Press release

ASA International Group plc reports H1 2023 results

Amsterdam, The Netherlands, 20 September 2023 - 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 2023 (the 'Period').

Key performance indicators

(UNAUDITED) (Amounts in USD millions)	H1 2023	FY2022	H1 2022	FY2021	YoY % Change	YTD % Change	YTD % Change (constant currency)
Number of clients (m)	2.2	2.3	2.4	2.4	*-7%*	*-3%*	
Number of branches	2,073	2,028	2,129	2,044	*-3%*	*2%*	
Profit before tax	13.8	46.3	23.8	25.7	*-42%*	*-40%*	*-31%*
Net profit	3.7	17.9	13.1	6.4	*-72%*	*-59%*	*-45%*
OLP(1)	334.4	351.2	378.4	403.7	*-12%*	*-5%*	*6%*
Gross OLP	346.8	367.5	399.0	430.7	*-13%*	*-6%*	*5%*
PAR > 30 days(2)	*3.8%*	*5.9%*	*5.1%*	*5.2%*			

(1) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, and loans valued at fair value through the P&L ("FVTPL"), excludes interest receivable, unamortised loan processing fees, and deducts ECL reserves 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 2023 highlights

- The Company's operational performance in constant currency terms improved compared to the end of 2022, with OLP growing by 6% in constant currency terms.
- Operational and financial results decreased in USD terms, with profit before tax decreasing to USD 13.8 million in H1 2023 from USD 23.8 million in H1 2022.
- The decline in profits was primarily due to (i) lower recovery of overdue loans in India, (ii) higher ECL expense of USD 2.8 million charged to the income statement, (iii) significant devaluations of our operating currencies vis-a-vis the USD in H1 2023 especially in our major markets of Pakistan (down 27%), Ghana (down 12%), Nigeria (down 70%) and Kenya (down 14%), and (iv) provision of USD 1.4 million for additional super-tax charged in Pakistan applied on H1 2023 results and retrospectively on FY 2022 results.
- Pakistan, the Philippines, Ghana and Tanzania made significant positive contributions to the Group's net profitability, due to high loan portfolio quality in all these markets and no significant currency devaluations in the Philippines and Tanzania.
- PAR>30 for the Group's operating subsidiaries improved to 3.8% in H1 2023 from 5.1% in H1 2022, primarily due to the improving portfolio quality across most markets with the exceptions of India and Nigeria.

- The Company increased expected credit losses (‘ECL’) charged to the Income Statement to USD 2.8 million (H1 2022: USD 1.9 million and FY 2022: USD 0.6 million), primarily due to (i) low portfolio quality in India, and (ii) deteriorating portfolio quality in Nigeria due to the adverse impact on operations from the national elections and demonetization. Reserves for ECL on OLP in the Balance Sheet, including the off-book BC portfolio in India and interest receivables, reduced to USD 13.3 million in H1 2023 from USD 22.0 million in H1 2022.
- The devaluations of our operating currencies contributed to an increase in foreign exchange translation losses from USD 17.7 million in H1 2022 to USD 24.8 million in H1 2023 and a decrease of the Company’s total equity from USD 100.5 million in H1 2022 to USD 69.2 million in H1 2023.
- The Group’s cash and cash equivalents reduced to approximately USD 45 million as of 30 June 2023 from approximately USD 91 million as of 30 June 2022, following large debt settlements primarily in India. The Company has a significant funding pipeline of USD 181 million and raised USD 75 million in new debt in H1 2023.

Outlook

We continue to see improvements in the operating markets with stability returning to markets that were recently adversely impacted by political and economic events. As such, we continue to expect the Group’s operational performance in terms of OLP growth and portfolio quality to improve in the second half of 2023. However, based on developments in the first half of 2023 and in the current macro environment, we expect net profit to be lower this year compared to 2022. The reasons for this are related to (i) demonetization and further inflation impact on our operations in Nigeria, (ii) further devaluation of operating currencies against USD year-to-date in Pakistan, Ghana, Kenya and Nigeria, and (iii) incidental tax claims in some of our jurisdictions, including higher taxes now applicable in Pakistan than expected.

