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Prospectus June 2018 | ASA International Group plc



This document comprises a prospectus (the “**Prospectus**”) relating to ASA International Group plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”). The Prospectus has been approved by the FCA and has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application will be made to the FCA in its capacity as competent authority under the FSMA for all of the ordinary shares in the Company (the “**Shares**”), issued and to be issued, to be admitted to the premium segment of the Official List of the FCA (the “**Official List**”) and to trading on the main market of the London Stock Exchange plc (the “**London Stock Exchange**”) for listed securities (together, “**Admission**”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. Between 25,000,000 and 40,000,000 Shares (the “**Offer Shares**”) (the “**Offer Size Range**”) are being made available by the Selling Shareholder in an offering to certain institutional and professional investors (the “**Global Offer**”). Conditional dealings in the Offer Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 13 July 2018. It is expected that Admission will become effective, and that unconditional dealings in the Offer Shares will commence, on 18 July 2018. **All dealings in the Offer Shares before the commencement of unconditional dealings will be on a “when issued” basis and of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application has been or is currently intended to be made for the Shares to be admitted to listing or trading on any other exchange.**

The directors of the Company, whose names appear on page 113 of this Prospectus (the “**Directors**”), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read the entire document and, in particular, prospective investors are advised to examine all the risks that might be relevant in connection with an investment in the Offer Shares. See Part II: “**Risk Factors**” for a discussion of certain risks and other factors that should be considered prior to any investment in the Offer Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in the Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Offer Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.



ASA International Group plc

(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 11361159)

Global Offer of between 25,000,000 and 40,000,000 Shares of £1 each at an Offer Price expected to be between 285 and 340 pence per Share and admission to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange

Sponsor and Global Co-Ordinator

Citigroup

Joint Bookrunners

EFG Hermes

Investec

Citigroup

Lead Manager

Keefe, Bruyette & Woods

A Stifel Company

**Issued and fully paid ordinary share
capital immediately following Admission**

Number	Nominal value
100,000,000	£1

The Selling Shareholder is offering between 25,000,000 and 40,000,000 Offer Shares in the Global Offer as described in Part XVIII: “*The Global Offer*”. The Company will not receive any of the proceeds from the Global Offer. The Offer Price and Offer Size will be established in a book-building process and, therefore, the Offer Price Range and the Offer Size Range are indicative only and may change during the course of the Global Offer. The Offer Price may be set within, above or below the Offer Price Range and the Offer Size may be set within, above or below the Offer Size Range. A number of factors will be considered in determining the Offer Price, the Offer Size and the basis of allocation to investors, including the level and nature of demand for the Shares during the book-building process, prevailing market conditions and the objective of establishing an orderly after-market in the Shares. A pricing statement containing, among other things, the Offer Price and the Offer Size (the “**Pricing Statement**”) is expected to be published on or about 13 July 2018. Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or an announcement triggering the right to withdraw applications for Shares pursuant to section 87Q of FSMA on determination of the Offer Price or the Offer Size. If the Offer Price were to be set above the Offer Price Range and/or the Offer Size were to be set outside the Offer Size Range, an announcement would be made via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their offer to purchase Shares pursuant to section 87Q of the FSMA. The arrangements for withdrawing offers to purchase Shares would be made clear in the announcement. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights had ended. Therefore, the expected date of publication of the Pricing Statement could be extended. Further details of how the Offer Price and the Offer Size will be determined are contained in Part XVIII: “*The Global Offer*” of this document.

Citigroup Global Markets Limited (“**Citigroup**”), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, has been appointed as Sponsor, Global Co-Ordinator and Joint Bookrunner; EFG Hermes U.A.E. Limited and EFG Hermes Promoting & Underwriting (together, “**EFG Hermes**”) have been appointed as Joint Bookrunner and Underwriter, respectively; Investec Bank plc (“**Investec**”), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, has been appointed as Joint Bookrunner; and Keefe, Bruyette & Woods (acting through Stifel Nicolaus Europe Limited) (“**KBW**”), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, has been appointed as Lead Manager (collectively, the “**Banks**”). The Banks are each acting exclusively for the Company and no one else in connection with the Global Offer. They will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Global Offer or any transaction or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Global Offer or any transaction, matter, or arrangement referred to in this Prospectus. None of the Banks nor any of their respective directors, officers, employees, advisers or affiliates accepts any responsibility whatsoever for the contents of this Prospectus, including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Selling Shareholder, the Offer Shares or the Global Offer, or any responsibility for any acts or omissions of the Company, any of the Directors, the Selling Shareholder or any other person in connection with the offering of the Offer Shares. Each of the Banks and each of their respective directors, officers, employees, advisers or affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement or any such act or omission of the Company, any of the Directors, the Selling Shareholder or any other person. No representation or warranty express or implied, is made by any of the Underwriter or any of their respective directors, officers, employees, advisers or affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Prior to making any decision as to whether to invest in Offer Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, prospective investors must rely upon his or her own examination, analysis and enquiries of the Company and the terms of this Prospectus, including the merits and risks involved.

None of the Company, the Banks or any of their respective representatives is making any representation to any prospective investor of the Offer Shares regarding the legality of an investment in the Offer Shares by such prospective investor under the laws applicable to such prospective investor. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice.

Over-allotment and stabilisation

In connection with the Global Offer, the Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. For further information, please refer to paragraph 5 of Part XVIII: “*The Global Offer—Over-allotment and stabilisation*”.

Notice to overseas shareholders

The Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions contained in paragraph 10 “*Selling and transfer restrictions*” of Part XVIII: “*The Global Offer*”. Each purchaser of the Offer Shares will be deemed to have made the relevant representations made therein.

The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company or the Banks to permit a public offering of the Offer Shares or to permit the possession, issue or distribution of this Prospectus in any jurisdiction where action for that purpose may be required. Accordingly, neither this Prospectus nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

In particular, no actions have been taken to allow a public offering of the Offer Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan or South Africa. Subject to certain exceptions, the Offer Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, Japan or South Africa.

United States investors

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. NONE OF THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY OTHER U.S. FEDERAL OR STATE SECURITIES COMMISSION OR ANY U.S. REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE SHARES NOR HAVE SUCH AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT SELLERS OF THE OFFER SHARES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

The Offer Shares are being offered within the United States only to “qualified institution buyers” (“**QIBs**”) in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act of 1933 (the “**Securities Act**”) or another exemption from, or in a transaction not subject to, the registration requirements under the Securities Act. The Offer Shares are being offered outside the United States in offshore transactions in reliance on Regulation S (“**Regulation S**”) under the Securities Act. The terms “offshore transaction” and “United States” have the meanings given to them in Regulation S. Any resale or other transfer, or attempted resale or other transfer, of the Offer Shares, made other than in compliance with the above stated restrictions, shall not be recognised by the Company. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus, see Part XVIII: “*The Global Offer—Selling and transfer restrictions*”.

Dated 29 June 2018.

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PART I
SUMMARY INFORMATION

Section A – Introduction and warnings

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in sections A to E (A.1 to E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

Annexes and Element		Disclosure requirement
A.1	Introduction and warnings	Introduction and warnings This summary must be read as an introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff might, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Company and any guarantor

Annex and Element		Disclosure requirement
B.1	Legal and commercial name	ASA International Group plc (the “ Company ”).
B.2	Domicile and legal form of the Company	The Company is a public limited company, incorporated in England and Wales with the registered number 11361159 and with its registered office situated at 42-50 Hersham Road, Walton-On-Thames, Surrey KT12 1RZ, United Kingdom. The Company operates under the Companies Act.
B.3	Operations and principal activities	Current operations and principal activities of the Company and the principal markets in which it competes The Group is one of the world’s largest and most profitable international microfinance institutions, providing small loans (average local currency equivalent loan size of approximately U.S.\$300 at disbursement) to 1.8 million low-income, financially underserved female micro-entrepreneurs, as well as small business owners, in 12 countries across Africa and Asia. The Group’s business is focused on countries that it believes have high demand potential for microfinance loans and a large population of low-income, female micro-entrepreneurs who do not have access to credit from traditional banks to start or grow their businesses in their communities. The Group was established in 2007 by its founding promoters, the Company’s Non-Executive Chairman, Md. Shafiqul Haque Choudhury, and the Company’s Chief Executive Officer, Dirk Brouwer (together, the “Founders”), with the support of ASA of Bangladesh (“ASA NGO Bangladesh”), one of the world’s leading microfinance institutions by number of active borrowers. Founded in 1978 by Mr Choudhury with the “vision of creating an enabling environment to establish a just society”, ASA NGO Bangladesh began developing its pioneering microfinance lending model in 1992, which is widely acclaimed as one of the world’s most efficient models of microfinance. ASA NGO Bangladesh was ranked as the world’s top microfinance institution by Forbes Magazine in 2007, and was the winner of the “Banking at the Bottom of the Pyramid” award at the Financial Times/International Finance Corporation Sustainable Banking Awards in 2008. The mission of Mr Choudhury, Mr Brouwer and ASA NGO Bangladesh was to adapt this scalable, standardised and low-cost model across Asia and Africa to fit the diverse cultures and environments in which the Group’s microfinance institutions would operate. Today, the Group’s model of microfinance (the “ASA Model”) is characterised by the following key features: • lending predominantly to low-income, female micro-entrepreneurs; • the disbursement of loans exclusively for income generating activities; • small average loan sizes (predominantly ranging from the local currency equivalent of U.S.\$120 to U.S.\$500); • “high touch” client interaction through weekly, bi-weekly or monthly loan collections; • the benefits of client groups (e.g., collection efficiency of the relatively small loan repayment instalments and social “peer pressure”, which encourages clients to repay on time) without client group liability; • repeat loan cycles within limits on loan size and tenor specified in the Group’s localised operations manual; • full repayment of existing loans prior to extending any new loan; • ongoing assessments of client needs, benefits and satisfaction; and

Annex and Element		Disclosure requirement
		no monetary incentives provided to the Group's staff for increasing the number of clients (except a nominal allowance in the case of Nigeria) or the size or quality of their microfinance institution's loan portfolio.
B.4a	Significant recent trends	Significant recent trends affecting the Company and the industries in which it operates Microfinance institutions are entities (encompassing NGOs, non-bank financial institutions and microfinance banks) that operate with the aim of delivering financial services to underserved populations in urban, semi-urban or rural areas in a commercially sustainable and socially responsible manner. Microfinance primarily began as an international development innovation as the returnable capital approach was a sustainable alternative to traditional aid (which tends to be grants, rather than loans). The industry has evolved to become a global industry with funding from both the public and private sectors, increasingly sophisticated regulatory frameworks, consumer protection rules and regulations, as well as ongoing academic research to evaluate development efficacy and progress towards financial inclusion. Microfinance gained significant public prominence in 2005 with the United Nations Year of Microcredit and then in 2006 with Muhammad Yunus, founder of Grameen Bank, being awarded the Nobel Peace Prize, together with Grameen Bank, which proved to be a watershed moment for the industry, as the increased visibility also led to a more coordinated regulatory approach. Since the 1970s, microfinance institutions have taken diverse growth paths from their beginnings as NGOs. One of the more well-established pathways for growth is through their transformation into regulated financial institutions that have access to commercial sources of capital. Further transformation from non-deposit taking financial institutions to regulated (microfinance) banks enables microfinance institutions to accept deposits, thereby diversifying funding sources, offer a wider range of services and benefit from prudential regulatory oversight. There is a global track record of microfinance institution transformations, with BancoSol in Bolivia becoming the first bank in the world dedicated exclusively to serving microenterprises after it transformed from a microfinance NGO. The recipients of loans and the primary target of microfinance have traditionally been women, as they are perceived to have a better track record when it comes to the repayment of small loans and to utilise the proceeds from their loans and related income-generating activities in ways that elevate the standard of living of the entire household in terms of nutrition, healthcare and education. While traditional microfinance models focus on lending to groups of women for the purpose of investing in their businesses, modern microfinance has evolved to include lending to individual borrowers, advancing tailored loans that are more suitable for specific purposes (e.g., education, energy and agribusiness), as well as offering microinsurance. While recognising different client needs, the use of proceeds for income-generating or productive purposes (as opposed to general consumption) remains a key feature for the disbursement of loans by microfinance institutions. Funding for the microfinance industry has continued to evolve and build from development-oriented origins to now include commercial lending. Microfinance institutions require access to wholesale debt funding which, according to the Consultative Group to Assist the Poor (headquartered at the World Bank), increased to U.S.\$37 billion globally in 2016. Recent developments in financial inclusion have focused on client-centricity and technology. Understanding the needs of clients and delivering products that are accessible, appropriate and affordable are important aspects of a sustainable approach to providing finance to low-income households. Advances in technology and digital payment systems are further enabling new delivery models to develop and providing faster, cheaper and more convenient access to financial services.

Annex and Element		Disclosure requirement																									
B.5	Group description	The Company is a newly incorporated company which will prior to Admission, acquire the entire issued share capital of ASA International Holding (currently the holding company of the Group) and which will, on and following Admission, be the holding company of the Group.																									
B.6	Major Shareholders	Relationship with major Shareholders Insofar as it is known to the Company as of the date of this Prospectus, the following persons will following the Pre-IPO Reorganisation and immediately prior to Admission or immediately following Admission be interested in 3 per cent. or more of the Company’s issued ordinary share capital. <table><tr><th rowspan="3">Shareholder</th><th colspan="2">Following the Pre-IPO Reorganisation and immediately prior to Admission</th><th colspan="2">Immediately following Admission⁽¹⁾</th></tr><tr><th rowspan="2">Number of Shares</th><th rowspan="2">Percentage of Company’s issued share capital</th><th rowspan="2">Number of Shares</th><th rowspan="2">Percentage of Company’s issued share capital</th></tr><tr><th></th><th></th></tr><tr><td>CMI⁽²⁾⁽³⁾⁽⁵⁾⁽⁶⁾</td><td>85,000,000</td><td>85%</td><td>52,500,000</td><td>52.5%</td></tr><tr><td>Continuity^{(2) (4)(6)}</td><td>15,000,000</td><td>15%</td><td>15,000,000</td><td>15%</td></tr></table> Notes: (1) Assumes the Offer Price and the Offer Size are set at the mid-point of the Offer Price Range and the Offer Size Range, respectively. (2) The votes attaching to all the Shares held by CMI and Continuity, including those subject to the interests of ASA NGO Bangladesh and certain members of the Group’s management, are ultimately controlled by CMIMC. This amounts to: - immediately prior to Admission, 100,000,000 Shares, representing 100 per cent. of the issued share capital of the Company; and - immediately after Admission, 67,500,000 Shares, representing 67.5 per cent. of the issued share capital of the Company, assuming the Offer Price and Offer Size are set at the mid-point of the Offer Price Range and Offer Size Range, respectively, there is no exercise of the Over-allotment Option and that interests in 4,121,521 Shares are acquired by CMIMC from certain other investors in CMI and certain Directors, Senior Managers and other members of the Group’s management pursuant to the “CMIMC Share Interest Purchases”. 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 controlled by entities that are ultimately controlled by Dirk Brouwer. In addition, Catalyst Microfinance Investment Company (“CMIC”) is the investment adviser to CMI. CMIC is owned by entities ultimately controlled by Dirk Brouwer. (3) Certain investors in CMI will continue to hold shares in CMI following Admission and, therefore, will indirectly hold beneficial interests in the Company. Assuming the Offer Price and the Offer Size are set at the mid-point of the Offer Price Range and the Offer Size Range, the following table sets out the names of those CMI shareholders (other than CMIMC, which is controlled by entities that are ultimately controlled by Dirk Brouwer) whose interests in CMI reflect indirect beneficial ownership of more than 3 per cent. in the Company:					Shareholder	Following the Pre-IPO Reorganisation and immediately prior to Admission		Immediately following Admission ⁽¹⁾		Number of Shares	Percentage of Company’s issued share capital	Number of Shares	Percentage of Company’s issued share capital			CMI ⁽²⁾⁽³⁾⁽⁵⁾⁽⁶⁾	85,000,000	85%	52,500,000	52.5%	Continuity ^{(2) (4)(6)}	15,000,000	15%	15,000,000	15%
Shareholder	Following the Pre-IPO Reorganisation and immediately prior to Admission		Immediately following Admission ⁽¹⁾																								
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		(4) Post-Admission figures include ASA NGO Bangladesh’s indirect beneficial economic entitlement to the proceeds of the future sale by Continuity of 4,558,920 Shares, representing 4.6 per cent. of the issued share capital of the Company. (5) Included within the Shares owned by CMI immediately prior to Admission, Dirk Brouwer will have an indirect aggregate beneficial ownership interest in 14,903,102 Shares, representing 14.9 per cent. of the issued ordinary share capital of the Company. (6) Included within the Shares owned by CMI and Continuity immediately following Admission, Dirk Brouwer will have an indirect aggregate beneficial ownership interest in 21,253,820 Shares, representing 21.3 per cent. of the issued ordinary share capital of the Company assuming that 4,121,521 Shares are acquired pursuant to the CMIMC Share Interest Purchases. On Admission, such Shareholders will not have special voting rights and the Ordinary Shares owned by them will rank pari passu in all respects with other Ordinary Shares. The Selling Shareholder, Continuity and the Founders (together the “Controlling Shareholder Group”) and the Company have entered into a relationship agreement (the “Relationship Agreement”), 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.																																						

