn (USD 3.7m) (up 12% YTD in *RWF*)
- Gross OLP/Client up from RWF 193K (USD 187) to RWF 209K (USD 204) (up 8% YTD in RWF)
- PAR>30 increased from 4.5% to 4.6%

ASA Zambia

- Number of clients increased from 15k to reach 18k
- Number of branches increased from 18 to 24
- OLP up from ZMW 36.4m (USD 2m) to ZMW 46.1m (USD 3m)
- Gross OLP/Client up from ZMW 2.5k (USD 151) to ZMW 2.6k (USD 150)
- PAR>30 increased to 2.9%

Regulatory environment

The Company operates in a wide range of jurisdictions, each with their own regulatory regimes applicable to microfinance institutions.

Key events H1 and H2 2022

India

- On 14 March 2022, the RBI announced the new regulation for the microfinance sector in India, applicable to all banks and NBFC-MFIs, including ASA India. Key changes include the removal of the interest rate cap and margin cap, loans shall be collateral-free (also for banks providing microfinance loans), and lenders will be restricted to provide microfinance loans to clients up to a maximum of 50% of the client's household income. As a result, the interest rate has been increased.

Pakistan

- On 24 May 2022, ASA Pakistan received the Microfinance Banking license from State Bank of Pakistan. The license is subject to compliance with certain requirements, mainly implementing the new core banking system and meeting statutory capital requirements.

Sri Lanka

- On 10 June 2022, the Central Bank of Sri Lanka has withdrawn the maximum interest rate cap on microfinance loans. As a result, Lak Jaya is now charging interest based on expected risk.

Myanmar

- On 13 July 2022, the Central Bank of Myanmar ('CBM') suspended interest and principal repayments on foreign loans and directed companies to restructure these loans. This made ASA Myanmar unable to meet its payment obligations to international lenders. On 16 August 2022, CBM announced that certain transactions are permitted with prior approval from the Foreign Currency Supervision Committee 'FCSC'). ASA Myanmar is now seeking approval from the FCSC.

Tanzania

- ASA Tanzania continues to prepare the application for a deposit-taking licence which is expected to be submitted to the central bank in 2022. A deposit-taking license will enable ASA Tanzania to reduce the cost of funding in the future.

Kenya

- ASA Kenya continues to prepare the application for a deposit-taking licence which is expected to be submitted to the central bank in 2022. A deposit-taking license will enable ASA Kenya to reduce the cost of funding in the future.

Regulatory capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 30 June 2022, 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 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 and 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 H1 2022:

In USD millions

	30 Jun 22	**31 Dec 21**	**30 Jun 21**	**31 Dec 20**
Local Deposits	86.3	87.8	86.9	80.2
Loans from Financial Institutions	241.9	249.8	280.6	274.1
Microfinance Loan Funds	36.5	36.5	14.0	23.5
Loans from Dev. Banks & Foundations	21.3	28.1	40.0	40.0
Equity	100.5	103.4	105.0	107.1
Total Funding	**486.4**	**505.7**	**526.5**	**524.9**

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 60 lenders throughout the world, which has provided reliable access to competitively priced funding for the growth of its loan portfolio.

During H1 2022, a number of loan covenants were breached across the Group, particularly related to the portfolio quality in India. As of 30 June 2022, the balance for credit lines with breached covenants that did not have waivers amounted to USD 99.8 million out of which waivers for USD 34.3 million have been subsequently received. The majority of the waivers which are pending relate to our India operations where a majority of our lenders are local institutions, who usually provide waivers after receiving the audited statutory financial statements.

Based on the received waivers, ongoing discussions, prior experience, and new funding commitments received, the Group has a high degree of confidence that all the required waivers will be obtained. It should be noted that none of the lenders have initiated any accelerated calls to any of the Group's outstanding obligations during 2020, 2021 and H1 2022.

The Company has also received temporary waivers, no-action and/or comfort letters from some of its major lenders for the remainder of 2022 due to expected portfolio quality covenant breaches (primarily PAR>30). The impact of these potential covenant breaches was further assessed in the evaluation of the Company's going concern as disclosed in note 2.1.2 of the Interim Financial Report, where 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.

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 generally (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. The table below shows the trend of the various operating currencies vis-à-vis the US Dollar.

Countries	**H1 2022**	**FY 2021**	**H1 2021**	**FY 2020**	***Δ H1 2021 - H1 2022***	***Δ FY 2021 - H1 2022***
India (INR)	78.8	74.4	74.3	73.0	(6%)	(6%)
Pakistan (PKR)	205.4	177.5	158.1	160.3	(30%)	(16%)
Sri Lanka (LKR)	360.0	202.9	199.5	185.3	(80%)	(77%)
The Philippines (PHP)	55.0	51.1	48.8	48.0	(13%)	(8%)
Myanmar (MMK)	1858.1	1778.5	1647.0	1330.7	(13%)	(4%)
Ghana (GHS)	8.0	6.2	5.9	5.9	(37%)	(30%)
Nigeria (NGN)	415.2	411.5	411.4	384.6	(1%)	(1%)
Sierra Leone (SLL)	13170.0	11289.0	10252.6	10107.0	(28%)	(17%)

Kenya (KES)	117.9	113.2	107.9	109.0	(9%)	(4%)
Uganda (UGX)	3765.9	3546.2	3557.5	3647.7	(6%)	(6%)
Tanzania (TZS)	2332.1	2303.7	2319.1	2317.2	(1%)	(1%)
Rwanda (RWF)	1026.0	1031.8	986.5	986.4	(4%)	1%
Zambia (ZMW)	17.0	16.7	22.7	21.1	25%	(2%)

During H1 2022, the US Dollar particularly strengthened against PKR +16%, LKR +77%, and GHS +30%. 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 H1 2022 amounted to USD 17.7 million of which USD 5.7 million related to depreciation of the PKR, USD 1.3 million to the depreciation of the LKR, and USD 8.4 million to the depreciation of the GHS.

Transfer pricing

The South East Asia and East Africa regions are contributing intercompany franchise fees and corporate service fees to the holding companies of the Group, whereas approval for most of such intercompany charges are pending in certain countries in South Asia and West Africa. The intercompany charges per region are detailed in the Segment Information as included in note 3 of the Interim Financial Report.

Forward-looking statement and disclaimers

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, issue, subscribe for, sell or otherwise dispose of any securities, nor any solicitation of any offer to purchase, otherwise acquire, issue, subscribe for, sell, or otherwise dispose of any securities. The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.