Karin Kersten, Chief Executive Officer of ASA International, commented:

“The operating environment in some of our major operating entities has been very challenging during the first six months of the year. In particular, the unprecedented currency depreciation and inflation in some of our key markets are the main drivers. Having travelled recently to multiple of our operations, I see that our clients are struggling with rising food and fuel prices.”

“Despite these challenges, we see growth in OLP on a constant currency basis and portfolio quality improvement in some of our major markets such as Pakistan, Philippines, Tanzania and Ghana. Additionally, we have made substantial strides with the implementation of our digital strategy with the imminent rollout of our core banking system in Pakistan.”

“However, global market volatility, FX movements and demonetization events in Nigeria have significantly impacted the Group OLP and portfolio quality. This, and incidental taxes in Pakistan have reduced financial performance in USD terms more than expected, resulting in lower growth and profitability compared to H1 2022.”

CHIEF EXECUTIVE OFFICER'S REVIEW

Business review H1 2023

The improvement in the operating environment in most of our markets saw demand for our loan products increase as clients experienced an upturn in business activity. Against the backdrop of the macroeconomic challenges faced in our operating markets due to the global impact of food, commodities and energy inflation, the high demand from clients contributed to the growth of our operations in most markets. Ghana, Pakistan, Tanzania and the Philippines grew their loan portfolios on a local currency basis and made significant contributions to the Group's profitability.

The Group added 54 additional branches though overall client numbers across the Group decreased due to operational challenges faced primarily in India and Nigeria. On a constant currency basis, Gross OLP for the Group, grew to USD 384.7 million as at end of June 2023 from USD 367.5 million at the end of December 2022. The growth in Gross OLP was combined with improved portfolio quality in most markets with PAR>30 for the Group at 3.8% as of June 2023 from 5.9% in December 2022.

In India, the Group maintained its strategy to reduce disbursements and focus on the recovery of existing and overdue loans, though at a slower pace which resulted in on-book Gross OLP shrinking by USD 4.2 million in H1 2023. However, overall Gross OLP in India increased by 11% as the off-book Gross OLP increased to USD 31.5 million as of 30 June 2023 from USD 22.6 million as of 31 December 2022. This was due to new Business Correspondence partnerships which commenced in H1 2023. We expect that the on-book portfolio will also start to increase by year-end which should translate into a positive effect on the future profitability of our operations in India.

In Nigeria, the operating environment became challenging in H1 2023 due to the impact from recent national elections, demonetization and high inflation following the removal of government fuel subsidies. This resulted in a reduction of OLP and clients, increase in overdues, and high operating expenses in H1 2023. This was compounded by significant devaluation of the Nigerian Naira (down 70% against USD as of June 2023 YTD) which resulted in reduced operational and financial results in USD terms from H1 2023. However, we now see an improvement of the operating environment which is reflected in the portfolio quality improving, as well as collections and disbursements increasing. As such we expect the operations to gradually recover in the second half of 2023 and contribute positively to the Group.

Against the backdrop of continued high inflation in many of our markets, we continue to expect operations to improve across the Group in the second half of 2023. The Group is focused on right-sizing average loan sizes to clients in view of the inflationary environment, while improving branch productivity as clients continue to demand our loans and our staff in the field remain committed and focused on supporting clients in difficult operating circumstances.

Expected credit losses

The Company reduced its reserves in the Balance Sheet for expected credit losses from USD 16.9 million as per end of 2022 to USD 13.3 million as per end of June 2023, for its OLP, including the off-book BC portfolio and interest receivables. Following an additional write-off of the outstanding Covid affected portfolio (USD 6.8

million as per end of June 2023 vs USD 10.8 million as per end of 2022), the Company maintained significant reserves, primarily due to the overdue loans in India, Myanmar and Nigeria.