Annex and Element		Disclosure requirement																																								
		In accordance with the terms of the Relationship Agreement, for so long as the Selling Shareholder and Continuity together retain (i) an aggregate interest of greater than or equal to 25 per cent. in the issued ordinary share capital of the Company, they shall together be entitled to appoint two Non-Executive Directors to the Board (one of whom will at Admission be Md. Shafiquel Haque Choudhury); and (ii) an aggregate interest of less than 25 per cent. but greater than or equal to 10 per cent. 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 the Selling Shareholder and Continuity together retain an interest of 10 per cent. 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 (and, for these purposes, Md. Shafiquel Haque Choudhury will at Admission be appointed as a member of the Company’s Nomination Committee). The Selling Shareholder and Continuity have undertaken that, for as long as Dirk Brouwer remains as Chief Executive Office and Md. Shafiquel Haque Choudhury remains on the Board as the appointee of the Controlling Shareholder Group and as Chairman of the Company, they will not exercise any right to appoint an additional Non-Executive Director to the Board or to appoint a Non-Executive Director to the Remuneration Committee. 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 per cent. or more of the issued ordinary share capital of the Company (or an interest which carries 10 per cent. or more of the aggregate voting rights in the Company from time to time).																																								
B.7	Key financial information	Selected historical key financial information The selected financial information set out below has been extracted without material adjustment from the historical financial information relating to the Group included in Part XV: “Historical Financial Information”.																																								
		Summary Income Statement <table><tr><td></td><td colspan="3">For the year ended 31 December</td></tr><tr><td></td><td>2015</td><td>2016</td><td>2017</td></tr><tr><td></td><td colspan="3">(audited, U.S.\$ thousands)</td></tr><tr><td>Net interest income</td><td>54,944.3</td><td>70,081.4</td><td>86,073.1</td></tr><tr><td>Total operating income.....</td><td>59,445.8</td><td>75,618.2</td><td>92,925.9</td></tr><tr><td>Credit loss expense</td><td>(668.0)</td><td>(1,841.1)</td><td>(41.0)</td></tr><tr><td>Net operating income.....</td><td>58,777.8</td><td>73,777.1</td><td>92,884.9</td></tr><tr><td>Total operating expenses</td><td>(34,992.0)</td><td>(47,321.4)</td><td>(49,508.8)</td></tr><tr><td>Profit before tax</td><td>23,785.8</td><td>26,455.7</td><td>43,376.1</td></tr><tr><td>Profit for the year</td><td>15,137.1</td><td>15,340.9</td><td>29,304.0</td></tr></table>		For the year ended 31 December				2015	2016	2017		(audited, U.S.\$ thousands)			Net interest income	54,944.3	70,081.4	86,073.1	Total operating income.....	59,445.8	75,618.2	92,925.9	Credit loss expense	(668.0)	(1,841.1)	(41.0)	Net operating income.....	58,777.8	73,777.1	92,884.9	Total operating expenses	(34,992.0)	(47,321.4)	(49,508.8)	Profit before tax	23,785.8	26,455.7	43,376.1	Profit for the year	15,137.1	15,340.9	29,304.0
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		Summary Balance Sheet <table><tr><td></td><td colspan="3">As at 31 December</td></tr><tr><td></td><td>2015</td><td>2016</td><td>2017</td></tr><tr><td></td><td colspan="3">(audited, U.S.\$ thousands)</td></tr><tr><td>Loans and advances to customers</td><td>147,893.5</td><td>202,983.6</td><td>297,781.0</td></tr><tr><td>Total assets</td><td>194,395.5</td><td>258,110.5</td><td>419,356.5</td></tr><tr><td>Total equity.....</td><td>62,476.0</td><td>67,453.0</td><td>82,982.4</td></tr><tr><td>Debt issued and other borrowed funds</td><td>87,235.8</td><td>136,710.2</td><td>270,464.2</td></tr></table>		As at 31 December				2015	2016	2017		(audited, U.S.\$ thousands)			Loans and advances to customers	147,893.5	202,983.6	297,781.0	Total assets	194,395.5	258,110.5	419,356.5	Total equity.....	62,476.0	67,453.0	82,982.4	Debt issued and other borrowed funds	87,235.8	136,710.2	270,464.2												
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Annex and Element		Disclosure requirement			
		Due to customers	33,835.8	40,071.9	53,230.8
		Total liabilities.....	131,919.6	190,657.5	336,374.1

DISCLAIMER

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before reading, accessing or making any other use of the attached document (the "**Prospectus**") relating to ASA International Group plc (the "**Company**") dated 29 June 2018. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is confidential for your information only and you agree you will not **forward, reproduce, copy, download or publish this electronic transmission or the Prospectus (electronically or otherwise) to any other person**. The Prospectus has been prepared solely in connection with the proposed offer to certain institutional investors of ordinary shares of the Company (the "**Shares**"). The Prospectus has been published in connection with the admission of the Shares to the premium listing segment of the Official List of the UK Financial Conduct Authority (the "**FCA**") and to trading on the London Stock Exchange plc's main market for listed securities (together, "**Admission**"). The Prospectus has been approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000, as amended.

Neither this electronic transmission nor the information contained herein is for publication, distribution or release, in whole or in part, directly or indirectly, in or into the United States of America (including its territories and possessions, any State of the United States and the District of Columbia), Australia, Japan, Singapore, the United Arab Emirates or the Kingdom of Saudi Arabia, to any persons in any of those jurisdictions or any other jurisdiction where to do so might constitute a violation of the relevant laws or regulations of such jurisdiction. Any failure to comply with these restrictions may constitute a violation of the laws of the United States of America, Australia, Japan, Singapore, the United Arab Emirates or the Kingdom of Saudi Arabia or of other applicable securities laws. The offer of the Shares and the distribution of this electronic transmission and information in connection with Admission and the offer of the Shares may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about, and observe, any such restrictions.

Nothing in this electronic transmission and the Prospectus constitutes an offer of securities for sale in the United States of America, Australia, Japan, Singapore, the United Arab Emirates, the Kingdom of Saudi Arabia, or any other jurisdiction where it is unlawful to do so. Any forwarding, redistribution or reproduction of the Prospectus in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the US Securities Act of 1933, as amended (the "**US Securities Act**") or the applicable laws of other jurisdictions.

The attached document in electronic format should not be accessed in or forwarded into the United States.

The offer and sale of the Shares referred to herein has not been and will not be registered under the applicable securities laws of Australia, Canada, South Africa or Japan. Subject to certain exceptions, the Shares referred to herein may not be offered or sold within any jurisdiction, including Australia, Canada, South Africa or Japan or to, or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, South Africa or Japan.

The securities referenced in the attached document may only be distributed in "**offshore transactions**" as defined in, and in accordance with, Regulation S under the US Securities Act or within the United States to qualified institutional buyers as defined in and in accordance with Rule 144a under the US Securities Act, pursuant to an exemption from, or in a transaction not subject to,

the registration requirements of the US Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. The securities have not been and will not be registered under the US Securities Act nor with any securities regulatory authority of any state or other jurisdiction of the United States.

This electronic transmission, the attached document and the transaction are addressed to and directed at persons in Member States of the European Economic Area ("**Member States**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC, as amended) and related implementation measures ("**Qualified Investors**"). In addition, in the United Kingdom, this electronic transmission is being distributed only to, and is directed only at Qualified Investors who are, (i) persons who have professional experience in matters relating to investments falling within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (ii) who are high net worth bodies corporate, unincorporated associations and partnerships or the trustees of high value trusts falling within Article 49(2)(a) to (d) of the Order, and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**").

This electronic transmission must not be acted or relied on (a) in the UK, by persons who are not Relevant Persons and (b) in any member state of the EEA, other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which this electronic transmission relates is available only to (i) in the UK, Relevant Persons and (ii) in any member state of the EEA, other than the UK, Qualified Investors, and may be engaged in only with such persons. Nothing in this electronic transmission constitutes investment advice and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. If you have received this electronic transmission and you are not a Relevant Person and/or Qualified Investor, as applicable, you must not rely or act upon this electronic transmission or any of its contents.

This communication does not constitute, advertise or relate to an offer to the public (as defined in the South African Companies Act, No 71 of 2008, as amended (the "**SA Companies Act**")) for the sale of or subscription for, or the solicitation of an offer to buy or subscribe for, securities. In the Republic of South Africa ("**South Africa**") this communication will not be distributed to any person in any manner which could be construed as an offer to the public in terms of the SA Companies Act and is only directed at financial institutions and other persons who are referred to in section 96(1)(a) of the SA Companies Act, or persons who apply, as principal, for Shares at a total acquisition cost of ZAR1 000 000 or more, as contemplated in section 96(1)(b) of the SA Companies Act ("**Qualifying Investors**"). Should any person who is not a Qualifying Investor receive the attached document, they should not and will not be entitled to acquire any securities offered for sale or subscription as described in this document or otherwise act thereon. This document does not, nor is it intended to, constitute a prospectus registered under the SA Companies Act and accordingly, does not comply with the substance and form requirements for prospectuses set out in the SA Companies Act and the South African Companies Regulations of 2011. Nothing in this document should be viewed, or construed, as "advice" as that term is used in the South African Financial Markets Act, No 19 of 2012 and/or the South African Financial Advisory and Intermediary Services Act, No 37 of 2002, as amended (the "**SA FAIS Act**") and nothing in the attached document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National

Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Banks (as defined below) are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

The Shares may not be offered or sold in Hong Kong, by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

Additionally, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

No invitation, offer or sale to purchase or subscribe to the Shares is made or intended to be made to the public in India through this Prospectus or any amendment or supplement thereto. Neither this Prospectus nor any amendment or supplement thereto is a prospectus, offer document or advertisement nor has it been or will be submitted or registered as a prospectus or offer document under any applicable law or regulation in India. Neither this Prospectus nor any amendment or supplement thereto has been reviewed, approved, or recommended by any Registrar of Companies in India, the Securities and Exchange Board of India, the Reserve Bank of India, any stock exchange in India or any other Indian regulatory authority.

Accordingly, no person may make any invitation, offer or sale of any Shares, nor may this Prospectus nor any amendment or supplement thereto nor any other document, material, notice or circular in connection with the invitation, offer or sale for subscription or purchase of any Shares be circulated or distributed whether directly or indirectly to, or for the account or benefit of, any person resident in India, other than strictly on a private and confidential basis and so long as any such offer of Shares is not calculated to result, directly or indirectly, in the Shares becoming available for subscription or purchase by persons other than those receiving such offer or invitation. Notwithstanding the foregoing, in no event shall the offer of Shares be made directly or indirectly, in any circumstances which would constitute an offer to the public in India within the meaning of any applicable law or regulation.

Any offer of Shares to a person in India shall be made subject to compliance with all applicable Indian laws including, without limitation, the Foreign Exchange Management Act, 1999, as amended, and any guidelines, rules, regulations, circulars or notifications issued by the Reserve Bank of India, the Securities and Exchange Board of India and any other Indian regulatory authority.

Each investor in the Shares acknowledges, represents and agrees that it is eligible to invest in the Company and the Shares under applicable laws and regulations in India and that it is not prohibited or debarred under any law or regulation from acquiring, owning or selling the Shares.

Each Bank ahas represented and agrees that no action has been or will be taken in the Kingdom of Saudi Arabia ("**Saudi Arabia**") that would permit a public offering of the Shares. Any investor in Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Shares pursuant to an offering should note that the offer of Shares is a private placement under Article 10 and/or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority of Saudi Arabia resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority of Saudi Arabia to carry on the securities activity of arranging and following a notification to the Capital Market Authority of Saudi Arabia under the KSA Regulations.

The Shares may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Bank represents and agrees that any offer of Shares to a Saudi Investor will be made in compliance with the KSA Regulations.

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (b) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (c) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;

3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

This Prospectus may not be distributed into, or circulated in, the Dubai International Financial Centre (the “**DIFC**”) other than as an “Exempt Offer” in accordance with the Markets Rules of the Dubai Financial Services Authority (“**DFSA**”) Rulebook (the “**MKT Module**”).

The DFSA has not approved this Prospectus or any associated documents nor taken any steps to verify the information set out in, and has no responsibility for, this Prospectus.

This Prospectus may only be provided to Professional Clients, as defined in the DFSA Rulebook Conduct of Business Module (the “**COB Module**”). The offer of Shares is not directed at Retail Clients as defined in the COB Module.

Accordingly, the Shares will not be offered to any person in the DIFC unless such offer is:

- (a) an Exempt Offer in accordance with the MKT Module; and
- (a) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the COB Module.

The Shares will not be offered, sold or publicly promoted or advertised in the United Arab Emirates (the “**UAE**”) other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

In the UAE, the Shares are not subject to regulation under the laws or regulations of the UAE relating to the issue, offering and sale of securities. Neither the Shares nor this Prospectus have been approved by the Securities and Commodities Authority of the UAE (the “**SCA**”), the Central Bank of the UAE or any other regulatory authority in the UAE. In particular, this Prospectus has not been approved pursuant to Board Resolution No. 11 of 2016 on the Regulation of the Offering and Issuance of Stocks of Public Joint Stock Companies issued by the SCA (as amended) (the “**Offer of Securities Regulations**”). In addition, neither this Prospectus nor the offer of the Shares constitutes or contains an offer of shares to the general public in the UAE and the Shares will not be registered with the SCA or admitted to trading on a securities exchange in the UAE. Accordingly, this Prospectus is not intended for circulation or distribution in or into the UAE, other than to persons in the UAE to whom such circulation or distribution is permitted by, or is exempt from the requirements of, the Offer of Securities Regulations, the SCA's Board of Directors Decision No. 3 of 2017 Concerning the Organization of Promotion and Introduction and other applicable UAE laws and regulations.

It should not be assumed that any of the Banks (as defined below) is a licensed broker, dealer or investment advisor under the laws of the UAE, or that it is otherwise licensed to advise persons in the UAE as to the appropriateness of investing in or purchasing the Shares or other financial products.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company and Citigroup Global Markets Limited, EFG Hermes U.A.E. Limited, EFG Hermes Promoting & Underwriting, Investec Bank plc and Keefe, Bruyette & Woods (acting through Stifel Nicolaus Europe Limited) (collectively, the “**Banks**”) that (i) you are acting on behalf of, or you are an institutional investor outside the United States acquiring such securities in “offshore transactions”, as defined in,

and in reliance on, Regulation S under the US Securities Act; (ii) if you are in the UK, you are a relevant person, and/or a relevant person who is acting on behalf of, relevant persons in the UK and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the UK or the EEA; (iii) if you are in any member state of the EEA other than the UK, you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors or relevant persons, to the extent you are acting on behalf of persons or entities in the EEA or the UK; (iv) the securities acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors; (v) if you are outside the UK and EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions), you are an institutional investor into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located; and (vi) you consent to delivery by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks nor any of their respective affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and any hard copy version. By accessing the attached document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request. Neither the Banks, nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Shares. The Banks and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by the Banks and/or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the attached document.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

The Banks are acting exclusively for the Company and no one else in connection with the Transaction. They will not regard any other person (whether or not a recipient of this document) as their respective client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Transaction or any transaction or arrangement referred to in the attached document.

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Summary Statement of Cash Flows

	For the year ended 31 December		
	2015	2016	2017
	<i>(audited U.S.\$ thousands)</i>		
Net cash flows used in operating activities.....	(24,537.4)	(45,355.8)	(83,693.7)
Net cash flow (used in)/from investing activities ...	3,925.1	(615.8)	(3,742.3)
Net cash flow from financing activities.....	37,004.1	49,575.2	140,585.3
Cash and cash equivalents as at 1 January.....	10,455.6	25,941.7	27,685.0
Net increase/(decrease) in cash and cash equivalents	16,392.4	3,603.6	53,149.4
Net foreign exchange difference	(906.3)	(1,860.4)	(1,002.8)
Cash and cash equivalents as at 31 December ...	25,941.7	27,685.0	79,831.5

Results of Operations

Certain significant changes to the Group's financial condition and results of operations occurred during the years ended 31 December 2015, 2016 and 2017. These changes are set out below.

Loans and advances to customers increased by U.S.\$55.1 million, or 37.2 per cent., from U.S.\$147.9 million as at 31 December 2015 to U.S.\$203.0 million as at 31 December 2016, and further increased by U.S.\$94.8 million, or 46.7 per cent., to U.S.\$297.8 million as at 31 December 2017. This increase was supported by the expansion of the Group's branch network from 947 branches as at 31 December 2015 to 1,387 branches as at 31 December 2017.

This asset growth was funded by an increase in the Group's debt issued and other borrowed funds, as well as deposits. Debt issued and other borrowed funds increased by U.S.\$49.5 million, or by 56.7 per cent., from U.S.\$87.2 million as at 31 December 2015 to U.S.\$136.7 million as at 31 December 2016, and further increased by U.S.\$133.8 million, or by 97.8 per cent., to U.S.\$270.5 million as at 31 December 2017.

Profit for the year increased by U.S.\$0.2 million, or 1.3 per cent., from U.S.\$15.1 million for the year ended 31 December 2015 to U.S.\$15.3 million for the year ended 31 December 2016, and further increased by U.S.\$14.0 million, or 91.0 per cent., to U.S.\$29.3 million in the year 31 December 2017.

A number of items that are of a one-off or non-recurring nature impacted profit for the year in 2016 and 2017. These items included, but were not limited to credit loss provision due to demonetisation in India, devaluation of the Nigeria naira, release of credit loss provisions, VAT expenses in the Philippines and release of tax provisions and Worker Welfare Fund provisions in Pakistan. The Group estimates that the total amount of adjustments, on an after tax basis, amount to an approximately U.S.\$ 0.9 million negative adjustment to profit for the year in 2015, an approximately U.S.\$4.2 million positive adjustment to profit for the year in 2016, and an approximately U.S.\$2.1 million negative adjustment in 2017.

Therefore, after adjusting for these one-off or non-recurring items, profit for the year would have increased by U.S.\$4.6 million, or by 32.2 per cent., from U.S.\$14.2 million for the year ended 31 December 2015 to U.S.\$18.8 million for the year ended 31 December 2016, and would have further increased by U.S.\$8.5 million, or by 45.2 per cent, to U.S.\$27.3 million for the year ending 31 December 2017.

Deposits (including amounts held as security collateral) increased by U.S.\$6.2 million, or 18.4 per cent., from U.S.\$33.8 million as at 31 December 2015 to U.S.\$40.1 million as at 31 December 2016, and further increased by U.S.\$13.2 million, or 32.8 per cent., to U.S.\$53.2 million in the year 31 December 2017.

Annex and Element		Disclosure requirement
		There has been no significant change in the financial position or results of operations of the Group since 31 December 2017, the date to which the last consolidated financial information of the Group was prepared. As at 31 March 2018, the Group had a total of 1,496 branches and over 1.9 million clients.
B.8	Key pro forma financial information	Not applicable.
B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate has been included in this Prospectus.
B.10	A description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications to the audit report on the historical financial information.
B.11	Explanation if there is insufficient working capital	Not applicable. In the opinion of the Company the working capital available to the Group is sufficient for the Group's present requirements, that is, at least for the next 12 months following the date of this Prospectus.

Section C – Shares

Annexes and Element		Disclosure requirement
C.1	Type and class of securities	The Global Offer comprises the offer of between 25,000,000 and 40,000,000 Shares of £1 each at an Offer Price of between 285 and 340 pence per Share which are to be sold by the Selling Shareholder. In addition, a further number of Over-allotment Shares (in an amount equal to between 10 per cent. and 15 per cent. of the Offer Size) are being made available by the Selling Shareholder pursuant to the Over-allotment Option to cover short positions arising from over-allotments made (if any) in connection with the Global Offer and sales made during the stabilisation period. The Offer Size and the Offer Price will be set out in the Pricing Statement, which is expected to be published on or about 13 July 2018 and will be available on the Company's website at www.asa-international.com. When admitted to trading, the Shares will be registered with ISIN number GB00BDFXHW57 and SEDOL number BDFXHW5 and trade under the symbol ASAI.
C.2	Currency of the issue of securities	The currency of the Shares is British pounds sterling.
C.3	Issued share capital	At Admission, the issued share capital of the Company will be £100,000,000 comprising 100,000,000 Shares of £1 each (all of which will be fully paid or credited as fully paid).