The USD 13.3 million ECL reserves on OLP is concentrated in India (55%), Myanmar (15%) and Nigeria (15%), with the remainder spread across the other countries as a percentage of each country's outstanding loan portfolio or as an aggregate amount. Further details on the ECL calculation, including the selected assumptions, are provided in note 2.3.1 to the Interim Financial Report.

Digital financial services

In anticipation of a rapidly digitising world, also in the segment of our low-income clients, the Group is making strides with the implementation of its digital strategy to have a more attractive and competitive client proposition. The implementation of the core banking system in Pakistan is well under way and planned to go live in the coming months. In Ghana, the roll out of the core banking system combined with the implementation of the digital app is planned for the first half of next year. By the implementation of these new systems, we can also significantly reduce manual processes and increase back-office productivity.

Competitive environment

The competitive landscape remains the same across the Group. Our strongest competitors are in India, the Philippines, Nigeria, Tanzania and Uganda. In most other markets, we face less competition from traditional microfinance institutions. Up until now, we have not been affected by competition from pure digital lenders.

Dividend

Although the Board planned to return to its pre-Covid dividend policy in 2024 on the 2023 results, given the tough market circumstances, the company believes it is prudent not to commit to a dividend payment at this stage.

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 2023 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://brrmedia.news/ASAI_IR23
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.

2023 Interim Financial Report

Today, the Company published the Interim Financial Report for the 6 months period ended 30 June 2023 on Investors | Asa (asa-international.com).

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GROUP FINANCIAL PERFORMANCE

(UNAUDITED) (Amounts in USD thousands)	H1 2023	FY2022	H1 2022	FY2021	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	13,815	46,281	23,843	25,705	*-42%*	*-40%*	*-31%*
Net profit	3,676	17,887	13,079	6,358	*-72%*	*-59%*	*-45%*
Cost/income ratio	*77%*	*68%*	*66%*	*77%*			
Return on average assets (TTM)(1)	*1.5%*	*3.4%*	*4.6%*	*1.1%*			
Return on average equity (TTM)(1)	*8.7%*	*18.5%*	*25.5%*	*6.0%*			
Earnings growth (TTM)(1)	*-72%*	*181%*	*807%*	*556%*			
OLP	334,400	351,151	378,371	403,738	*-12%*	*-5%*	*6%*
Gross OLP	346,804	367,535	398,990	430,698	*-13%*	*-6%*	*5%*
Total assets	452,332	489,752	546,093	562,554	*-17%*	*-8%*	
Client deposits (2)	72,718	84,111	86,291	87,812	*-16%*	*-14%*	
Interest-bearing debt (2)	245,314	257,466	299,652	314,413	*-18%*	*-5%*	
Share capital and reserves	69,249	89,661	100,451	103,443	*-31%*	*-23%*	
Number of clients	2,224,542	2,299,558	2,403,172	2,380,690	*-7%*	*-3%*	
Number of branches	2,073	2,028	2,129	2,044	*-3%*	*2%*	
Average Gross OLP per client (USD)	156	160	166	181	*-6%*	*-2%*	*8%*
PAR > 30 days	*3.8%*	*5.9%*	*5.1%*	*5.2%*			
Client deposits as % of loan portfolio	*22%*	*24%*	*23%*	*22%*			

(1) TTM refers to the previous twelve months.

(2) Excludes interest payable.

Regional performance

South Asia

(UNAUDITED) (Amounts in USD thousands)	H1 2023	FY2022	H1 2022	FY2021	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	3,766	12,395	7,409	-8,229	*-49%*	*-39%*	*-19%*
Net profit	487	3,103	4,653	-12,393	*-90%*	*-69%*	*-29%*
Cost/income ratio	*72%*	*64%*	*60%*	*154%*			
Return on average assets (TTM)	*0.7%*	*1.9%*	*4.5%*	*-5.5%*			
Return on average equity (TTM)	*3.4%*	*8.8%*	*22.1%*	*-27.3%*			
Earnings growth (TTM)	*-90%*	*125%*	*173%*	*-184%*			
OLP	112,089	118,590	151,978	182,329	*-26%*	*-5%*	*9%*
Gross OLP	119,869	128,460	164,092	201,405	*-27%*	*-7%*	*6%*
Total assets	106,979	133,894	181,894	198,393	*-41%*	*-20%*	
Client deposits	1,718	1,345	1,445	2,464	*19%*	*28%*	
Interest-bearing debt	65,357	85,878	132,284	146,522	*-51%*	*-24%*	
Share capital and reserves	20,526	33,393	36,868	37,506	*-44%*	*-39%*	
Number of clients	860,407	935,091	1,071,710	1,106,469	*-20%*	*-8%*	
Number of branches	661	670	788	778	*-16%*	*-1%*	
Average Gross OLP per client (USD)	139	137	153	182	*-9%*	*1%*	*15%*
PAR > 30 days	*7.3%*	*11.1%*	*5.5%*	*9.6%*			
Client deposits as % of loan portfolio	*2%*	*1%*	*1%*	*1%*			

- Pakistan continued to maintain a strong portfolio quality throughout H1 2023.
- The significant currency depreciation in Pakistan (PKR down 27% YTD against USD) contributed to overall OLP reduction in H1 2023.

Pakistan

ASA Pakistan grew its operations over the past 6 months:

- Number of clients increased from 606k to 608k (up 0.4% YTD).
- Number of branches remained at 345.
- OLP up from PKR 17.9bn (USD 79.1m) to PKR 18.8bn (USD 65.6m) (up 5% in *PKR*).
- Gross OLP/Client up from PKR 29.8k (USD 131) to PKR 31.1k (USD 108) (up 4% YTD in *PKR).*
- PAR>30 decreased from 0.7% to 0.3%.

India

ASA India intentionally shrank its operations over the past 6 months, as it focused on recovery of overdue loans while growing the off-book portfolio:

- Number of clients down from 284k to 207k (down 27% YTD).
- Number of branches down from 261 to 252 (down 3% YTD).
- On-book portfolio decreased from INR 1.2bn (USD 14m) to INR 1.0bn (USD 12m) (down 18% YTD *in INR*).
- Off-book portfolio increased from INR 1.8bn (USD 21.5m) to INR 2.5bn (USD 30.6m) (up 41% *in INR*).
- Gross OLP/Client up from INR 13K (USD 158) to INR 20k (USD 240) (up 51% YTD *in INR*).
- PAR>30 decreased from 49.0% to 32.9%, and PAR>30 amount decreased from INR 903.4m (USD 10.9m) to INR 487.2m (USD 5.9m).
- ASA India's collection efficiency remained stable at 85% in June 2023. As of 30 June 2023, ASA India had collected USD 5.5 million from a total of USD 26.8 million in written-off loans since 2020.

*See note 13.1 to the consolidated financial statements 2022 for details on the off-book portfolio.

Sri Lanka

Lak Jaya stabilized its operations over the past 6 months:

- Number of clients remained at 45k.
- Number of branches remained at 64.
- OLP decreased from LKR 1.4bn (USD 3.8m) to LKR 1.3bn (USD 4.1m) (down 8*%* YTD in *LKR*).
- Gross OLP/Client down from LKR 32.4k (USD 89) to LKR 30.1k (USD 98) (down 7*%* YTD in *LKR*).
- PAR>30 decreased from 8.5% to 6.4%.