Annexes and Element		Disclosure requirement
C.4	Description of the rights attaching to the securities	The Offer Shares will, on Admission, rank <i>pari passu</i> in all respects with the other Shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company. On a show of hands, each Shareholder who is present in person shall have one vote per share and on a poll every Shareholder present in person or by proxy shall have one vote per Share. Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholding.
C.5	Restrictions on the free transferability of the Shares	There are no restrictions on the free transferability of the Shares.
C.6	Admission	An application will be made to the FCA for all of the Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. No application has been made or is currently intended to be made for the Shares to be admitted to trading on any other exchange.
C.7	Dividends and dividend policy	The Directors intend for the Company to 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 in the Group. It is therefore the Directors' current intention to target an initial payout ratio of 30 per cent. of prior year net income. The current intention of the Directors is that the first dividend to be declared by the Company following Admission will be a final dividend in respect of the financial year ending 31 December 2018. The Company may revise its dividend policy from time to time. The declaration and payment by the Company of any future dividends and the amounts of any such dividends will depend upon the Group's results, financial condition, future prospects, profits being available for distribution, consideration of certain covenants under the terms of outstanding indebtedness, and any other factors deemed by the Directors to be relevant at the time, subject always to the requirements of applicable laws. The ability of the Company's microfinance institutions to make payments to the Company depends largely on their respective financial condition and ability to generate profits, and may be restricted from doing so by contract, including other financing arrangements, charter provisions, other shareholders or the applicable laws and regulations, including but limited to, distributable reserves or the maintenance of statutory reserves at its deposit-taking microfinance institutions, of the various countries in which they operate.

Section D – Risks

Annexes Element	Disclosure requirement
D.1 Key information on the key risks that are specific to the Company or its industry	The Group’s microfinance institutions operate in 12 countries within four regions, South Asia, South East Asia, East Africa and West Africa, and are subject to extensive and disparate legal, regulatory and licensing requirements in each of the countries in which they operate, including as regards credit acts, consumer protection laws, and ‘know your customer’, anti-money laundering, anti-bribery and privacy laws, as well as foreign ownership or shareholder concentration restrictions. The Group does not currently hold all relevant licences required in certain countries in which it operates. In addition, the Group is exposed to the risk that its microfinance institutions and their products may become the subject of public scrutiny and onerous regulatory and transparency requirements, which may make offering loans in certain countries less profitable or unattractive. Furthermore, it may not be possible, in certain circumstances, to obtain legal remedies in a timely manner or at all in these countries. The Group’s microfinance institutions are subject to interest rate risk, as its microfinance institutions extend income-generating loans at fixed rates, but their funding arrangements include both fixed and floating rate borrowings. Further, the significant majority of the loans issued by the Group’s microfinance institutions are due within one year of disbursement and the relatively short-term nature of these loans means that the long-term interest income stream of the Group’s microfinance institutions is less stable than if a portion of these loans were for a longer term. The Group has experienced significant growth in recent years, and may not be successful in achieving and sustaining its past growth levels, which may have a material adverse effect on its business, financial condition, results of operations and prospects. In addition, a significant percentage of the Group’s profit for the year and dividends are derived from a small number of its microfinance institutions. Further, the Group’s microfinance institutions face competition from other for-profit or non-profit microfinance institutions, banks and financial institutions, non-governmental organisations and, in certain countries, state-sponsored social programmes, and it may be unable to compete successfully against existing or new competitors. In certain jurisdictions, a change of control of certain of the Group’s subsidiaries resulting from the Global Offer or thereafter as a result of further Share transfers may trigger non-resident capital gains tax liabilities (“NRCGT”) for the affected subsidiaries. Although the Selling Shareholder will place a portion of its net proceeds in escrow for purposes of funding the payment of such tax, if lawfully assessed, there can be no assurance the funds in escrow will be sufficient to pay the aggregate liabilities, in which case any additional amounts payable will be borne by the Group without recourse to the Selling Shareholder. The Group’s clients are primarily low-income female micro-entrepreneurs and small business owners who are underserved by the traditional financial system, and have limited sources of income, savings and credit records. Therefore, the Group’s microfinance institutions must rely on the information provided by their clients in connection with their loan applications, some of which may be incomplete and/or difficult to verify. If the Group is unable to manage the level of non-performing loans, or if the Group’s loan loss reserves are insufficient, its business, financial condition, results of operations and prospects may be adversely affected. The Group’s success has depended, and will continue to depend, on the efforts and talents of its senior management team in Dhaka and Amsterdam, which has significant experience in the microfinance, banking and financial services industries. Due to the decentralised structure of the Group’s business where authority is delegated from the Group’s headquarters in Dhaka and Amsterdam to country head offices, and from

Annexes Element	Disclosure requirement
	country head offices to district, regional, area and branch managers, and loan officers who are responsible for managing client relationships, the Group's microfinance institutions are particularly dependent on their teams of branch managers and loan officers, in addition to their district, regional and area managers. A significant proportion of the Group's transactions, including lending and collection, is in cash, thereby exposing the Group's microfinance institutions to certain operational risks such as loss, theft, fraud, misappropriation, embezzlement or unauthorised transactions by employees responsible for dealing with cash transactions. The Group's financial results are subject to foreign exchange risk. The Group is subject to cyber security risks and any failure, inadequacy or breach of its computer systems may adversely affect its reputation, business, financial condition, results of operations and prospects. The Group is exposed to liquidity risks, as its microfinance institutions require significant capital (including for certain of the Group's microfinance institutions under prudential capital and liquidity requirements), and their financial condition is dependent on timely access to, and the cost of, capital, however, the Group's ability to raise additional capital could be limited and the terms of the Group's indebtedness contain restrictions that may limit its flexibility to operate its business. As a result of the Group's international operations, it is subject to diverse tax regimes. Corporate income tax, withholding tax, value added tax, or sales taxes and other taxes levied upon the Group's microfinance institutions or rules in respect of transfer pricing practices/rates are subject to change due to changes in tax legislation, administrative practice, case law or divergent interpretations by the tax authorities or tax courts, which may result in uncertainties with regard to the taxation rules applicable to the Group's microfinance institutions. The Group's microfinance institutions and their clients are located in areas that are particularly vulnerable to the effects of natural calamities, such as pandemics, floods, drought, tornadoes, earthquakes, fires, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events, any of which could adversely impact the Group's business, financial condition, results of operations and prospects. Any detrimental changes in, or any deterioration of, the political or economic environment (including inflation) in the countries in which the Group's microfinance institutions currently operate, or may operate in the future, could lead to political and economic instability that may, in particular, lead to hyperinflation, restrictions on foreign ownership, devaluation of local currencies, restrictions on foreign exchange or social unrest, all of which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Changes in accounting standards may materially affect reporting of the Group's financial condition and results of operations.

Annexes Element		Disclosure requirement
D.3	Key information on the key risks that are specific to the Shares	• CMIMC, through the Selling Shareholder and Continuity, will retain a significant interest in, and will continue to exert substantial influence over, the Company following the Offer, and their respective interests may differ from or conflict with those of other Shareholders. • Because the Company is a holding company and substantially all of its operations are conducted through its wholly- or majority-owned microfinance institutions, its ability to pay dividends on the Shares depends on its ability to obtain cash dividends or other cash payments from its microfinance institutions. • The Global Offer may not result in an active or liquid market for the Offer Shares. • Shares in the Company may be subject to market price volatility, and the market price of the Shares in the Company may decline in response to developments that are unrelated to the Company's operating performance. • Substantial sales of Shares by significant Shareholders could depress the price of the Offer Shares. • The Company may not pay cash dividends on the Shares. Consequently, investors may not receive any return on their investment unless they sell their Offer Shares for a price greater than that paid for them. • The market price of the Offer Shares may be affected by fluctuations in exchange rates. • There is a significant risk that the Company may be a passive foreign investment company for U.S. federal income tax purposes ("PFIC") in its current taxable year. Such classification could result in materially adverse U.S. federal income tax consequences to U.S. investors of Offer Shares. • It may be difficult for Shareholders to enforce judgments against the Company's assets held outside the United Kingdom or the United States, or against the Directors and senior management. • Shareholders in the United States and other countries outside of the United Kingdom may not be able to participate in future equity offerings. • Not all rights available to shareholders under U.S. law will be available to holders of the Shares. • Future issuances of Shares may dilute the holdings of Shareholders and may depress the price of the Shares.

Section E – Global Offer

Annexes and Element		Disclosure requirement
E.1	Net proceeds and expenses of the Global Offer	The Company is not raising any proceeds from the Global Offer. The Selling Shareholder expects to raise net proceeds of approximately £95.4 million (after deducting estimated underwriting commissions and fees and expenses of the Global Offer (including any VAT and stamp duty) of approximately £6.2 million) from the sale of the Offer Shares in the Global Offer, assuming the Offer Price is set at the mid-point of the Offer Price Range and the Offer Size is set at the mid-point of the Offer Size Range and excluding any proceeds receivable by the Selling Shareholder pursuant to any exercise of the Over-allotment Option. The aggregate expenses of, or incidental to, Admission and the Global Offer incurred and to be borne by the Company are estimated to be approximately £4.0 million (including VAT). No commissions, fees or expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Offer Shares pursuant to the Global Offer.
E.2a	Reasons for the Global Offer and use of proceeds	The Selling Shareholder is looking to realise part of its investment in the Group by way of the Global Offer. In addition, the Directors believe that the Global Offer and Admission will: (a) provide the Group with access to a wider range of capital raising options which may be of use in the future; (b) further improve the Group's ability to recruit, retain and incentivise key management and employees; and (c) create a liquid market in the Ordinary Shares for existing and future Shareholders. The Company will not receive any proceeds from the Global Offer. A portion of the net proceeds due to the Selling Shareholder will be retained in an escrow account for the benefit of the Company to reimburse the Company for potential NRCGT liabilities to which certain of its subsidiaries may become subject as result of the Global Offer or thereafter as a result of further Share transfers.
E.3	Terms and conditions of the Global Offer	It is currently expected that the Offer Price will be set within the Offer Price Range (285 pence to 340 pence) and that the Offer Size will be set within the Offer Size Range (25,000,000 Shares to 40,000,000 Shares). The Offer Size Range has been determined to take into account, at a minimum, the minimum free float requirements of the FCA. A number of factors will be considered in deciding the Offer Price and the Offer Size and the bases of allocation under the Global Offer, including the level and nature of demand for Shares in the book-building process, prevailing market conditions and the objective of encouraging the development of an orderly and liquid after-market in the Shares. The Offer Price and the Offer Size are expected to be announced on or around 13 July 2018. The Pricing Statement, which will contain, among other things, the Offer Price and the Offer Size, will (subject to certain restrictions) be published online at www.asa-international.com and be available in printed form at the Company's registered office, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ, United Kingdom, until 14 days after Admission. Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or an announcement triggering the right to withdraw applications for Shares pursuant to section 87Q of FSMA on determination of the Offer Price or the Offer Size. If the Offer Price is set above the Offer Price Range and/or the Offer Size is set above or below the Offer Size Range, then an announcement will be made via a Regulatory Information Service and prospective investors will have a statutory right to withdraw

Annexes and Element		Disclosure requirement
		their offer to purchase Shares in the Global Offer pursuant to section 87Q of the FSMA. The arrangements for withdrawing offers to purchase Shares will be made clear in the announcement. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights had ended. Therefore, the expected date of publication of the Pricing Statement could be extended. The Global Offer consists of an institutional offer only. In the Global Offer, Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, Over-allotment Shares (equal to between 10 per cent. and 15 per cent. of the Offer Size) will be made available by the Selling Shareholder pursuant to the Over-allotment Option. Allocations under the Global Offer will be determined by Company and the Selling Shareholder following consultation with the Joint Bookrunners. All Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange, at 8.00 a.m. (London time) on 18 July 2018. Prior to Admission, conditional dealings in the Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 13 July 2018. The earliest date for such settlement of such dealings will be 18 July 2018. The Global Offer is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Underwriting Agreement, including Admission becoming effective by no later than 8.00 a.m. on 18 July 2018 (or such later date as the Company, the Selling Shareholder and the Global Co-Ordinator may agree), determination of the Offer Price and the Offer Size (and, accordingly, the execution of the Pricing Agreement) and the Underwriting Agreement not having been terminated prior to Admission. The Global Offer will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.
E.4	Material interests to the Global Offer	There are no interests, including conflicting interests that are material to the Global Offer, other than those disclosed in B.6 above.
E.5	Selling Shareholder and Lock-ups	The number of Shares to be sold by the Selling Shareholder will be the “Offer Size” which will amount to 32,500,000 Shares, assuming the Offer Size is set at the mid-point of the Offer Size Range and there is no exercise of the Over-allotment Option. In addition, the Selling Shareholder, in its capacity as over-allotment shareholder, will make available a further number of Shares equal to between 10 per cent. and 15 per cent. of the Offer Size. Pursuant to the Underwriting Agreement, each of the Company and the Selling Shareholder has agreed that, subject to certain exceptions, from the date of the Underwriting Agreement until the date falling 180 days after the date of Admission, it will not, without the prior written consent of a majority in number of the Joint Bookrunners and provided that one such Joint Bookrunner includes the Global Co-Ordinator (such consent not to be unreasonably withheld or delayed), directly or indirectly, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Pursuant to the lock-up deed entered into between Continuity and the Joint Bookrunners (the “Continuity Lock-up Deed”), Continuity has agreed that, subject to certain exceptions, from the date of the Continuity Lock-up Deed until the date falling 365 days

Annexes and Element		Disclosure requirement
		after the date of Admission, it will not, without the prior written consent of a majority in number of the Joint Bookrunners and provided that one such Joint Bookrunner includes the Global Co-Ordinator (such consent not to be unreasonably withheld or delayed), directly or indirectly, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Pursuant to the Underwriting Agreement and related arrangements, the Directors have agreed that, subject to certain exceptions, from the date of the Underwriting Agreement until the date falling 365 days from the date of Admission, they will not, without the prior written consent of a majority in number of the Joint Bookrunners and provided that one such Joint Bookrunner includes the Global Co-Ordinator (such consent not to be unreasonably withheld or delayed), directly or indirectly, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.
E.6	Dilution resulting from the Global Offer	Not applicable. As no new Shares are being issued in the Global Offer, the existing Shareholders will not experience dilution in the Global Offer.
E.7	Estimated expenses charged to the investor by the Company or the Selling Shareholder	Not applicable. No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Shares pursuant to the Global Offer.

PART II

RISK FACTORS

Any investment in the Offer Shares is subject to a number of risks. Prior to investing in the Offer Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Offer Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus, including, in particular, the risk factors described below. Prospective investors should note that the risks relating to the Group, its industry and the Offer Shares summarised in the section of this document headed "Summary Information" are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Offer Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary Information" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Offer Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and, if any such risk should occur, the price of the Offer Shares may decline, and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Offer Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the Group's business, results of operations, financial condition and prospects, or the market price of the Shares.

Risks relating to the Group's business and the microfinance industry

The Group's microfinance institutions operate in emerging markets and are subject to extensive legal, regulatory and licensing requirements relating to the lending industry, and the Group does not currently hold all relevant licences required in certain countries in which it operates. Changes to these requirements or the inability to obtain the relevant licences, as well as the manner in which they are enforced, could adversely affect the Group's operations, financial condition, results of operations and prospects.

The Group's microfinance institutions operate in 12 countries within four regions: South Asia, South East Asia, East Africa and West Africa. As providers of microfinance products, including loans and in some cases, deposits and related services, they are subject to extensive, and sometimes conflicting, legal, regulatory and licensing requirements in each of the countries in which they operate, including in respect of their microfinance lending businesses, as well as regards credit acts, consumer protection laws, and 'know your customer', anti-money laundering, anti-bribery and privacy laws. The legal and regulatory environments in which the Group's microfinance institutions operate have become increasingly complex, and supervisory efforts to enact and apply new laws, regulations and policies applicable to the microfinance industry and the Group's microfinance institutions have expanded and become more rigorous in the last decade. Any material failure to comply with applicable laws or regulations could result in the Group's microfinance institutions having to modify or cease providing lending or other services, adverse regulatory actions and lawsuits being taken against the Group, or

civil or criminal liability, any of which could damage the Group's reputation and client relationships, and/or have a material adverse effect on its business, financial condition, results of operations and prospects.

For example, ASA International Microfinance Limited ("**ASA India**") has been operating as a non-banking financial company ("**NBFC**") with an NBFC registration obtained from the Reserve Bank of India ("**RBI**") since its date of commencement of business. In 2012, the RBI issued new regulations requiring NBFCs whose microfinance loan portfolios exceeded 10 per cent. of their total assets, such as ASA India, to register by late 2012 as a non-bank finance company-micro finance institution ("**NBFC-MFI**") in order to conduct microfinance activities. Due to the ongoing discussions at the time between ASA India and the RBI regarding the application of certain foreign direct investment regulations to ASA India, consideration of its application for classification as an NBFC-MFI was kept in abeyance. During this period, ASA India continued to expand its business, growing its branch network from 153 branches at the end of 2012 to 217 branches as at 31 December 2017, as well as its loan portfolio to U.S.\$91.5 million, or 30.6 per cent. of the Group's total loan portfolio, at that date.

In September 2017, ASA India received confirmation from the RBI that it was, and had at all times been, in compliance with applicable foreign direct investment regulations and, in December 2017, ASA India received approval-in-principle in the form of a letter for its NBFC-MFI categorisation from the RBI. However, formal approval has not yet been granted, as a result of which, ASA India remains in technical non-compliance with applicable NBFC-MFI categorisation requirements because microfinance loans exceed 10 per cent. of its assets. Although ASA India believes that the risk of enforcement is limited in light of the approval-in-principle already received from the RBI, there can be no assurance as to when, or if, ASA India will receive final approval of its NBFC-MFI application. While the Company believes that there are alternatives it could pursue (such as the acquisition of a company holding the relevant licence, through which new loans would be issued, and the wind-down of the existing loan portfolio held by ASA India), a failure to receive final approval could result in ASA India being subject to monetary penalties, or requirements to change its business model and/or lending activities, any of which could have a material adverse effect on ASA India's business and, more generally, on the Group's business, financial condition, results of operations and prospects.

In addition, in 2008, the Group's microfinance institution in Pakistan, ASA Pakistan Ltd. ("**ASA Pakistan**"), commenced operations as a microfinance institution, having previously received a no objection certificate from the State Bank of Pakistan (the "**SBP**") for purposes of its registration with the Securities and Exchange Commission of Pakistan (the "**SECP**") as a for-profit company that does not accept any deposits. In 2016, a notification was issued by the SECP which required microfinance institutions to register with the SECP as an NBFC (in the case of non-deposit taking microfinance institutions) by 31 October 2016. In April 2016, ASA Pakistan informed the SECP that it intended to apply for a licence with the SBP as a microfinance bank ("**MFB**") (i.e., a deposit taking microfinance institution), which it did in October 2016, and was therefore seeking an exemption from the NBFC registration process while its MFB licence application was reviewed. In response, the SECP asked ASA Pakistan to expedite its application process with the SBP and to keep the SECP updated on its progress in this regard. As ASA Pakistan's MFB licence application remained under review, ASA Pakistan continued to expand its operations in Pakistan, opening a further 15 branches and growing its loan portfolio from U.S.\$54.0 million as at 31 December 2016 to U.S.\$66.7 million as at 31 December 2017 (or 22.5 per cent. of the Group's total loan portfolio at that date).