South East Asia

(UNAUDITED) (Amounts in USD thousands)	H1 2023	FY2022	H1 2022	FY2021	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	2,342	4,217	553	34	*323%*	*11%*	*10%*
Net profit	1,694	1,910	171	-339	*888%*	*77%*	*76%*
Cost/income ratio	*83%*	*82%*	*92%*	*97%*			
Return on average assets (TTM)	*3.1%*	*1.8%*	*0.3%*	*-0.3%*			
Return on average equity (TTM)	*22.5%*	*12.0%*	*2.0%*	*-1.8%*			
Earnings growth (TTM)	*891%*	*663%*	*-88%*	*90%*			
OLP	68,073	63,316	60,350	62,328	*13%*	*8%*	*7%*
Gross OLP	70,067	66,955	66,428	66,784	*5%*	*5%*	*4%*
Total assets	111,703	102,917	106,716	105,872	*5%*	*9%*	
Client deposits	23,871	22,069	21,445	20,956	*11%*	*8%*	
Interest-bearing debt	66,178	58,416	60,402	60,392	*10%*	*13%*	
Share capital and reserves	14,666	14,980	15,481	16,827	*-5%*	*-2%*	
Number of clients	429,533	424,076	415,506	400,021	*3%*	*1%*	
Number of branches	463	441	441	420	*5%*	*5%*	
Average Gross OLP per client (USD)	163	158	160	167	*2%*	*3%*	*3%*
PAR > 30 days	*1.7%*	*6.5%*	*11.2%*	*2.1%*			
Client deposits as % of loan portfolio	*35%*	*35%*	*36%*	*34%*			

- South East Asia financial and operational results continued to improve in H1 2023.

The Philippines

Pagasa Philippines operations grew over the last 6 months:

- Number of clients up from 325k to 332k (up 2% YTD).
- Number of branches up from 345 to 367 (up 6% YTD).
- OLP up from PHP 2.8bn (USD 49.6m) to PHP 2.9bn (USD 52.3m) (up 5% YTD in *PHP*).
- Gross OLP/Client increased from PHP 8.6k (USD 153) to PHP 8.7k (USD 158) (up 2*%* YTD in *PHP).*
- PAR>30 increased from 1.7% to 1.9%.

Myanmar

ASA Myanmar saw an increase in OLP over the last 6 months despite the challenging political situation and the related civil unrest halting operations in certain regions:

- Number of clients down from 99k to 98k (down 2% YTD).
- Number of branches remained at 96.
- OLP up from MMK 28.9bn (USD 13.8m) to MMK 33.2bn (USD 15.8m) (up 15% YTD *in MMK*).
- Gross OLP/Client up from MMK 362k (USD 172) to MMK 383k (USD 182) (up 6*%* YTD *in MMK*).
- PAR>30 decreased from 20.4% to 1.2%.

West Africa

(UNAUDITED) (Amounts in USD thousands)	H1 2023	FY2022	H1 2022	FY2021	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	6,952	27,799	14,979	35,583	*-54%*	*-50%*	*-44%*
Net profit	4,220	19,215	10,454	25,019	*-60%*	*-56%*	*-51%*
Cost/income ratio	*57%*	*43%*	*42%*	*37%*			
Return on average assets (TTM)	*8.2%*	*15.8%*	*17.2%*	*20.6%*			
Return on average equity (TTM)	*16.0%*	*33.2%*	*34.6%*	*45.4%*			
Earnings growth (TTM)	*-60%*	*-23%*	*-3%*	*86%*			
OLP	60,349	82,380	87,796	94,201	*-31%*	*-27%*	*-8%*
Gross OLP	62,914	84,853	89,669	95,879	*-30%*	*-26%*	*-6%*
Total assets	85,774	108,395	120,512	134,719	*-29%*	*-21%*	
Client deposits	30,798	39,544	42,905	46,548	*-28%*	*-22%*	
Interest-bearing debt	4,028	4,326	5,504	7,100	*-27%*	*-7%*	
Share capital and reserves	42,551	54,591	62,749	61,222	*-32%*	*-22%*	
Number of clients	379,467	433,897	439,004	457,302	*-14%*	*-13%*	
Number of branches	452	446	442	440	*2%*	*1%*	
Average Gross OLP per client (USD)	166	196	204	210	*-19%*	*-15%*	*8%*
PAR > 30 days	*5.2%*	*4.2%*	*3.5%*	*2.6%*			
Client deposits as % of loan portfolio	*51%*	*48%*	*49%*	*49%*			

- West Africa saw a deterioration in operational performance and profitability in USD terms primarily due to the challenging operating environment in Nigeria caused by the recent national elections and the impacts of demonetization and depreciation of NGN (70% down against USD in H1 2023 compared to FY 2022).

Ghana

ASA Savings & Loans operations continued to improve with excellent portfolio quality:

- Number of clients up from 177k to 181k (up 2% YTD).
- Number of branches up from 137 to 143 (up 4% YTD).
- OLP up from GHS 416.3m (USD 40.8m) to GHS 464.1m (USD 40.6m) (up 11*%* YTD in *GHS*).
- Gross OLP/Client up from GHS 2.4k (USD 231) to GHS 2.6k (USD 226) (up 9% YTD in *GHS*).
- PAR>30 decreased from 0.6% to 0.2%.

Nigeria

ASA Nigeria saw a deterioration in financial and operational performance:

- Number of clients down from 220k to 163k (down 26% YTD).
- Number of branches maintained at 263.
- OLP down from NGN 16.7bn (USD 37.3m) to NGN 11.8bn (USD 15.6m) (down 29% YTD *in NGN*).

- Gross OLP/Client up from NGN 80k (USD 179) to NGN 81k (USD 107) (up 1% YTD *in NGN*).
- PAR>30 increased from 7.1% to 15.5%.

Sierra Leone

ASA Sierra Leone saw a deterioration in financial and operational performances:

- Number of clients down from 37k to 35k (down 4% YTD).
- Number of branches remained at 46.
- OLP down from SLE 80.7m (USD 4.3m) to SLE 79.6m (USD 4.2m) (down 1% YTD *in SLE*).
- Gross OLP/Client up from SLE 2.3m (USD 123) to SLE 2.5m (USD 133) (up 9% YTD *in SLE*).
- PAR>30 increased from 10.7% to 11.3%.

East Africa

(UNAUDITED) (Amounts in USD thousands)	H1 2023	FY2022	H1 2022	FY2021	YoY % Change	YTD % Change	YTD % Change (constant currency)
Profit before tax	5,993	11,241	5,433	6,605	*10%*	*7%*	*9%*
Net profit	3,717	6,913	3,267	4,631	*14%*	*8%*	*10%*
Cost/income ratio	*69%*	*68%*	*67%*	*75%*			
Return on average assets (TTM)	*6.8%*	*7.0%*	*7.4%*	*6.5%*			
Return on average equity (TTM)	*30.4%*	*29.8%*	*33.7%*	*25.5%*			
Earnings growth (TTM)	*14%*	*49%*	*131%*	*333%*			
OLP	93,889	86,865	78,247	64,881	*20%*	*8%*	*13%*
Gross OLP	93,955	87,267	78,801	66,629	*19%*	*8%*	*13%*
Total assets	116,542	113,791	101,842	83,602	*14%*	*2%*	
Client deposits	16,332	21,153	20,495	17,843	*-20%*	*-23%*	
Interest-bearing debt	62,115	59,871	50,934	41,201	*22%*	*4%*	
Share capital and reserves	26,878	26,445	22,036	19,973	*22%*	*2%*	
Number of clients	555,135	506,494	476,952	416,898	*16%*	*10%*	
Number of branches	497	471	458	406	*9%*	*6%*	
Average Gross OLP per client (USD)	169	172	165	160	*2%*	*-2%*	*3%*
PAR > 30 days	*1.1%*	*0.9%*	*0.9%*	*1.3%*			
Client deposits as % of loan portfolio	*17%*	*24%*	*26%*	*28%*			

- East Africa saw an improvement in operational performance due to continued growth in Tanzania.

Tanzania

ASA Tanzania managed to expand its operations over the last 6 months:

- Number of clients up from 217k to 227k (up 5% YTD).
- Number of branches up from 180 to 190 (up 6% YTD).
- OLP up from TZS 119.5bn (USD 51.2m) to TZS 136.1bn (USD 56.3m) (up 14% YTD in *TZS*).
- Gross OLP/Client up from TZS 553k (USD 237) to TZS 602k (USD 249) (up 9% YTD in *TZS*).
- PAR>30 increased from 0.4% to 0.7%.