Based on its most recent correspondence with the SBP, ASA Pakistan believes that it should obtain an MFB licence prior to the end of 2018. However, there can be no assurance that it will do so by then or at all. As ASA Pakistan has not registered with the SECP (as an NBFC) pending the outcome of its MFB licence application, it is possible, although on the advice of independent counsel ASA Pakistan believes unlikely, that the SECP could, in the intervening period, seek to require ASA Pakistan to register as an NBFC. However, based on correspondence between ASA Pakistan and the SECP, at no time has the SECP suggested that it would do so.

Nevertheless, ASA Pakistan's failure to receive an MFB licence from the SBP would result in the Company being required to register as an NBFC with the SECP, as a result of which it would not be able to accept deposits. Therefore, the failure to receive an MFB licence from the SBP could, in the longer-term, result in a higher cost of funding for ASA Pakistan, as it would be unable to build a deposit-base over time to use as a lower cost source of capital.

Furthermore, the legal and judicial systems in the countries in which the Group's microfinance institutions operate may be less developed or operating under a different political framework than those in countries in the Organization for Economic Cooperation and Development ("OECD"), and may be subject to on-going, and at times unpredictable, changes or government interventions. Changes in laws or regulations or the regulatory application or judicial interpretation of the laws and regulations applicable to the Group's microfinance institutions could adversely affect their ability to operate in the manner in which they currently conduct their businesses or make it more difficult or costly for the Group's microfinance institutions to originate or otherwise make additional loans, or for the Group's microfinance institutions to collect payments on loans by subjecting them to additional licensing, registration and other regulatory requirements in the future or otherwise. See also "*The Group's microfinance institutions may be challenged by consumers, consumer protection organisations, courts or regulatory agencies in connection with compliance with applicable legal requirements*". In addition, in line with the Group's strategy, it expects that certain of its microfinance institutions, including those in Pakistan and Sri Lanka, will become subject to further regulatory requirements if they receive deposit-taking licences in their respective countries. See "*Certain of the Group's microfinance institutions are subject to prudential capital and liquidity requirements*".

It may also not be possible, in certain circumstances, to obtain legal remedies in a timely manner or at all in these countries. The relatively limited experience of a significant number of the judges practicing in many of these countries, and the existence of a number of issues relating to the independence of the judiciary system in certain countries in which the Group operates its microfinance institutions, may lead to decisions based on considerations that are not grounded in the law. The enforcement of judgments may also prove difficult. This lack of legal certainty could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. There can be no assurance that any future change in the regulations applicable to the Group's microfinance institutions or the enforcement of existing and future rules by the various regulatory authorities that oversee its businesses will not adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's results of operations are dependent on its ability to manage interest rate risk and are subject to the risk that limits may be imposed on the amount of interest its microfinance institutions may charge.

The Group's microfinance institutions' principal source of revenue is the difference between the interest income earned in respect of the loans they disburse to their clients and the interest expense they pay in connection with the funding of their operations. The Group's microfinance institutions are therefore subject to interest rate risk, as its microfinance institutions extend income-generating loans at fixed rates, but their funding arrangements include both fixed and floating rate borrowings. Interest rates are highly sensitive to many factors beyond the Group's control, such as global monetary and interest rate conditions, monetary policies in the countries in which the Group operates, domestic and international economic and political conditions, the level of regulation and the degree of competition in the markets in which the Group operates. Macroeconomic conditions in certain countries in which the Group's microfinance institutions operate have led to a degree of volatility in the interest rate environment in these countries.

If interest rates increase but the yield on the interest-earning assets of the Group's microfinance institutions does not also increase proportionally, or if their cost of funds does not decline in proportion, any decline in the yield on their interest-earning assets, net interest income and net interest margin of the Group's microfinance

institutions would be adversely impacted. Increasing interest rates may also result in additional risks, including, *inter alia*:

- the inability of clients to service high interest rate payments or upon maturity clients choosing a new loan from more competitively priced loans from the Group's competitors, thereby leading to a reduction in the volume of loan disbursements;
- in case of prepayment of loans by clients, the inability to collect interest amounts; and
- potentially greater difficulty in obtaining low-cost funds as compared to some of the Group's competitors, some of whom hold deposit-taking licences in jurisdictions where the Group does not (e.g., India and the Philippines) and therefore have greater access to low-cost deposit funds in such jurisdictions.

Furthermore, the Group is subject to the risk that regulators in the countries in which it operates may place limits on (i) the amount of interest or fees it may charge, as is currently the case in India and Myanmar, or (ii) its net interest margin (calculated as interest income plus fees less interest expense), as is currently the case in India. These limits could adversely affect its net interest margin and/or impact the profitability of the Group's operations in the countries which have these or other similar regulatory limits.

The Group's microfinance institutions may be challenged by consumers, consumer protection organisations, courts or regulatory agencies in connection with compliance with applicable legal requirements.

The Group is exposed to the risk that its microfinance institutions and their products may become the subject of public scrutiny and onerous regulatory and transparency requirements, which may make offering loans in certain countries less profitable or unattractive. Certain consumer protection bodies, consumer advocacy groups, in particular in the Indian State of Tripura, where the Group has seen significant consumer advocacy against the microfinance industry, particularly in the run-up to elections, media reports, and a number of regulators and elected officials, have advocated government action designed to prohibit or place severe restrictions on the activities of short-term lenders such as the Group's microfinance institutions, claiming that interest rates and fees charged to clients are, on an annualised basis, higher than those charged by credit card issuers or banks to consumers with established credit histories. If any of these proposals were to materialise, they could render the Group's current business activities in certain countries unprofitable and/or impractical to continue. See "*—The Group's microfinance institutions operate in emerging markets and are subject to extensive legal, regulatory and licensing requirements relating to the lending industry, and the Group does not currently hold all relevant licences required in certain countries in which it operates. Changes to these requirements or the inability to obtain the relevant licences, as well as the manner in which they are enforced, could adversely affect the Group's operations, financial condition, results of operations and prospects*". For example, in 2010-2011 in response to public criticism of the microfinance industry, new regulatory requirements were imposed on microfinance institutions in the Indian State of Andhra Pradesh. This resulted in increased defaults and losses by microfinance institutions operating in Andhra Pradesh, and ultimately led to a liquidity crisis in the microfinance industry throughout India, which also affected microfinance institutions to which the new regulations did not directly apply, including the Group's microfinance institution in India. As a result, many microfinance institutions in India (including the Group's) had to reduce their loan portfolios, close branches and lay-off staff.

Due to the nature of the Group's business model, which is similar to the operations of the Group's competitors in the microfinance industry, small loan amounts are offered for six to twelve months, and the interest rates are or may appear to be far higher than standard market interest rates offered by other consumer credit companies for longer durations and larger loan sizes. This may give rise to allegations that the interest rates charged by the Group are too high and/or unreasonable. In addition, because the Group's microfinance institutions provide

loans predominantly to women, who sometimes have low literacy rates and belong to low-income groups, a misunderstanding of the Group's business model and the interest rates it charges may result in negative perceptions and public criticism of the Group's microfinance institutions by industry stakeholders, academics, politicians or other microfinance institutions. While the Group has client protection policies and procedures in place, there can be no assurance that its microfinance institutions will not be considered non-compliant with the relevant guidelines in the future or that they will be able to respond satisfactorily to all such queries from regulators. The terms of the Group's loans continue to be the subject of careful evaluation, analysis and critique by academics and politicians (often in the run-up to elections) in the countries in which it operates and in the wider international community. If consumers or regulators accept the characterisation of microfinance lending as unreasonably expensive or abusive toward clients, the Group's microfinance institutions could become subject to additional, more onerous legal and regulatory requirements, including, in particular, as regards consumer protection and credit laws, and the demand for its products could be adversely affected.

The Group has experienced significant growth in recent years, and may not be successful in achieving and sustaining its past growth rates, which may have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group has experienced significant growth since it was founded in 2007, establishing microfinance institutions (banks, microfinance banks or lending companies) in five countries within two years: the Philippines, Ghana, Pakistan, India and Sri Lanka. Since then, the Group has expanded into seven other countries and, as at 31 December 2017, was servicing 1.8 million clients through 1,387 branches. The number of clients serviced by the Group's microfinance institutions and the number of branches grew at compound annual growth rates ("CAGRs") of 30.8 per cent. and 22.8 per cent., respectively, from 2013 to 2017. The Group expects the expansion of its geographic footprint, network of branches and clients to continue through growth of operations within its existing branch network, expansion into new regions within its existing countries, as well as expansion into new countries, such as Zambia and Cameroon. However, there can be no assurance that it will be able to maintain the rates of growth it has achieved historically, and any failure to do so could adversely affect its business, financial condition, results of operations and prospects.

In addition, as a consequence of expanded operations and a larger branch network, the Group may also be exposed to certain additional risks, including: difficulties arising from operating a larger and more complex organisation; the failure to efficiently and optimally allocate management, technology and other resources (including capital) across its operations; difficulties integrating new branches with the existing branch network; difficulties hiring and retaining skilled personnel in sufficient numbers to operate the new branches locally; failure to maintain the level of client service in the new branches; difficulties arising from co-ordinating corporate and administrative functions, including integration of internal controls and procedures, including risk management and sustaining historical levels of asset quality; and unforeseen legal, regulatory, property, labour or other issues. An expanded geographic footprint may also expose the Group to various challenges, including the failure to comply with new or additional regulatory requirements which could have a potential adverse impact on the Group's profitability. In addition, newly opened branches generally have higher staff turnover and levels of non-performing loans as the Group tailors its model to local, cultural or economic conditions and newly hired local staff gain experience through on the job training. The Group may be limited by its ability to recruit and retain its new staff or an inability to tailor its model to local conditions. The Group's inability to effectively manage any of these issues may adversely affect its business growth and, as a result, impact its business, financial condition, results of operations and prospects.

Certain of the Group's microfinance institutions are subject to prudential capital and liquidity requirements.

The Group's microfinance institutions in Ghana, Nigeria, Myanmar and Rwanda are licensed to take deposits and, therefore, are subject to prudential and liquidity requirements, including capital adequacy requirements in

the countries in which they operate. In addition, regulators in certain of the countries in which the Group operates, such as Ghana, India, Sri Lanka, Uganda, Kenya and Pakistan, have either implemented or are in the process of further implementing regulations which seek to strengthen, among other things, the liquidity and capital requirements of companies operating in the microfinance industry. While the Group is currently in compliance with its existing prudential capital and liquidity requirements, there is a risk that these reforms could give rise to higher regulatory capital requirements than the Group has anticipated within its strategic plans. If any of the Group's microfinance institutions have, or are perceived to have, a shortfall of capital, it may be required to raise additional regulatory capital, become subject to regulatory intervention and sanctions, and/or could suffer a loss of confidence in the market. In addition, the Group has applied for, or is considering applying for, deposit taking licences in a number of additional countries, which would result in the application of additional regulatory requirements pertaining to, among others, capital and liquidity positions, which may result in the need for additional capital to be held by the microfinance institution. While the Group expects to be able to comply with the higher prudential capital and liquidity requirements to which it would be subject if its pending deposit-taking applications are approved, the imposition of new or more stringent capital requirements in certain countries may also impact the ability of the Group's microfinance institutions to continue to grow their balance sheets. There can be no assurance that the Group's microfinance institutions would be able to raise any such capital on acceptable terms or at all, or that any regulatory intervention or sanctions would not require a material change to way in which the Group's microfinance institutions conduct their operations in the affected countries, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

A change of control of certain of the Group's subsidiaries resulting from the Global Offer or thereafter as a result of further Share transfers or the issuance of new Shares by the Company may trigger significant NRCGT liabilities in certain jurisdictions for the affected subsidiaries. Although the Selling Shareholder will upon Admission place U.S.\$20 million of its net proceeds in escrow for purposes of funding the payment of such liabilities, if lawfully assessed, there is a risk that the actual liabilities may significantly exceed the Escrow Amount (as defined below), in which case any additional amounts payable will be borne by the Group without recourse to the Selling Shareholder.

In certain countries in which the Group operates, NRCGT regimes have recently been enacted 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 per cent. of the underlying ownership of a subsidiary resident in that country, as measured over a rolling three-year period (a "COC"). In each case, the liability is payable by the local subsidiary.

Taking into account corporate events prior to Admission relating to the distribution of indirect entitlements to Shares via a distribution of preferred shares in Continuity to ASA NGO Bangladesh and to pension schemes connected with such individuals and certain members of the Company's management, as well as the sale of Shares by the Selling Shareholder in the Global Offer, an indirect COC giving rise to possible NRCGT liabilities in certain countries in which the Group operates may be triggered. If a potential COC does not occur at the time of the Global Offer, it may occur when the Selling Shareholder distributes the Shares that it holds in the Company to its shareholders in accordance with the terms of the CMI shareholders' agreement (the "**CMI Distribution**"), which is expected to take place no later than 31 December 2018 or, alternatively, in the event of a further future issuance of Shares by the Company.

The amount of NRCGT payable in the relevant countries is generally determined with reference to the valuation of the relevant subsidiary in that country at the time the COC is determined to have occurred under applicable law. However, as the valuation methodologies used to calculate the relevant liabilities vary by country and may be subjective, and as the NRCGT laws are relatively new, generally untested and subject to significant uncertainties, these laws may also apply to future trading of the Shares post-Admission and the Company's assessment of the size of any potential NRCGT may be inaccurate.

Nevertheless, based on valuations undertaken by the Company in connection with professional advice it has received from counsel in the jurisdictions in which NRCGT may be payable, the Selling Shareholder has agreed upon Admission to place U.S.\$20.0 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**”). There can be no assurance that the relevant tax authorities would not use a different approach from that used in the valuations undertaken by the Company, which could lead to significantly higher valuations being used by the tax authorities in the calculation of any NRCGT liabilities. The Escrow Amount may be applied to fund IPO-related Tax Liabilities (as defined in the escrow deed dated 29 June 2018 between, *inter alia*, CMI and the Company (the “**Escrow Deed**”)), which may include NRCGT liabilities, as determined by a majority of any two of the independent directors of the Board of Directors of the Company and a member of the board of directors of CMI, as more fully described under paragraph 15.12 of Part XIX: “*Additional Information—Material Contracts—Escrow Documents*”. Additional events post-Admission, including future issuances of Shares by the Company, further Share sales by the Selling Shareholder and secondary trading post-Admission, have not been taken into account in computing the Escrow Amount, and there is a risk that the NRCGT regimes could apply to these additional events.

The Company and the Selling Shareholder believe that the Escrow Amount is sufficient to cover its current estimate of the aggregate IPO-related Tax Liabilities if a COC is triggered in connection with the Global Offer. The Escrow Amount also includes a buffer amount if amounts in excess of the Company’s estimate are determined to be payable. However, there is a risk that the actual NRCGT liabilities may significantly exceed the Company’s estimates and the buffer amount, in which case the Group will be required to fund the excess itself and would not have further recourse to the Selling Shareholder, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group’s business involves transactions with relatively higher risk borrowers that do not have access to formal banking channels.

The Group’s clients are primarily low-income female micro-entrepreneurs and small business owners who are underserved by the traditional financial system, and have limited sources of income, savings and credit records. In addition, as its client base is “financially underserved”, their credit histories are sometimes not captured by any central credit bureaus or similar third-party organisations (with the exception of India, Pakistan, Ghana, Rwanda and Nigeria) to help the Group’s microfinance institutions assess their credit quality. Therefore, in the absence of reliable credit histories from central credit bureaus, the Group’s microfinance institutions must rely on the information provided by their clients in connection with their loan applications, some of which may be incomplete and/or difficult to verify. Furthermore, although the Group’s microfinance institutions receive repayment guarantees from relatives of, or members of the lending group of, their clients, and in certain countries require clients to deposit fixed amounts in cash as security collateral, these guarantors or the security collateral collected may not be sufficient to recover the full amount of any loan (as 5 to 20 per cent. of the value of the loan is typically collected as security collateral). In addition, in certain countries, such as Pakistan and India, the Group’s microfinance institutions are not allowed to take any security collateral. Therefore, the Group’s microfinance institutions primarily rely on the non-traditional guarantee mechanism of social cohesion rather than any tangible assets as security collateral and as a result, the clients of the Group’s microfinance institutions potentially present a higher risk of loss in case of a credit default compared to clients of more traditional banking institutions. Furthermore, the clients of the Group’s microfinance institutions may face cash flow constraints due to, for example, losses incurred by them in their enterprises, payment of other liabilities to other microfinance institutions or lenders, the economic activities pursued by them, the impact of macroeconomic trends and political events affecting the countries in which these institutions operate or natural disasters, which could lead to a diversion of loan proceeds for purposes, including consumption expenses, other than those for which the loan was sanctioned. Any cash flow constraints or diversion of loan proceeds may impact the ability of their clients to repay their loans, and, in turn, its ability to recover the loans.

If the Group is unable to manage the level of non-performing loans, or if the Group's loan loss reserves are insufficient, its business, financial condition, results of operations and prospects may be adversely affected.

For the three years ended 31 December 2015, 2016 and 2017, the Group's Portfolio at Risk greater than thirty days ("PAR>30") was 0.4 per cent., 0.5 per cent. (adjusted to exclude the impact of demonetisation in India or 3.2 per cent. without such adjustment) and 0.6 per cent., respectively (compared to an average portfolio at risk greater than 90 days of 3.7 per cent. as at 31 December 2017 for certain of its competitors (i.e., Equitas Holdings Limited, GENTERA, S.A.B. de C.V., Bharat Financial Inclusion Limited, Ujjivan Financial Services Limited and Bandhan Bank Limited). There can be no assurance that the Group will be able to effectively maintain the level of impaired loans in its total loan portfolio at these levels. The proportion of non-performing loans may increase in the future as a result of growth in the Group's total loan portfolio, or due to factors beyond the Group's control, such as the impact of macroeconomic trends and political events affecting the countries in which the Group's microfinance institutions operate, events affecting specific industries or natural disasters. The clients of the Group's microfinance institutions are low-income and, as a result, are particularly vulnerable if economic conditions worsen, growth rates decelerate or if there are natural disasters such as floods and droughts in the countries in which they live. In addition, current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the total loan portfolio. As a result, if the quality of the total loan portfolio deteriorates, the Group's microfinance institutions may be required to increase their loan loss reserves and/or write off loans, which may adversely affect their financial condition and/or results of operations.

Moreover, there is no precise method for predicting loan and credit losses, and there can be no assurance that the Group's monitoring and risk management procedures will effectively predict the amount of future losses or that loan loss reserves will be sufficient to cover any actual losses. If the Group is unable to continue to effectively control the level of its non-performing or poor credit quality loans, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group's interest income is dependent upon short-term loans and their renewal.