Kenya

ASA Kenya expanded its operations over the 6 months period:

- Number of clients up from 141k to 180k (up 27% YTD).
- Number of branches up from 124 to 130 (up 5% YTD).
- OLP up from KES 2.1bn (USD 16.9m) to KES 2.6bn (USD 18.3m) (up 23% YTD in *KES*).
- Gross OLP/Client down from KES 15K (USD 120) to KES 14k (USD 102) (down 4% YTD in *KES*).
- PAR>30 decreased from 0.8% to 0.5%.

Uganda

ASA Uganda saw a slight deterioration in operations over the last 6 months:

- Number of clients down from 107k to 106k (down 0.4% YTD).
- Number of branches up from 110 to 118 (up 7% YTD).
- OLP up from UGX 43.0bn (USD 11.6m) to UGX 44.2bn (USD 12.0m) (up 3% YTD in *UGX).*
- Gross OLP/Client down from UGX 405k (USD 109) to UGX 403k (USD 110) (down 0.5% YTD in *UGX*).
- PAR>30 remained at 0.9%.

Rwanda

ASA Rwanda saw a deterioration in operations over the last 6 months:

- Number of clients down from 21k to 20k (down 7% YTD).
- Number of branches maintained at 30.
- OLP down from RWF 4.6bn (USD 4.3m) to RWF 4.4bn (USD 3.7m) (down 5% YTD in *RWF*).
- Gross OLP/Client up from RWF 220k (USD 207) to RWF 227k (USD 194) (up 3% YTD in *RWF*).
- PAR>30 increased from 4.6% to 6.8%.

Zambia

ASA Zambia managed to expand its operations:

- Number of clients increased from 21k to 23k (up 8% YTD).
- Number of branches increased from 27 to 29 (up 7% YTD).
- OLP up from ZMW 51.7m (USD 2.9m) to ZMW 62.2m (USD 3.5m) (up 20% YTD in ZMW).
- Gross OLP/Client increased from ZMW 2.5k (USD 139) to ZMW 2.8k (USD 161) (up 12% YTD in *ZMW*).
- PAR>30 decreased from 5.0% to 4.2%.

<u>Regulatory environment</u>

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

Key events H1 2023

Pakistan

- ASA Pakistan received the Microfinance Banking ('MFB') licence from the State Bank of Pakistan ('SBP') on 24 May 2022 and is awaiting receipt of the certificate of commencement.
- ASA Pakistan declared a dividend on FY 2022 results, and has applied to the SBP for approval of the remittance. The approval is still pending.

Ghana

- In Q1 2023, the Bank of Ghana approved the Company's application for implementing Digital Financial Services.
- The dividend declared on 2022 results was approved by the Bank of Ghana in September 2023, and it was partly paid.

Nigeria

- In 2022, the Central Bank delayed the approval of payment of dividends declared in the past. The dividend declared on 2021 results was approved in March 2023, and it was fully paid. The dividend declared on 2022 results is still pending for approval.

Kenya

- In 2022, the Digital Credit Providers Act took effect, which prohibits credit-only MFIs to take collateral. MFIs are required to apply for a Digital Credit Providers licence, Microfinance Bank licence or any other suitable licence.
- ASA Kenya submitted a pro forma application for Digital Credit Providers licence in May 2023 to ensure it is compliant with the law, but is desirous to acquire a deposit taking license.

Regulatory capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 30 June 2023, 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. In 2022, the Group established an Asset-Liability Committee ('ALCO'), and the Terms of Reference of the ALCO was approved by the Board. The ALCO will continuously manage the Group's assets and liabilities 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. All loans from the Group to any of its subsidiaries denominated in local currency are also 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 hedging capital.