The significant majority of the loans issued by the Group's microfinance institutions are due within one year of disbursement. The relatively short-term nature of these loans means that the long-term interest income stream of the Group's microfinance institutions is less stable than if a portion of these loans were for a longer term. There can be no assurance that future clients of the Group's microfinance institutions will continue to elect to obtain new loans from the Group's microfinance institutions upon maturity of their existing loans, particularly if competition increases, which could have an adverse effect on the Group's interest income and margins if it needs to lower the interest rates it charges to attract new, and retain, existing clients. If this were to occur, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

A significant percentage of the Group's profit for the year and dividends are derived from a small number of its microfinance institutions

A significant percentage of the Group's profit for the year and dividends are derived from its microfinance institutions in Ghana and Pakistan. For the year ended 31 December 2017, these microfinance institutions generated 67.3 per cent. of the Group's profit for the year and 87.4 per cent. of the dividends paid by the Group's microfinance institutions. Furthermore, five of the Group's microfinance institutions (India, Pakistan, the Philippines, Nigeria and Ghana) accounted for 99 per cent. of the dividends paid by the Group's microfinance institutions and 93 per cent. of the Group's profits for the year ended 31 December 2017 and, as such, any event that negatively affects the aggregate amount of dividends paid by these microfinance institutions, or their ability to upstream such dividends to the Company, could have an adverse effect on the Group's financial performance and the trading price of the Shares. While the Group expects that the relative proportion contributed by these

countries to its financial results will decline over time as its newer microfinance institutions become more mature, the Group's results of operations are, and will continue to be, significantly affected by financial, economic and political developments in or affecting these countries and the financial performance of these microfinance institutions.

The Group relies on its senior management team and local staff to grow its business, and the loss of key employees or the inability to hire key personnel could harm its business.

The Group's success has depended, and will continue to depend, on the efforts and talents of its senior management team in Dhaka and Amsterdam, which has significant experience in the microfinance, banking and financial services industries. In particular, the Group is highly dependent on the service, expertise and experience of the Company's Chief Executive Officer, Dirk Brouwer, and Non-Executive Chairman, Md. Shafiqul Haque Choudhury. The Company does not currently have any succession plans in place. In addition, certain of the Group's senior managers may from time to time require entry and work visas, which may be difficult to obtain and may limit the Group's ability to deploy, or its inability to obtain appropriate visas for its key personnel, in new or existing countries of operation when it wishes to do so. The loss of any of the Group's executive officers or senior managers could negatively affect the Group's ability to execute its business strategy.

The success of the Group's microfinance institutions also depends on their continuing ability to identify, attract, hire, train and retain qualified staff in the countries in which they operate. Due to the decentralised structure of the Group's business where authority is delegated from the Group's headquarters in Dhaka and Amsterdam to country head offices, and from country head offices to district, regional, area and branch managers, and loan officers who are responsible for managing client relationships, the Group's microfinance institutions are particularly dependent on their teams of branch managers and loan officers, in addition to their district, regional and area managers. In particular, the Group's microfinance institutions generally see a high rate of loan officer turnover during the first six months of employment. If a substantial number of the Group's microfinance institutions' loan officers or managers left or were unable to effectively service their clients over a period of time, the Group's business would be adversely affected. Because the countries in which the Group operates are emerging markets, the number of suitably qualified personnel may be limited and competition to hire and retain such personnel is intense. The Group's microfinance institutions may be unable to attract, integrate or retain qualified personnel necessary to maintain the quality and reputation of its services or to sustain its microfinance institutions or could also severely limit the Group's expansion plans. If this were to occur, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group operates in a highly competitive industry and it may be unable to compete successfully against existing or new competitors.

The Group's microfinance institutions face competition from other for-profit or non-profit microfinance institutions, banks and financial institutions, non-governmental organisations and, in certain countries, state-sponsored social programmes. In addition, in certain countries, including Pakistan, regulators have implemented guidelines applicable to microfinance institutions which restrict the number of microfinance institutions that can extend loans to the same borrower, and also limit the maximum amount of loans that can be extended. The presence of microfinance institutions in the countries in which the Group's microfinance institutions operate is not uniform, and certain countries and regions within those countries have a concentration of a large number of microfinance institutions. In any particular region, the level of competition depends on the number of microfinance institutions that operate in the region. Furthermore, many of the Group's potential clients do not have access to any form of organised institutional lending, and rely on loans from informal sources, especially (illegal) moneylenders, landlords, local shopkeepers and traders, at much higher rates. In addition, the Group and other microfinance institutions may potentially face competition from the evolving nature of digital finance, which may allow existing microfinance institutions to grow their operations more rapidly through digital platforms or enable other new competitors to enter the microfinance industry.

Some of the competitors of the Group's microfinance institutions may have greater assets and better access to, and lower costs of, funding than the Group's microfinance institutions. In particular, competitors which have received banking licences may have access to lower cost capital. In addition, in certain countries, such as the Philippines, some of the Group's competitors are non-governmental organisations, which may be exempt from certain taxes or regulatory requirements applicable to the Group's microfinance institutions or benefit from lower tax rates or less onerous regulation than the Group's microfinance institutions, resulting in higher operating costs for the Group's microfinance institutions compared to their competitors. As a result of increased competition, products in the microfinance industry have become increasingly standardised, and variable interest rate and payment terms and lower processing fees are becoming increasingly common across products. The ability of the Group's microfinance institutions to compete effectively is dependent on their ability to raise low-cost funding, maintain or decrease operating expenses and manage credit costs, and address adverse finance industry trends. Finally, in the Philippines, India and Nigeria, the principal competitors of the Group's microfinance institutions also use basic elements of the ASA NGO Bangladesh model of microfinance (the "ASA Model") or variations thereof, as a result of which the Group's microfinance institutions in these countries must compete principally on the quality of their customer service and price. There can be no assurance that the Group's microfinance institutions will be able to effectively address these or other microfinance industry trends or compete effectively with new and existing commercial banks and other financial intermediaries, and an inability to effectively address such competition may adversely affect the Group's business, financial condition, results of operations and prospects.

The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

The Group's microfinance institutions receive, collect, process, transmit and store a large volume of personal information and related data from clients and potential clients. Consequently, they are subject to various local laws and regulations regarding privacy and the storing, sharing, use, disclosure and protection of this information and data. In addition, the Group's microfinance institutions also rely on the secure processing, storage and transmission of confidential and other information in their computer systems and networks. These computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could compromise data integrity and security. Despite the Group's efforts to ensure the integrity of its systems, it is possible that it may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognised until launched. Any accidental or wilful security breaches (whether actual or perceived) or other unauthorised access to this confidential information could expose the Group to a risk of loss or misuse of this information, negative publicity, litigation, and potential liability. In addition, many countries have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are also costly to implement and often lead to widespread negative publicity, which may cause the clients of the Group's microfinance institutions to lose confidence in the effectiveness of its data security measures. Any security breach, whether actual or perceived, could harm the Group's reputation.

As the regulatory framework for privacy issues in the Asian and African countries in which the Group's microfinance institutions operate is developing and the interpretation and application of these regulations is likely to remain uncertain for the foreseeable future, these regulations may not adequately protect personal data. Furthermore, these regulations may be interpreted and applied in a manner that is inconsistent with the Group's current policies and practices or require changes to the Group's business model or practices, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Negative publicity due to client complaints, litigation or other factors, or a negative public perception about the Group's business or the microfinance industry in general, could impact its business, financial condition, results of operations and prospects.

The reputation of the Group's microfinance institutions is very important to their ability to attract new and retain existing clients. While the Group believes that its microfinance institutions have good reputations and provide a high-quality client experience, there can be no assurance that they will continue to maintain a good relationship with their clients or avoid negative publicity. Negative publicity about the microfinance industry, the Group, its management or any of its microfinance institutions could adversely affect the Group's reputation and the confidence in, and the use of, its products. The Group's reputation could be harmed for a number of reasons, including:

- failure by its microfinance institutions to meet minimum standards of service and quality;
- employee misconduct;
- inadequate protection of client information, compliance failures and security breaches;
- its microfinance institutions' inability to effectively manage and resolve complaints from clients, even if inaccurate; or
- litigation resulting from relationships with clients, competitors or regulatory authorities.

Furthermore, through the close association between the Group and ASA NGO Bangladesh, which was founded by the Group's Non-Executive Chairman and one of its principal shareholders, Md. Shafiqul Haque Choudhury, who is also the President of ASA NGO Bangladesh, any negative publicity about ASA NGO Bangladesh, the ASA Model or Mr Choudhury could also adversely affect the Group's reputation.

Any damage to the Group's reputation arising from negative publicity, an adverse perception of the Group's businesses, the ASA Model, ASA NGO Bangladesh, Mr Choudhury or the microfinance industry in general, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A significant proportion of the Group's transactions is in cash, which exposes the Group to certain operational risks.

The business operations of the Group's microfinance institutions, including lending and collection, are conducted mostly in cash in the majority of countries in which they operate (excluding certain regions of Kenya and Tanzania, which primarily use mobile to mobile transfers), thereby exposing the Group's microfinance institutions to certain operational risks such as loss, theft, fraud, misappropriation, embezzlement or unauthorised transactions by employees responsible for dealing with cash transactions. These risks are exacerbated by the high levels of responsibility the Group delegates to the employees of its microfinance institutions and the geographically dispersed nature of the Group's network. In addition, the Group's branches in certain urban, semi-urban and rural markets carry additional risks due to underdeveloped or poor infrastructure, in particular limited network coverage which limits the ability of the Group to implement real-time transaction reporting in the field.

While the Group has introduced and implemented internal control procedures to monitor, detect and prevent unauthorised transactions, these procedures have not been in the past, and may not be in the future, sufficient to prevent or deter such activities in all cases. Furthermore, the Group's microfinance institutions may be subject to regulatory or other proceedings in connection with any unauthorised transactions, fraud or misappropriation by their representatives and employees, which could adversely affect their reputation.

Given the high volume of transactions involving cash, certain instances of fraud and misconduct by the Group's employees may also go unnoticed for some time before discovery. Even when instances of fraud and other misconduct are discovered, and remedial actions are taken, there can be no assurance that the Group's microfinance institutions will recover any amounts lost through such fraud or other misconduct.

The Group's financial results are subject to foreign exchange risk.

The Group is exposed to translational and transactional foreign currency risks. Translation foreign currency risk results from translating the operating results and assets and liabilities of the Group's microfinance institutions which are denominated in local currencies into U.S. dollars for consolidated financial reporting purposes. Fluctuations in the values of the local currencies of the countries in which the Group operates, in particular the Pakistani rupee, the Indian rupee, the Ghanaian cedi, the Philippine peso and the Nigerian naira, in relation to the U.S. dollar, which is the Group's reporting currency, have had and could continue to have a significant impact on the Group's financial results. Transactional foreign currency risk arises from the Group borrowing in U.S. dollars but lending to clients in local currencies, which creates a risk of financial loss arising from adverse movements in foreign exchange rates. The Group also obtains funding in U.S. dollars at an intermediate holding company level (totalling U.S.\$67.5 million held by ASA International Holding ("ASAIH") as at 31 December 2017) which is sometimes down-streamed through shareholder loans to its microfinance institutions. While the Group aims to naturally hedge transactional foreign currency risk by borrowing in local currencies to the extent possible, and certain of its microfinance institutions have entered into foreign currency exchange forward contracts to reduce their exposure to changes in exchange rates, due to the emerging nature of the countries in which the Group operates, foreign currency exchange forward contracts may not always be available or may only be available for limited lengths of time resulting in repricing risk or may only be available in limited amounts. In addition, the volatility of foreign currency exchange rates is dependent on many factors that cannot be forecasted with reliable accuracy and the Group's hedging strategies may not prove effective in reducing its foreign currency exposures.

The ownership structure of the Group's microfinance institutions may be subject to risks associated with foreign ownership or shareholder concentration restrictions.

Certain countries in which the Group operates have adopted laws or regulations limiting foreign ownership of businesses, including microfinance institutions, lending companies and NBFCs, such as was historically the case in India and the Philippines, or prohibiting any one shareholder from holding more than a certain percentage in a microfinance institution, lending company or other financial services company, such as in Tanzania or Zambia. For example, laws in India previously placed a limit on percentage of share capital held by non-Indian nationals and in Zambia, shareholder concentration rules prohibit any one shareholder from holding more than 25 per cent. of the share capital in a bank. Consistent with the approach taken by many foreign-owned companies in the relevant countries, the Group has addressed foreign ownership restrictions by implementing corporate ownership structures commonly used in the relevant country and in Zambia, has addressed shareholder concentration rules by obtaining a waiver from the relevant authorities as part of establishing its microfinance institution in Zambia (which has not yet commenced operations). However, it is possible that these waivers could be revoked or not renewed and/or that these corporate structures could be unilaterally challenged by a local court or regulator on the basis of the respective laws and regulations on foreign ownership or shareholder concentration, and the central bank or local court or regulator could decide that the Group's ownership structure of the relevant microfinance institution violated foreign ownership or shareholder concentration rules. The Group's microfinance institutions (in whatever corporate structure and form) are also subject to the risk that restrictions on foreign ownership or shareholder concentration could be implemented in additional countries or be tightened in existing countries, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group is subject to cyber security risks and any failure, inadequacy or breach of its computer systems may adversely affect its reputation, business, financial condition, results of operations and prospects.

The Group's microfinance institutions are significantly dependent on their ability to process a large number of transactions on a daily basis across their branch network. The Group's microfinance institutions use information technology as a strategic tool in their business operations for various functions, including loan origination, administration and monitoring, as well as to improve overall productivity, such as the use of tablets or other electronic devices by their loan officers. The Group's financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond its control, including a disruption of electrical or information technology infrastructure, particularly as the Group's microfinance institutions operate in countries with less advanced and/or poorly developed telecommunications, power and related infrastructure networks on which its information technology systems depend.

Any disruption or failure in the Group's technology infrastructure may have significant consequences for its microfinance institutions, including, but not limited to:

- the disabling or malfunctioning of financial, accounting or data processing systems;
- an inability to service clients on a timely basis or at all;
- the non-availability of regional or local information to the Group's management to enable it to plan for or respond to contingencies and changes in market conditions in a timely manner or at all; and
- the loss of confidential or material data in relation to the Group's financial products.

As the business of the Group expands, the inability of its systems to accommodate an increasing volume of transactions could also constrain its ability to expand.

The Group's ability to operate and remain competitive will depend in part on its ability to maintain and upgrade its information technology, management information and enterprise mobility systems in a timely and cost-effective manner. The Group must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive and where it has a deposit-taking licence, may be subject to regulatory approval which may cause delays or require further changes to planned upgrades. The information available to and received by management through the existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in the Group's microfinance institutions. The Group may experience difficulties in upgrading, developing and expanding new pilot technologies quickly enough to accommodate a growing client base and additional products and services. Any failure to effectively maintain or improve or upgrade its information technology, including third-party software licences, management information and enterprise mobility systems in a timely manner could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is exposed to liquidity risks, and its ability to raise additional capital could be limited.

The Group's microfinance institutions require significant capital, and their financial condition is dependent on timely access to, and the cost of, capital. Although the Group's cash inflows and capital resources are sufficient to fund its debt service obligations and to satisfy its current working capital and other liquidity needs for at least the next 12 months, there can be no assurance that this will continue to be the case over the longer term due to the factors discussed below.

Furthermore, as at 31 December 2017, a total of U.S.\$67.5 million of the Group's debt was held by ASAIH, an intermediate holding company, of which U.S.\$35.0 million had been down-streamed to the Group's microfinance institutions through shareholder loans. Repayment of these shareholder loans and, in turn,

repayment of the debt held by ASAIH is dependent upon the ability of the Group's microfinance institutions to distribute earnings. In addition, the lack of availability of U.S. dollars within any particular country in which the Group operates may delay or prevent the Company from receiving distributions from its microfinance institutions. For example, in Nigeria in 2016, the depreciation of the naira against the U.S. dollar resulted in a shortage of U.S. dollars within Nigeria and, consequently, the delay and rescheduling of payments by the Group's microfinance institution in Nigeria on its U.S. dollar-denominated shareholder loans.

The Group and its microfinance institutions depend on their ability to privately or publicly raise additional capital to manage their liquidity risks, pursue their growth strategy, maintain their interest margins and respond to business opportunities, challenges or unforeseen circumstances. However, such financing might not be available when the Group needs it, on acceptable terms, or at all. In certain countries, such as India, the Group has historically benefitted from regulations that incentivised commercial banks to lend to the microfinance industry at preferential interest rates, and any changes to these regulations which eliminate or reduce these incentives could reduce the amount of capital available and/or increase the cost of capital to its microfinance institution in India. Furthermore, the terms of any additional financing may place limits on its financial and operational flexibility.

The ability of the Group's microfinance institutions to raise capital in the future could be affected by a number of factors, including:

- a deterioration in general economic conditions globally or in the countries in which the Group's microfinance institutions operate;
- a sudden or unexpected shortage of funds in the banking and financial system;
- an increase in interest rates;
- a deterioration in the results of operations of the Group's microfinance institutions;
- an inability to obtain the necessary regulatory approvals, including bank or other licences (including deposit-taking licences) permitting the Group's microfinance institutions to take deposits;
- insufficient competition among banks or other potential sources of financing;
- the inclusion of restrictive covenants in financing arrangements or the occurrence of events of default or breaches of these covenants; and/or
- insufficient demand for securities in the debt or equity capital markets.

Any inability to raise capital, as needed and on acceptable terms, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The terms of the Group's indebtedness contain restrictions that may limit its flexibility to operate its business.

The terms of the outstanding indebtedness of the Group and certain of its microfinance institutions contain covenants that require the Group or such microfinance institutions to, among other things, maintain certain financial ratios, as well as negative covenants that limit their ability to, among other things, incur additional financial indebtedness, grant security or create any security interests over assets, pay dividends if there is a default continuing, if a default would result from such payment or if certain financial ratios would exceed specified ratios. Largely as a result of the demonetisation of the rupee in India in late 2016, certain members of the Group (including ASAIH and ASA India), like numerous other lending institutions in India, were temporarily in breach of certain financial ratios under their respective debt funding obligations. The Group and its microfinance institutions duly notified their lenders and, with one exception, received waivers from, and in

a small number of instances agreed amendments to, the relevant covenants. The exception is in respect of a facility from the State Bank of India, under which ASA India has breached two financial ratios. The Group has been in regular dialogue with the State Bank of India regarding the relevant covenants, has received a waiver in respect of one covenant, and the possibility of obtaining a waiver in relation to the remaining covenant in due course. The current status of this loan has been taken into account and is not treated as a committed facility for purposes of the work undertaken to support the statements made in the Prospectus as to the sufficiency of the Group's working capital. Further, if this facility were to be withdrawn, the Group has demonstrated, based on projected cashflows, that it will be able to repay this facility and it would not have a material impact on the Group or ASA India.

Save for the State Bank of India facility, the Group and its microfinance institutions are currently in compliance with their respective obligations under their current debt funding arrangements, and the Company is not aware of any circumstances which indicate that any of these obligations will be breached for at least the next 12 months. However, there can be no assurance that the Group and its microfinance institutions will not have instances of breaches in the longer term, nor that, in such circumstances, the Group or the relevant microfinance institution would be able to obtain a waiver from the relevant lenders for such a breach, to restructure or amend the terms of the relevant financing agreements or to obtain alternative financing on acceptable terms or at all. Notwithstanding the foregoing, nothing in this risk factor is intended to qualify the statements made in this Prospectus as to the sufficiency of the Group's working capital. In addition, terms of certain debt funding contain cross-default and cross-acceleration provisions. A failure to comply with the relevant obligations or to meet debt obligations under applicable financing arrangements may therefore result in an acceleration of certain of its outstanding indebtedness, which could have a material adverse affect on the Group's business, financial condition, results of operations and prospects.

It may be difficult or costly for the Group to protect its intellectual property rights.

The success of the Group's business depends on its ability to protect and enforce its intellectual property rights (including copyrights, patents and trademarks) and confidential information. The Group's ability to lend to its clients depends, in part, on its proprietary technology, including the ASA International Micro Banking System, or "AMBS". The Group may not protect its proprietary technology effectively, which may allow competitors to duplicate its systems and adversely affect the Group's ability to compete. Despite the Group's efforts to protect its intellectual property rights and confidential information, unauthorised parties may not be deterred from infringement, misuse or misappropriation of its intellectual property rights and confidential information. The pursuit of a claim against a third party for infringement of the Group's intellectual property could be costly or unattainable, and there can be no guarantee that any such efforts would be successful.

In addition, the Group's systems may infringe upon claims of third-party intellectual property, and it may face intellectual property challenges from such other parties. The Group may not be successful in defending against any such challenges or in obtaining licences to avoid or resolve any intellectual property disputes. The costs of defending any such claims or litigation could be significant. If the Group cannot protect its proprietary technology from intellectual property challenges, its ability to maintain its platform, make loans or perform its servicing obligations on the loans could be adversely affected. As a result, its business, financial condition, results of operations and prospects could be adversely affected.

The Group's insurance coverage may not adequately protect it against losses.

The Group maintains insurance coverage of the type and in the amounts that the Directors believe are commensurate with the Group's operations, including directors' and officers' liability insurance. The Group's insurance policies, however, may not provide adequate coverage in certain circumstances and may be subject to certain deductibles, exclusions and limits on coverage. For example, the Group's insurance coverage does not extend to its loan portfolio. In addition, there are various types of risks and losses for which the Group does

not maintain insurance, such as losses due to business interruption and natural disasters, either because they are either uninsurable or because insurance is not available on acceptable terms. There can be no assurance that the terms of the Group's insurance policies will be adequate to cover any damage or loss suffered by the Group or that such coverage will continue to be available on reasonable terms or at all.

The Group is subject to the risk associated with the majority of its premises being leased.

The Group has entered into lease agreements for the majority of its premises with the exception of the head office in the Philippines, including its headquarters in Dhaka and Amsterdam. Nearly all its branches, which are typically repurposed houses or apartments (other than main bank branches in Ghana) serve as both an office and staff accommodation. As the Group does not own the majority of its premises, it may be required to relocate branches if it is unable to negotiate acceptable lease terms and/or is required to vacate leased premises. There can be no assurance that the Group will be able to renew its leases on commercially favourable terms, or at all. If the Group is unable to renew its leases on acceptable terms and/or is otherwise required to move a branch, its business could be disrupted and the Group may incur additional costs associated with relocating its offices, which could adversely affect the Group's business, financial condition, results of operations and prospects.

Natural disasters, pandemic diseases or other catastrophic events could adversely impact the Group's business, financial condition, results of operations and prospects.

The Group's microfinance institutions and their clients are located in areas that are particularly vulnerable to the effects of natural calamities such as pandemics, floods, drought, tornadoes, earthquakes, fires, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events. Natural disasters have in the past had, and could in the future have, a material adverse impact on the ability of their clients to service their loans, particularly if the businesses which provide the income necessary to do so are destroyed, in which case the Group's microfinance institutions may have to write-off the affected loans as unrecoverable. The Group's microfinance institutions have in the past experienced disruptions caused by typhoons in the Philippines, earthquakes in India and Pakistan, and flooding in Sri Lanka and Sierra Leone (which triggered a landslide in 2017 in Freetown). Although the Group has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to its business or the economy as a whole. Furthermore, the infrastructure (including electricity, information technology or transportation infrastructure) in the countries in which the Group's microfinance institutions operate is generally less well-developed and more vulnerable to failure or disruption than infrastructure systems in more developed countries. Any disruption in basic infrastructure due to a natural disaster or a general failure of existing infrastructure, or the failure of the central, state, or local governments of the countries in which the Group's microfinance institutions operate to improve the existing infrastructure, could negatively impact the ability of the Group's microfinance institutions to continue developing their products and delivering them to their clients. If an earthquake, terrorist attack or other catastrophe were to destroy or disrupt vital infrastructure systems or create adverse economic conditions or result in the relocation of the clients or potential clients of the Group's microfinance institutions for any extended period of time, the Group's microfinance institutions' ability to continue their business in the impacted area would be jeopardised, which could adversely affect the Group's business, financial condition, results of operations and prospects.

Higher inflation rates in the countries in which the Group operates could adversely affect the Group's operating margin.

As the Group's microfinance institutions provide their loans in local currency, their operating margins also depend on the level of inflation in each of the countries in which the Group's microfinance institutions operate. Historically, the levels of inflation tend to differ significantly across countries, and within a country, over time. While, for example, countries such as India, Pakistan and the Philippines, had relatively low or even negative inflation rates over the last three years, countries like Ghana, Nigeria and Sierra Leone experienced double-digit inflation rates in the same period of time. There is a risk that the inflation rate in one or more of the

countries in which the Group's microfinance institutions operate actually exceeds the level of inflation the Group assumed when disbursing loans. For example, central banks could target higher inflation, or higher levels of foreign and domestic supplies of currencies, or demand shocks, in particular with regard to energy, food or commodity prices, could also drive higher inflation, in addition to limiting economic growth. If inflation increases and the Group has failed to anticipate these increases while determining the interest rates for the loans disbursed in the affected country, its operating margin could be adversely affected, while its clients' ability to repay their loans may also be negatively impacted by higher inflation. In such event, the margins of the Group's microfinance institutions or those of the Group could significantly decline or even become non-existent.

Significant, sudden or unforeseen economic or political changes may harm the Group's business, financial condition, results of operations and prospects.

The Group's performance depends on global and regional economic conditions, which have shown significant volatility in recent years. Economic downturns or the worsening of economic conditions tend to have a disproportionately negative impact on consumer confidence and discretionary consumer spending, particularly among lower-income women, who are the primary clients of the Group's microfinance institutions. Therefore, any period of economic slowdown or recession in the countries in which the Group's microfinance institutions operate may result in rising inflation and increased unemployment rates, which may negatively affect demand for the loan products of the Group's microfinance institutions by potential clients and default rates by existing clients, even if the Group's microfinance institutions adjust their credit scoring models to reflect the new economic conditions.

In recent years, certain countries in emerging markets, including those in which the Group's microfinance institutions operate, have undergone substantial political, economic and social changes. Emerging markets have, in general, significantly less political or social stability than is generally found in countries in the OECD. For example, recently there have been human rights violations and the displacement of large numbers of people in Myanmar, political unrest in Kenya and ethnic and religious disputes in Nigeria. Additionally, the legal and judicial systems in some of these countries are less developed than in Western European countries and the United States. As the business, legal and regulatory infrastructures in these countries are continuously evolving, in particular, the currency legislation in these countries is subject to varying interpretations and changes which can occur frequently. Therefore, doing business in these countries carries certain inherent risks. For example, in late 2016, the demonetisation of certain banknotes in India resulted in a significant increase in ASA India's PAR>30, as clients were unable to use the invalidated bank notes to pay their instalments, which resulted in an increase in overdue loans. In Nigeria in 2016, the depreciation of the naira against the U.S. dollar resulted in a shortage of U.S. dollars within Nigeria and, consequently, the delay and rescheduling of payments by the Group's microfinance institution in Nigeria on its U.S. dollar-denominated shareholder loans.

Any detrimental changes in, or any deterioration of, the political or economic environment in the countries in which the Group's microfinance institutions currently operate, or may operate in the future, could lead to political and economic instability that may, in particular, lead to hyperinflation, restrictions on foreign ownership, devaluation of local currencies, restrictions on foreign exchange or social unrest, all of which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to a diverse set of tax regimes in the countries in which it operates.

The Group operates in 12 countries within four regions, South Asia, South East Asia, East Africa and West Africa, and, in accordance with its strategy, expects to expand into further countries in these regions. As a result, the Group is subject to diverse tax regimes. Corporate income tax, withholding tax, value added tax or sales taxes and other taxes levied upon the Group's microfinance institutions or rules in respect of transfer pricing practices/rates are subject to change due to changes in tax legislation, administrative practice or case law. In addition, the tax regulations in many of these countries are less developed than those in the OECD, and divergent

interpretations of tax laws by the tax authorities or the tax courts are possible. Furthermore, court decisions may be overruled by the tax authorities by way of issuing non-application decrees. As a result, uncertainties exist with regard to the taxation rules applicable to the Group's microfinance institutions, and adverse interpretations of the tax regulations to which the Group's microfinance institutions are subject by the tax authorities or the tax courts might lead to a higher tax burden for the Group. For example, in the Philippines in 2016, the Group's microfinance institutions experienced an increase in tax expense due to a change in interpretation by the authorities, which resulted in a one-off change affecting previous years. In addition, if local tax authorities determine the Offering to have resulted in a change in control of any of the Group's microfinance institutions, these authorities may assess capital gains taxes on any increase in implied value of the relevant microfinance institution, which would result in an additional indirect tax burden on the Group, subject to the application of the Escrow Amount described in *"—A change of control of certain of the Group's subsidiaries resulting from the Global Offer or thereafter as a result of further Share transfers or the issuance of new Shares by the Company may trigger significant NRCGT liabilities in certain jurisdictions for the affected subsidiaries. Although the Selling Shareholder will upon Admission place U.S.\$20 million of its net proceeds in escrow for purposes of funding the payment of such liabilities, if lawfully assessed, there is a risk that the actual liabilities may significantly exceed the Escrow Amount, in which case any additional amounts payable will be borne by the Group without recourse to the Selling Shareholder"*. Any additional or increased tax payments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Further changes to tax laws, regulations and treaties in the countries in which the Group's microfinance institutions operate could arise as a result of the base erosion and profit shifting ("**BEPS**") project being undertaken by the OECD. The BEPS project seeks to enact laws that will have the effect of eliminating corporate tax planning strategies that the OECD believes exploit legal features of tax rules that allow corporations to shift profits to low or no-tax locations where there is little or no actual economic activity. By shifting profits to low-tax jurisdictions, corporations can reduce their overall tax burden which typically results in higher profitability. The OECD has extended inclusion to non-OECD countries under their inclusive framework on BEPS, bringing together various non-OECD countries to collaborate on the implementation of the OECD BEPS package. This framework allows interested countries and jurisdictions to work with the OECD and G20 members on developing standards on BEPS-related issues and reviewing and monitoring the implementation of the whole BEPS package. Included in this group of countries are several countries in which the Group operates. The Group is unable to predict what future tax reform may be proposed or enacted or determine the effect such changes would have on its business. It is possible that these countries could react to the OECD BEPS initiatives or their own concerns by enacting tax legislation that could adversely impact the Group's shareholders through increasing its tax liabilities. To the extent that any such changes are brought into tax legislation, regulation, policies, or practices in the countries in which the Group operates, the Group could experience an increase in its overall tax rate, as well as an increase in the complexity, burden and cost of tax compliance, all of which could impact the Group's business, financial condition, results of operation and prospects.

The tax treatment of the Group is, among other things, dependent on the place of residence of tax purposes of the Company and other companies in the Group. It is intended that each Group company (including the Company) is and will be managed in such a way that it is resident for tax purposes in the jurisdiction in which it is incorporated. If any Group companies are found to be resident for tax purposes elsewhere, however, then depending on the circumstances this may have a material adverse effect on the taxation liabilities of the Group.

The Group is party to certain agreements in relation to its operations and an interruption or inability to renew these agreements could adversely impact its business, financial condition, results of operations and prospects

In India, the Group has entered into certain business correspondent agreements with three Indian banks (IDFC Bank Limited (“IDFC”), IDBI Bank Limited (“IDBI”) and Reliance Capital (“Reliance”)) as well as a partnership agreement with MAS Financial Services (“MAS”). Under these business correspondent agreements, ASA India, acts as an agent, on a branch-by-branch basis, for these Indian banks to locate and service clients and receives fees for its services. Under the partnership with MAS, ASA India locates, screens and recommends potential clients for loans which are funded by a credit facility from MAS in exchange for fees. Any termination of these business correspondent agreements or the partnership agreement or non-renewal of these agreements would reduce the income received by ASA India and could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

Any downgrade of the Group’s credit ratings may increase its borrowing costs and constrain its access to capital and loan markets and, as a result, may adversely affect its net interest margin and results of operations.

The Group and a number of its microfinance institutions have received various credit and social ratings which can affect the cost and availability of funds to the Group and the relevant microfinance institution. The Group has been awarded a platinum rating (highest rating category) for the Group’s impact business model (analysing social and environmental impact) from the Global Impact Investing Rating System (“GIIRS”) in 2014, 2015 and 2016 and a 4-star operations rating (out of five possible stars - measuring governance structure, workers, community engagement and environmental impact) from GIIRS in 2015 and 2016. The Group received a Tier 1 counter-party creditworthiness rating (highest rating category) in 2017 from MFX Solutions. Credit and social ratings received by the Group’s microfinance institutions include a β+ social rating (fourth highest rating out of eight rating scale) in Myanmar its governance, strategic positioning, operations and management by Micro-Credit Ratings International Limited in 2016, a β+ social rating in the Philippines from Micro-Credit Ratings International Limited in 2010 and a silver social rating in Pakistan from Microfinance Information Exchange in 2010. Its microfinance institution in India has received a M2 credit rating (second highest rating out of five rating scale) from ICRA Limited on ASA India’s ability to manage its microfinance activities in a sustainable manner in 2017, a MFI 2 credit rating (third highest rating category out of eight rating scale) from Credit Analysis & Research Ltd. on ASA India’s capability to undertake microfinance activities based on an analysis of transparency, operational setup, scale of operations and sustainability in 2016 and a mfr5 social rating (fifth highest rating category out of eight rating scale) from CRISIL Limited on ASA India’s ability to conduct its operations in a scalable and sustainable manner in 2012. Ratings reflect a rating agency’s opinion of rating entity’s financial strength, operating performance, strategic position and ability to meet its obligations. Any future performance issues for the Group, its microfinance institutions or the industry in which they operate may result in a downgrade of its or one of their credit or social ratings, which may in turn lead to an increase in borrowing costs and constrain access to funds and debt markets and, as a result, may adversely affect its business growth. In addition, any downgrade of applicable credit or social ratings could result in additional terms and conditions being included in financing or refinancing arrangements in the future.

The branches and employees of the Group’s microfinance institutions operating in remote areas are exposed to anti-social elements which may adversely affect their business, operations and ability to recruit and train employees.

The branches and employees of the Group’s microfinance institutions involved in cash collection and transportation, in particular, their loan officers who transport cash from collection meetings held within client communities, are exposed to antisocial and criminal elements due to the nature of the operations of the Group’s microfinance institutions. Employees of the Group’s microfinance institutions have been assaulted and, in one

instance, murdered, during robberies in the course of their duties, or been the targets of attacks by local parties, in certain of the countries in which the Group operates. To the extent that the employees of the Group's microfinance institutions are subject to violent attacks, theft or robbery in the course of their duties, its ability to service certain areas may be adversely affected, its employee recruiting and retention efforts may be curtailed and the Group's microfinance institutions may be required to incur additional expenses, all of which may adversely affect the business of the Group's microfinance institutions. In addition, if the Group determines that certain areas in the countries in which the Group's microfinance institutions operate or plan to operate pose a significantly higher risk of crime or political strife and instability, their ability to service these areas will be adversely affected and its expansion and growth may be curtailed.

Changes in accounting standards may materially affect reporting of the Group's financial condition and results of operations.

Accounting principles under International Financial Reporting Standards ("IFRS") and related accounting pronouncements, implementation guidelines and interpretations are complex and involve subjective judgements. Changes in these rules or their interpretation may significantly change or add significant volatility to the Group's reported income or loss without a comparable underlying change in cash flows from operations. As a result, changes in accounting standards may materially affect the Group's financial condition or results of operations.

The International Accounting Standards Board, or other regulatory bodies, periodically introduce modifications to financial accounting and reporting standards under which the Company prepares its consolidated financial statements. A number of new accounting standards and amendments and interpretations to existing standards have recently been issued but have not yet become effective, including IFRS 9 regarding financial instruments which became effective 1 January 2018, and IFRS 16 regarding leases which becomes effective 1 January 2019. For further information regarding the new accounting requirements, see Part XII: "*Operating and Financial Review—Changes in Accounting Policies*" and Part XV: "*Historical Financial Information*", note 2.3.

IFRS 9 brings together all three aspects of the accounting for financial instruments revisions: classification and measurement, impairment and hedge accounting. The main effect of IFRS 9 will be the measurement of loan loss provisions, which will change from the incurred loss model to the expected loss model. This change results in an additional step in the calculation of the loan loss provision which incorporates the expected losses in addition to incurred losses. Incurred losses will be calculated in a manner similar to the old standard IAS 39 which is based on the historical loss rate of the Company. Based on assessments undertaken by the Group, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 is approximately U.S.\$0.3 million, comprised of an increase of approximately U.S.\$0.4 million related to impairment requirements and a decrease of approximately U.S.\$0.1 million related to deferred tax impacts. The current policy for hedge accounting will remain unchanged under the new standard.

IFRS 16 specifies how companies recognise, measure, present and disclose leases and provides a single lease accounting model, requiring leases to recognise assets and liabilities for most leases. The Group's corporate headquarters, country head offices and branches (with the exception of the country head office in the Philippines), are leased and these leases are classified as operating leases, which under IFRS 16 will be required to be recognised on the Group's statement of financial position. The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its financial statements and expects that the adoption of IFRS 16 will have an impact, as the Group will recognise new assets and liabilities for its operating leases. In addition, the nature and timing of expenses related to those leases will change, as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. The Group's analysis of the expected effects of the application of IFRS 16 has not yet been completed due to the significant items potentially affected and the complexity of required estimations.