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, where 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 2023:

In USD millions

	30 Jun 23	31 Dec 22	30 Jun 22	31 Dec 21
Local Deposits	72.7	84.1	86.3	87.8
Loans from Financial Institutions	204.9	216.6	241.9	249.8
Microfinance Loan Funds	22.9	21.5	36.5	36.5
Loans from Dev. Banks & Foundations	17.5	19.4	21.3	28.1
Equity	69.2	89.7	100.5	103.4
Total Funding	**387.2**	**431.3**	**486.5**	**505.6**

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 six to twelve months for majority of the loans.

Cash and cash equivalents reduced to approximately USD 45 million as of 30 June 2023 following large debt settlements, primarily in India. The Group managed to raise approximately USD 75 million in new debt funding in H1 2023. In line with market developments, funding rates have increased by approximately 100 bps, which will have limited impact on our 2023 results, as majority of the outstanding funding are with fixed interest rates. Also, the Group has a strong funding pipeline of USD 181 million fresh loans, with over 91% having agreed terms and can be accessed in the short to medium term as of 30 June 2023.

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.

Over past three years and during H1 2023, a number of loan covenants were breached across the Group, particularly related to the portfolio quality in India. As of 30 June 2023, the balance for credit lines with breached covenants and which did not have waivers amounts to USD 55 million out of which waivers have been subsequently received for USD 36 million.

The Group has also received temporary waivers, no-action and/or comfort letters from some of its major lenders for expected portfolio quality covenant breaches (primarily PAR>30) in 2023 caused primarily by the overdue loans in India. The impact of these potential covenant breaches was further assessed in the evaluation of the Group's going concern as disclosed in note 2.1.2 of the Interim Financial Report. However, the current economic and market conditions make it difficult to assess the likelihood of further debt covenant breaches and whether the waivers necessary to avoid the immediate repayment of debt or further extension of loan terms will be forthcoming. As a result, senior management and 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, given the historical and continuing support received from lenders regarding these particular covenant breaches and based on continued improved operating performance in most markets, the Group has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the Going Concern assessment period.

Impact of foreign exchange rates

As a US Dollar 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.

Countries	**30 Jun 23**	**31 Dec 22**	**30 Jun 22**	**31 Dec 21**	***Δ 30 Jun 2022 - 30 Jun 2023***	***Δ 31 Dec 2022 - 30 Jun 2023***
Pakistan (PKR)	287.1	226.4	205.4	177.5	(40%)	(27%)
India (INR)	82.1	82.7	78.8	74.4	(4%)	1%
Sri Lanka (LKR)	308.2	366.3	360.0	202.9	14%	16%
The Philippines (PHP)	55.3	55.7	55.0	51.1	(1%)	1%
Myanmar (MMK)	2,102.2	2,100.0	1,858.1	1,778.5	(13%)	(0.1%)
Ghana (GHS)	11.4	10.2	8.0	6.2	(42%)	(12%)
Nigeria (NGN)	761.1	448.1	415.2	411.5	(83%)	(70%)
Sierra Leone (SLE)	18.9	18.9	13.2	11.3	(44%)	(0.1%)
Tanzania (TZS)	2,416.1	2,332.5	2,332.1	2,303.7	(4%)	(4%)
Kenya (KES)	140.4	123.5	117.9	113.2	(19%)	(14%)
Uganda (UGX)	3,673.8	3,717.6	3,765.9	3,546.2	2%	1%
Rwanda (RWF)	1,172.0	1,067.0	1,026.0	1,031.8	(14%)	(10%)
Zambia (ZMW)	17.6	18.1	17.0	16.7	(3%)	3%

During H1 2023, the local currencies PKR -27%, GHS -12%, NGN -70% and KES -14% particularly weakened against the USD. 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 2023 amounted to USD 24.8 million of which USD 8.8 million related to the depreciation of the PKR, USD 2.3 million related to the depreciation of the GHS, USD 12.7 million related to the depreciation of the NGN, and USD 0.8 million related to the depreciation of the KES.

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 to the Interim Financial Report.

Forward-looking statement and disclaimers

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