The Group's financial condition and results of operations in the future could be negatively impacted by the adoption of these new standards or any additional new accounting pronouncements or standards.

Risks relating to the Global Offer and the Shares

CMIMC, through the Selling Shareholder and Continuity, will retain a significant interest in, and will continue to exert substantial influence over, the Company following the Offer, and its interests may differ from or conflict with those of other Shareholders.

Following Admission (assuming that the Offer Price is set at the mid-point of the Offer Price Range, the Offer Size is set at the mid-point of the Offer Size Range, the Over-allotment Option is not exercised and interests in 4,121,521 Shares are acquired by CMIMC pursuant to the CMIMC Share Interest Purchases), CMIMC, a company whose directors include Dirk Brouwer and Md. Shafiqul Haque Choudhury and which is owned by entities ultimately controlled by Dirk Brouwer, will, through the Selling Shareholder and Continuity, be interested in 21.4 per cent. of the issued ordinary share capital of the Company and will have voting control over 67.5 per cent. of the issued ordinary share capital of the Company. Although the Company has entered into the Relationship Agreement which contains contractual obligations of the Selling Shareholder, Continuity and the Founders to ensure that the Company operates independently after Admission, CMIMC and the Founders, through the Selling Shareholder and Continuity, will nevertheless be in a position to exercise a significant degree of influence over the Company's management and operations. There can be no assurance that the interests of CMIMC and the Founders or their affiliated entities will be aligned with those of the Company or of other shareholders, which could have a material adverse effect on the trading price of the Shares as well as the Company's business, financial condition, results of operation and prospects.

Because the Company is a holding company and substantially all of its operations are conducted through its wholly- or majority-owned microfinance institutions, its ability to pay dividends on the Shares depends on its ability to obtain cash dividends or other cash payments from its microfinance institutions.

The Company currently conducts substantially all of its operations through its microfinance institutions, and these entities generate substantially all of the Company's operating income and cash flow, and its liquidity depends directly on the distributions of earnings by its microfinance institutions to the Company or other Group companies. Because the Company has no direct operations or significant assets other than the capital stock of these entities, it relies on those microfinance institutions for cash dividends, investment income, financing proceeds, management fees, royalties and other cash flows to pay dividends, if any, on the Shares and, in the long term, to pay other obligations at the holding company level that may arise from time to time. The ability of these entities to make payments to the Company depends largely on their financial condition and ability to generate profits. For the year ended 31 December 2017, five of the Group's microfinance institutions (India, Pakistan, the Philippines, Nigeria and Ghana) accounted for 99 per cent. of the dividends paid by the Group's microfinance institutions. See “—Risks relating to the Group's business and the microfinance industry—A significant percentage of the Group's profit for the year and dividends are derived from a small number of its microfinance institutions”. In addition, because the Company's microfinance institutions are separate and distinct legal entities, they will have no obligation to pay any dividends or to lend or advance the Company funds, and may be restricted from doing so by contract, including other financing arrangements, charter provisions, other shareholders or the applicable laws and regulations, including but limited to, distributable reserves or the maintenance of statutory reserves at its deposit-taking microfinance institutions, of the various countries in which they operate. Any adverse changes to these laws, including possible restrictions on the repatriation of profits the imposition of foreign exchange controls, or the denial or withdrawal of any reserve bank approval which may be required to distribute profits, could prevent the Company from receiving sufficient distributions from its microfinance institutions. In addition, the lack of availability of U.S. dollars within any

particular country in which the Group operates may delay or prevent the Company from receiving distributions from its microfinance institutions. For example, in Nigeria in 2016, the depreciation of the naira against the U.S. dollar resulted in a shortage of U.S. dollars within Nigeria and, consequently, the delay and rescheduling of payments by the Group's microfinance institution in Nigeria on its U.S. dollar-denominated shareholder loans.

Similarly, because of the holding company structure, claims of the creditors of the Company's microfinance institutions, including trade creditors, banks and other lenders, effectively have priority over any claims that the Company may have with respect to the assets of these entities. The Company cannot assure that, in the long term, its microfinance institutions will generate sufficient profits and cash flows, or otherwise prove willing or able, to pay dividends or lend or advance to the Company sufficient funds to enable it to meet its obligations and pay interest, expenses and dividends, if any, on the Shares. The inability of one or more of these entities to pay dividends or lend or advance the Company funds could, in the long term, have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, there can be no guarantee that the Group's historic performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its sales, profit and cash flow may significantly underperform market expectations. If the Group's cash flow underperforms market expectations, then its capacity to pay a dividend will suffer. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions on the payment of dividends in the Group's financing arrangements, the Group's financial position, the Company's distributable reserves, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors that the Directors deem significant from time to time.

Certain of the Company's ultimate shareholders are investment entities and, accordingly, they or their affiliates have invested or may invest in other companies engaged in similar businesses thereby giving rise to a conflict of interest.

Certain of the Company's ultimate shareholders are investment entities. These investment entities or their affiliates have invested or may invest in other companies engaged in similar businesses, thereby potentially giving rise to a conflict of interest. There can be no assurance that these shareholders will continue to act in the Company's best interest.

The Global Offer may not result in an active or liquid market for the Offer Shares.

Prior to the date of this Prospectus, there has been no public trading market for the Shares. The Offer Price has been agreed upon among the Global Co-Ordinator, the Company and the Selling Shareholder, and may not be indicative of the market price for the Offer Shares following Admission. Although the Company will apply to the FCA for admission to the premium listing segment of the Official List and will apply to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active trading market for the Shares will develop or, if developed, could be sustained following the closing of the Global Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected. The trading price of the Offer Shares may be subject to wide fluctuations in response to many factors, as well as stock market fluctuations and general economic conditions or changes in political sentiment that may adversely affect the market price of the Offer Shares, regardless of the Company's actual performance or conditions in its key countries.

Shares in the Company may be subject to market price volatility, and the market price of the Shares in the Company may decline in response to developments that are unrelated to the Company's operating performance.

The Offer Price Range is not, and the Offer Price will not be, indicative of the market price of the Shares following Admission. The market price of the Shares may be volatile and subject to wide fluctuations. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Company, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Company's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Company, speculation about the Company in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions, regulatory changes and broader market volatility and movements. Any or all of these factors could result in material fluctuations in the price of Shares, which could lead to investors getting back less than they invested, or a total loss of their investment.

Substantial sales of Shares by significant Shareholders could depress the price of the Offer Shares.

Subsequent sales of a substantial number of Shares by the Selling Shareholder, Continuity or their shareholders as a result of a future distribution, if any, of Shares to them may significantly reduce the Company's share price. The Selling Shareholder has agreed, in the Underwriting Agreement, subject to certain exceptions, to certain restrictions on its ability to sell, transfer and otherwise deal in its Shares from the date of the Underwriting Agreement until the date falling 180 days from the date of Admission. Continuity has also agreed, pursuant to the Continuity Lock-up Deed, subject to certain exceptions, to certain restrictions on its ability to sell, transfer and otherwise deal in its Shares from the date of the Continuity Lock-up Deed until the date falling 365 days after the date of Admission. In addition, Dirk Brouwer has agreed that any shares distributed by CMI to him as a shareholder of CMI may not, subject to certain exceptions, be sold, transferred or otherwise dealt in until the date falling 365 days after the date of Admission. See Part XVIII: "The Global Offer". In addition, each Director has agreed in the Underwriting Agreement, subject to certain exceptions, to certain restrictions on their ability to sell, transfer and otherwise deal in their Shares from the date of the Underwriting Agreement until the date falling 365 days from the date of Admission. Nevertheless, the Company is unable to predict whether substantial amounts of Shares (in addition to Offer Shares) will be sold in the open market following the termination of the lock-up arrangements. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

The Company may not pay cash dividends on the Shares. Consequently, investors may not receive any return on their investment unless they sell their Offer Shares for a price greater than that paid for them.

While the Directors have adopted a progressive dividend policy that maintains an appropriate level of dividend cover, there can be no assurance that the Company will pay dividends in the future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, applicable law, regulations, restrictions, results of operations, financial condition, cash requirements, contractual restrictions, future projects and plans and other factors that the Board may deem relevant. The Company can give no assurance that it will pay any dividends in the future. As a result, investors may not receive any return on an investment in the Offer Shares unless they sell the Offer Shares for a price greater than that paid for such Offer Shares.

The market price of the Offer Shares may be affected by fluctuations in exchange rates.

The Company reports its results of operations and financial condition in U.S. dollars. Following Admission, the Company's share price will be quoted on the London Stock Exchange in pounds sterling. As a consequence,

shareholders may experience fluctuation in the market price of the Offer Shares as a result of, among other factors, movements in the exchange rate between pounds sterling and U.S. dollars. In particular, dividends declared, if any, will be declared in U.S. dollars, but paid in pounds sterling.

There is a significant risk that the Company may be a passive foreign investment company for U.S. federal income tax purposes (“PFIC”) in its current taxable year. Such classification could result in materially adverse U.S. federal income tax consequences to U.S. investors of Offer Shares.

A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) at least 75 per cent. of its gross income is “passive income” or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For this purpose, “passive income” generally includes interests, dividends, royalties, and gains from securities transactions. However, the IRS has issued proposed regulations that treat gross income derived from the active conduct of certain banking activities by certain non-U.S. corporations and their affiliates as non-passive income for purposes of the PFIC rules.

There is a significant risk that the Group may not meet the active banking requirements under either the proposed regulations and therefore the Company may be a PFIC in its current taxable year. If the Company were a PFIC, U.S. investors who hold the Offer Shares may be subject to materially adverse U.S. federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on capital gains and on certain actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements. Prospective U.S. investors should consult their own tax advisers regarding the potential application of the PFIC rules. See Part XVII: “Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations”.

It may be difficult for Shareholders to enforce judgments against the Company’s assets held outside the United Kingdom, the United States or against the Directors and senior management.

The Company is a holding company organised as a public limited company incorporated in England and Wales with microfinance institutions conducted through various subsidiaries in the countries in which it operates. Certain of its Directors and all of its officers reside outside the United States and the United Kingdom. In addition, substantially all of the Company’s assets and the majority of the assets of its Directors and officers are located outside the United States and the United Kingdom. As a result, it may not be possible for U.S. investors to effect service of process upon the Company or its Directors and officers within the United States or the United Kingdom or to enforce in the U.S. courts or outside the United States judgments obtained against them in U.S. courts or in courts outside the United States, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state or territory within the United States. There is also doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgments of U.S. courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

Shareholders in the United States and other countries outside of the United Kingdom may not be able to participate in future equity offerings.

The Articles provide for pre-emption rights to be granted to Shareholders in the Company, unless such rights are disappplied by a shareholder resolution. However, securities laws of certain countries may restrict the Company’s ability to allow participation by Shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Shares and any other securities that are offered and sold are registered under the Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities

Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable U.S. or other Shareholders to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

Not all rights available to shareholders under U.S. law will be available to holders of the Shares.

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical U.S. companies. The rights of holders of the Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances under which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a U.S. company.

Future issuances of Shares may dilute the holdings of Shareholders and may depress the price of the Shares.

The Company has no current plans for an offering of Shares and has agreed in the Underwriting Agreement, subject to certain exceptions, to certain restrictions on its ability to issue Shares for a period of 180 days from the Closing Date. It is possible that the Company may decide to offer additional Shares or securities convertible into Shares in the future. Future issuances of Shares could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Shares and impair the Company's ability to raise capital through future sales of equity securities.

PART III

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Global Offer other than the information and representations contained in this Prospectus and, if any other information or representations is or are given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholder or the Banks. No representation or warranty, express or implied, is made by any Underwriter or any of their respective directors, officers, employees, advisers or affiliates or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Banks or any of their respective directors, officers, employees, advisers or affiliates or any selling agent as to the past, present or future.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and Rule 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

None of the Company or the Banks accepts any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Global Offer or the Group. None of the Company or the Banks make any representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

The Company will update the information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Global Offer occurs prior to Admission or if this document contains any material mistake or inaccuracy. This Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their subscriptions made prior to the publication of the supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) (which shall not be shorter than two days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of Offer Shares. In making an investment decision, each investor must rely on his or her own examination, analysis and enquiry of the Company and the terms of the Global Offer, including the merits and risks involved.

In connection with the Global Offer, each of the Banks and any of their respective affiliates, parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings, acting as an investor for its or his or her own account may retain, purchase, sell, offer to sell or otherwise deal for its or his or her own account(s) in the Offer Shares, any other securities of the Company or other related investments in connection with the Global Offer or otherwise. Accordingly, references in this Prospectus to the Offer Shares being offered or otherwise dealt with should be read as including any offer to, or dealing by, the Banks and any of their respective affiliates, parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings, acting as an investor for its or his or her own account(s). Such persons do not intend to disclose the extent of

any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

None of the Company, the Directors, the Selling Shareholder, the Banks or any of their respective representatives, affiliates, parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment by such offeree or purchaser.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks accept any responsibility or liability whatsoever for the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Group, the Offer Shares or the Global Offer. The Banks accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement.

No representation or warranty, express or implied, is made by the Banks as to the accuracy or completeness of information contained in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Banks.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and the Selling Shareholder for which they would have received customary fees.

Prior to making any decision as to whether to purchase Offer Shares, prospective investors should read this Prospectus in its entirety and should not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon his or her own examination of the Company and the terms of this Prospectus, including the risks involved. Any decision to purchase any Offer Shares should be based solely on this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholder, the Banks or any of their respective representatives that any recipient of this Prospectus should purchase any Offer Shares.

Investors who purchase Offer Shares in the Global Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder or any of the Banks.

In no event will measures be taken to stabilise the market price of the Shares above the Offer Price.

Presentation of financial information and non-financial operating data

Historical financial information

The Group's consolidated historical financial information in Part XV: "*Historical Financial Information*" of this Prospectus has been prepared in accordance with the requirements of the EU Prospectus Directive, the UK Listing Rules and in accordance with IFRS issued by the International Accounting Standards Board and as adopted for use in the EU. The significant accounting policies and basis of preparation are further explained in Part XV: "*Historical Financial Information*".

The Group's consolidated historical financial information as at and for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 in Part XV: "*Historical Financial Information*" has been reported on.

The Company was recently incorporated and as at the date of this Prospectus has no historical operations of its own. Therefore, this Prospectus does not present any standalone, unconsolidated financial information for the Company.

Non-IFRS Financial Measures

In this Prospectus, certain financial measures are presented that are not recognised by IFRS, but customary in the microfinance industry, including net interest margin, gross yield, cost of funding, revenue-assets ratio, cost-assets ratio, cost-income ratio, adjusted profit for the year, cost of risk, return on average assets, return on average equity, loan-assets ratio, PAR>30, write-off ratio, debt-loan ratio, and equity-assets ratio (the "**Non-IFRS Financial Measures**").

There are no generally accepted principles governing the calculation of the Non-IFRS Financial Measures and the criteria upon which these measures are based can vary from company to company and care should be taken in comparing these measures with similar measures used by other microfinance institutions. The Non-IFRS Financial Measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure an indicator of operating performance, or as an alternative to cash generated from operating activities or as a measure of liquidity.

The Group views return on average assets and return on average equity as key measures of the Group's financial performance and PAR>30 as a key measure of the quality of the Group's loan portfolio.

A reconciliation of the Non-IFRS Financial Measures, as applicable, to the Group's historical financial information appears in Part XI: "*Selected Financial and Operating Information*". The Non-IFRS Financial Measures do not form part of the Group's audited historical financial information.

Non-financial information operating data

The non-financial operating data included in this Prospectus has been extracted without material adjustment from the management records of the Company (with the exception of certain survey data described below) and are unaudited. Client retention rates have been calculated on a consolidated basis as the number of clients at period end divided by the sum of new clients at the beginning of the period plus new clients during the period based on the term of the loan and varies among the Group's microfinance institutions. A rate of less than 100 per cent. therefore, may be attributable to a variety of client or institutional factors, with the actual number of clients switching to another microfinance institution or bank representing a small proportion.

Client satisfaction data is derived from a client satisfaction survey conducted by the Group in December 2016, with results compiled and analysed in January 2017.

Economic yield data is derived from a client economic yield survey conducted in the first quarter of each year to assess the impact of the Group's microfinance institutions on the daily lives of its clients. The Group uses the survey to determine its client's economic yield and income generating activities based on their average amount of working capital and their average weekly income. The survey samples approximately one per cent. of total clients on their third or higher loan from the Group and above. Data collection is obtained through direct interviews with clients and through the use of questionnaires. The survey focuses on four primary areas of information: basic information; loan details; identification for average working capital; and identification of average weekly income. The survey is coordinated by the social performance management team at the Group's corporate headquarters in Dhaka. Typically, university or college students serve as data collectors to gather responses to the survey. Before data collectors obtain surveys from clients, staff members are instructed to brief

clients on the need for the survey, to interview selected clients and to collect and fill out the survey on each client's behalf. Each data collector is then allowed to collect up to ten clients per day, with a total of 50 clients in one week. All data must be collected by mid-March at which point it is verified and sent to the social performance management team in Dhaka.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to “sterling”, “pounds sterling”, “GBP”, “£” or “pence” are to the lawful currency of the United Kingdom. All references to “U.S. dollars” or “U.S.\$” are to the lawful currency of the United States. All references to “euro” or “€” are to the lawful currency of the European Monetary Union. All references to “Indian rupee” or “INR” are to the lawful currency of India. All references to “Pakistani rupee” or “PKR” are to the lawful currency of Pakistan. All references to “Sri Lankan rupee” or “LKR” are to the lawful currency of Sri Lanka. All references to “peso” or “PHP” are to the lawful currency of the Philippines. All references to “Myanmar kyat” or “MMK” are to the lawful currency of Myanmar. All references to “Cambodian riel” or “KHR” are to the lawful currency of Cambodia. All references to “Tanzanian shilling” or “TZS” are to the lawful currency of Tanzania. All references to “Ugandan shilling” or “UGX” are to the lawful currency of Uganda. All references to “Kenyan shilling” or “KES” are to the lawful currency of Kenya. All references to “Rwanda franc” or “RWF” are to the lawful currency of Rwanda. All references to Nigerian “naira” or “NGN” are to the lawful currency of Nigeria. All references to Ghanaian “cedi” or “GHS” are to the lawful currency of Ghana. All references to “Sierra Leonean leone” or “SLL” are to the lawful currency of Sierra Leone.

The Offer Price will be stated in pounds sterling. On 26 June 2018 (being the latest practicable date prior to the publication of this Prospectus), £1.00 = U.S.\$1.3228, based on the exchange rate quoted by Bloomberg at 6.00pm (London time) on that date.

The Company prepares its financial statements in U.S. dollars.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in U.S. dollars. The average exchange rates of U.S. dollars are shown relative to pounds sterling in the table below. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such U.S. dollar amounts or that such sterling amounts could have been converted into U.S. dollars at any particular rate, if at all.

Average rate against pounds sterling

U.S. dollar				
For the year ended 31 December	Period End	Average	High	Low
2013.....	1.6566	1.5646	1.6566	1.4858
2014.....	1.5581	1.6474	1.7165	1.5515
2015.....	1.4734	1.5282	1.5872	1.4654
2016	1.2345	1.3554	1.4810	1.2158
2017.....	1.3524	1.2888	1.3582	1.2068
2018 (through 26 June 2018).....	1.3228	1.3774	1.4325	1.3173

U.S. dollar				
For the month ended	Period End	Average	High	Low
31 January 2018.....	1.4184	1.3828	1.4256	1.3517

U.S. dollar				
For the month ended	Period End	Average	High	Low
28 February 2018.....	1.3785	1.3964	1.4231	1.3785
31 March 2018.....	1.4034	1.3976	1.4222	1.3735
30 April 2018.....	1.3765	1.4075	1.4325	1.3765
31 May 2018.....	1.3293	1.3465	1.3627	1.3244

In addition, translations from the currencies in which the Group operates into U.S. dollars have been made using the closing rate of exchange on 31 December 2017, unless otherwise stated. Such U.S. dollar amounts are not necessarily indicative of the amounts of U.S. dollars that could actually have been purchased upon exchange of such currencies at the dates indicated.

The following table illustrates the average and closing rates of exchange in U.S. dollars per specified currency.

For the year ended 31 December 2017		
Currency	Closing Rate	Average
INR.....	0.0157	0.0154
PKR.....	0.0091	0.0095
PHP.....	0.0200	0.0198
MMK	0.0007	0.0007
TZS.....	0.0004	0.0004
RWF.....	0.0012	0.0012
NGN.....	0.0028	0.0030
GHS.....	0.2209	0.2271
SLL.....	0.0001	0.0001

Rounding

Percentages and certain amounts in this Prospectus, including financial, statistical and operating information, have been rounded. As a result, the figures shown as totals may not be the precise sum of the figures that precede them.

Market, economic and industry data

Certain information in this Prospectus, in particular the information in Part VII: “*Market Overview*”, has been sourced from third parties. The Company confirms that all third-party information contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of such information has been identified.

Information regarding forward-looking statements

Certain information contained in this Prospectus, including any information as to the Group’s strategy, market position, plans or future financial or operating performance, constitutes “forward-looking statements”. All

statements, other than statements of historical fact, are forward-looking statements. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intend”, “continue”, “budget”, “project”, “aim”, “estimate”, “may”, “will”, “could”, “should”, “schedule” and similar expressions identify forward-looking statements. The forward-looking information included in this Prospectus includes financial targets and other expectations which are not assurances as to future results.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as at the date of this Prospectus, reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and the availability of new credit. The financial targets are based on the Group’s business plan and include, for example, continued operational expansion in the number of branches and clients per branch, as well as PAR>30 broadly in line with historic results. The targets are based on a number of assumptions which the Directors believe are appropriate, but which may turn out to be incorrect or different than expected. The key assumptions the Group has made when producing its business plan include, among others, no significant changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, accounting policies and accounting treatments) except as otherwise already announced or higher levels of depreciation of local currencies against the U.S. dollar than assumed by management which, individually or in the aggregate, would be material to the Group’s results of operations. Accordingly, the assumptions may change or may not materialise. In addition, unanticipated events may adversely affect the Group’s actual results of operations in future periods whether or not the Group’s assumptions otherwise prove to be correct. There is therefore a risk that the Group’s actual results of operations could differ from those expressed or implied by these forward-looking statements as a result of many factors, many of which may be outside of the Group’s control, including significant business, operational and economic risks and the risks described in Part II: “*Risk Factors*”, and these differences could be material. Such forward-looking statements should therefore be read in this context and construed accordingly, and investors should not place undue reliance on them. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements. Specific reference is made to Part II: “*Risk Factors*”, Part VIII: “*Information on the Group*” and Part XII: “*Operating and Financial Review*”.

Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules, or applicable law, the Company explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of it.

Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Prospectus.

Definitions

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other terms, are defined and explained in Part XX: “*Definitions*”. Additional industry-specific terms and those specific to the Group’s operations are defined and explained in Part XXI: “*Glossary*”.

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

Available Information

The Company has agreed that, for so long as any Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

Enforceability of Judgments

The Company is a public limited company incorporated under the laws of England and Wales. All the directors and executive officers of the Company are non-residents of the United States, and all or a substantial portion of the assets of the Company and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them in the U.S. courts judgments obtained in U.S. courts, including judgments

predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

No incorporation of website information

The contents of the Company's website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus, and investors should not rely on such information.

PART IV
DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Md. Shafiqul Haque Choudhury Dirk Brouwer Aminur Rashid Praful Patel Gavin Laws Guy Dawson Johanna Kemna
Company Secretary	Prism CoSec Limited
Registered and head office of the Company	42-50 Hersham Road Walton-On-Thames Surrey KT12 1RZ United Kingdom
Sponsor, Global Co-Ordinator and Joint Bookrunner	Citigroup Global Markets Limited Citigroup Centre 33 Canada Square London E14 8LB United Kingdom
Joint Bookrunners	EFG Hermes U.A.E. Limited The Gate – West Wing, Level 6 Dubai International Financial Centre Dubai United Arab Emirates
	Investec Bank plc 30 Gresham Street London EC2V 7QP United Kingdom
Lead Manager	Keefe, Bruyette & Woods (acting through Stifel Nicolaus Europe Limited) 150 Cheapside London EC2V 6ET United Kingdom

English and U.S. legal advisers to the Company	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
English and U.S. legal advisers to the Banks	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Reporting Accountants and Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London EC14 5EY United Kingdom
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA United Kingdom

PART V

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected timetable of principal events

Event	Time and Date ⁽¹⁾
Latest time and date for receipt of indications of interest under the Global Offer	4.00 p.m. on 12 July 2018
Announcement of Offer Price, the Offer Size, publication of the Pricing Statement and the notification of allocation of Shares ⁽²⁾	7.00 a.m. on 13 July 2018
Commencement of conditional dealings on the London Stock Exchange	8.00 a.m. on 13 July 2018
Admission and commencement of unconditional dealings on the London Stock Exchange ..	8.00 a.m. on 18 July 2018
CREST accounts credited	18 July 2018
Despatch of definitive share certificates (where applicable).....	from 18 July 2018

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. Temporary documents of title will not be issued.

Notes:

- (1) References to times are to London times. Each of the times and dates in the above timetable is subject to change without further notice.
- (2) The Offer Price and the Offer Size will be set out in the Pricing Statement. The Pricing Statement will not automatically be sent to persons who receive this Prospectus but it will be available free of charge at the Company's registered office at 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ, United Kingdom. In addition, the Pricing Statement will (subject to certain restrictions) be published online at www.asa-international.com.

PART VI

GLOBAL OFFER STATISTICS

Global Offer statistics

Offer Price Range (per Share).....	285 pence to 340 pence
Maximum number of Offer Shares in the Global Offer ⁽¹⁾⁽²⁾	40,000,000
Minimum number of Offer Shares in the Global Offer ⁽¹⁾⁽³⁾	25,000,000
Percentage of the issued Share capital sold in the Global Offer ⁽¹⁾	25.0% to 40.0%
Number of Shares subject to the Over-allotment Option ⁽⁴⁾	3,250,000 to 4,875,000
Number of shares in issue on Admission	100,000,000
Expected market capitalisation of the Company at the Offer Price ⁽⁵⁾	£313.0 million
Estimated net proceeds of the Global Offer receivable by the Selling Shareholder ⁽¹⁾⁽⁶⁾	£95.4 million

Notes:

- (1) The Offer Size Range has been determined to take into account, at a minimum, the minimum free float requirements of the FCA.
- (2) Assumes the Offer Size is set at the top of the Offer Size Range.
- (3) Assumes the Offer Size is set at the bottom of the Offer Size Range.
- (4) Reflects the number of Over-allotment Shares equal to between 10 per cent. and 15 per cent. of the Offer Size, assuming the Offer Size is set at the mid-point of the Offer Size Range.
- (5) Assuming the Offer Price is set at the mid-point of the Offer Price Range. The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will be equal to or exceed the Offer Price.
- (6) Assuming no exercise of the Over-allotment Option and the Offer Price is set at the mid-point of the Offer Price Range and the Offer Size is set at the mid-point of the Offer Size Range. The estimated net proceeds receivable by the Selling Shareholder are stated after deduction of (i) the estimated underwriting commissions and other fees and expenses of the Global Offer (including VAT) payable by the Selling Shareholder, which are currently expected to be approximately £6.2 million, and (ii) the Escrow Amount. The Company will not receive any portion of the proceeds resulting from the sale of Offer Shares in the Global Offer by the Selling Shareholder.

PART VII

MARKET OVERVIEW

The following information relating to the microfinance industry has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this Part VII: “Market Overview” in conjunction with the more detailed information contained in this Prospectus including Part II: “Risk Factors” and Part XII: “Operating and Financial Review”.

Overview

Microfinance is the provision of financial services to low-income people and a key pillar of improving financial inclusion globally. By providing access to financial services, microfinance helps low-income households generate income, build assets, manage consumption and manage risks. The World Bank estimated that approximately 1.7 billion adults, or approximately 31 per cent. of the world adult population in 2017, do not have an account at a formal financial institution and were therefore financially excluded.

Microfinance institutions are entities (encompassing NGOs, non-bank financial institutions and microfinance banks) that operate with the aim of delivering financial services to underserved populations in urban, semi-urban or rural areas in a commercially sustainable and socially responsible manner.

Microfinance primarily began as an international development innovation as the returnable capital approach was a sustainable alternative to traditional aid (which tends to be grants, rather than loans). The industry has evolved to become a global industry with funding from both the public and private sectors, increasingly sophisticated regulatory frameworks, consumer protection rules and regulations, as well as ongoing academic research to evaluate development efficacy and progress towards financial inclusion.

History

Microfinance has its roots in microcredit and has evolved over time. In the 1970s, social innovators introduced the concept that small short-term loans – microcredit – could help low-income households in the informal economy engage in productive activities and grow their way out of poverty. The early success of microcredit demonstrated that low-income borrowers in the informal economy were able to consistently repay loans and that it was possible to serve them sustainably as well as in large numbers. Over the past few decades, the microfinance industry has evolved beyond the provision of microcredit to extend to a broad range of financial services.

Microfinance gained significant public prominence in 2005 with the United Nations Year of Microcredit and then in 2006 with Muhammad Yunus, founder of Grameen Bank, being awarded the Nobel Peace Prize, together with Grameen Bank, which proved to be a watershed moment for the industry, as the increased visibility also led to a more coordinated regulatory approach.

International organisations and governments have mobilised extensively around the financial inclusion theme and formulated a range of strategies to promote it. For example, in 2008, the Alliance for Financial Inclusion (“AFI”) was created as a membership organisation of central banks and other financial regulatory institutions with the mission to promote policies that help to improve financial inclusion, and AFI continues to be a policy leader in financial inclusion with ongoing working groups, peer-exchange platforms and a broad membership of more than 90 developing countries. In 2010, the G20 launched the Global Partnership for Financial Inclusion as an implementation mechanism for the financial inclusion action plan adopted by the G20 at the Seoul Summit

and, in 2011, the World Bank created a global financial inclusion database based on a triannual global survey conducted by Gallup Poll Global Findex - to globally track and report financial inclusion statistics, which has subsequently become a key microfinance industry data source.

Since the 1970s, microfinance institutions have taken diverse growth paths from their beginnings as NGOs. One of the more well-established pathways for growth is through their transformation into regulated financial institutions that have access to commercial sources of capital. Further transformation from non-deposit taking financial institutions to regulated (microfinance) banks enables microfinance institutions to accept deposits, thereby diversifying funding sources, offer a wider range of services and benefit from prudential regulatory oversight. There is a global track record of microfinance institution transformations, with BancoSol in Bolivia becoming the first bank in the world dedicated exclusively to serving microenterprises after it transformed from a microfinance NGO. Similarly, in Mexico, Compartamos NGO transformed to a non-bank financial institution in 2000, then to a bank in 2006 followed by a stock exchange listing in Mexico in 2007. In Uganda, Finance Trust Bank began as an NGO in 1984, transformed to a deposit taking microfinance institution in 2005 and to a bank in 2013. In Mongolia, XacBank, now one of the largest banks in the country, resulted from a merger of six microfinance NGOs. Similarly, ACLEDA Bank in Cambodia became a formal bank but started as a microfinance project with support from the United Nations Development Programme (the “UNDP”).

The recipients of loans and the primary target of microfinance have traditionally been women, as they are perceived to have a better track record when it comes to the repayment of small loans and to utilise the proceeds from their loans and related income-generating activities in ways that elevate the standard of living of the entire household in terms of nutrition, healthcare and education. According to the global non-profit organisation, Women’s World Banking, they also are perceived to cooperate better amongst themselves, thus facilitating group lending.

While traditional microfinance models focus on lending to groups of women for the purpose of investing in their businesses, modern microfinance has evolved to include lending to individual borrowers, advancing tailored loans that are more suitable for specific purposes (e.g., education, energy and agribusiness), as well as offering microinsurance. While recognising different client needs, the use of proceeds for income-generating or productive purposes (as opposed to general consumption) remains a key feature for the disbursement of loans by microfinance institutions.

Funding for the microfinance industry has continued to evolve and build from development-oriented origins to now include commercial lending. Microfinance institutions require access to wholesale debt funding which, according to the Consultative Group to Assist the Poor (headquartered at the World Bank), increased to U.S.\$37 billion globally in 2016.

Recent developments in financial inclusion have focused on client-centricity and technology. Understanding the needs of clients and delivering products that are accessible, appropriate and affordable are important aspects of a sustainable approach to providing finance to low-income households. Advances in technology and digital payment systems are further enabling new delivery models to develop and providing faster, cheaper and more convenient access to financial services.

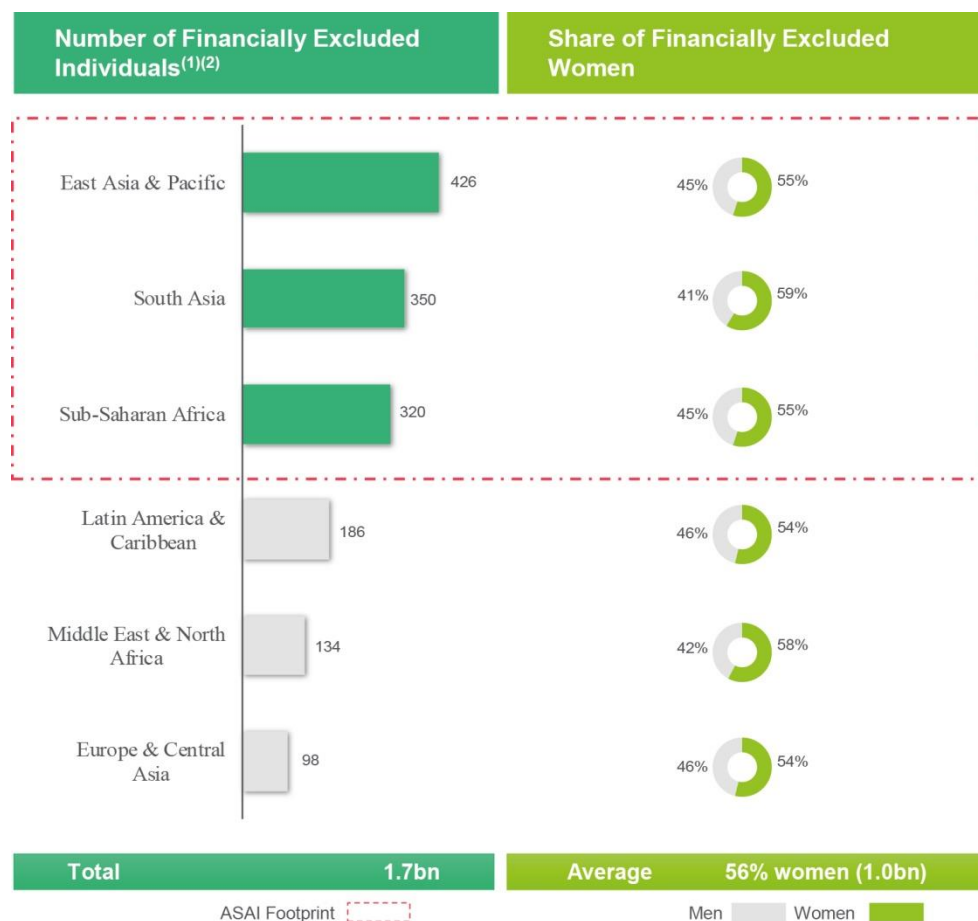
Industry Opportunity

According to the 2017 Global Findex database, only 69 per cent. of adults out of a total worldwide adult population of 4.9 billion had an account at a bank or other financial institution or with a mobile money provider. Many people around the world, particularly women and low-income adults, still do not have an account at a formal financial institution. According to the 2017 Global Findex database, of the approximately 1.7 billion financially excluded adults in the world 56 per cent. were women. This translates into a large, untapped opportunity for microfinance institutions.

The extent of financial inclusion continues to vary widely around the world. At a regional level, most of the world's approximately 1.7 billion financially excluded adults live in developing economies, with 37 per cent. of adults in developing countries reporting not having an account with a formal financial institution, compared to just 6 per cent. in high-income countries, according to the World Bank's Global Findex survey in 2017. According to this same database, the rate of financially excluded adults is highest in Sub-Saharan Africa (57.4 per cent.), followed by the Middle East and North Africa (56.6 per cent). In several developing countries (e.g. Afghanistan, Central African Republic and South Sudan), more than 85 per cent. of adults are not served by a formal financial institution, South Asia and Africa in particular (i.e., where the Group's microfinance institutions operate) together account for half the world's financially excluded adults. East Asia and Pacific, home to about 426 million adults without an account, had about 25 per cent. of the global total, while South Asia, with 350 million financially excluded adults, accounted for about 21 per cent.

The table below presents the number of financial excluded persons in emerging markets, by region, as well as, the gender split of these financially excluded persons.

Financially excluded persons in emerging markets by population and by gender



Notes:

Source: The Global Findex Database, 2017.

- (1) Financially excluded defined as individuals who do not have a financial account at a bank, or another financial institution, or a subscription with a mobile money service.

- (2) Data for East Asia & Pacific, Sub-Saharan Africa, Latin America & Caribbean, Europe & Central Asia and Middle East excludes certain high income countries.

When financially excluded individuals require loans or working capital, they predominantly rely on informal lenders because they do not meet the credit criteria for traditional banks and/or formal financial institutions do not have branches within their communities. Overall, only about 11 per cent. of the total global population was reported to have borrowed from financial institutions in 2017, while a total of 47 per cent. of the global population borrowed from any source, which means a significant portion of the global population (approximately 37 per cent.), had borrowed from informal sources, including instalment credit or buying on credit; family, relatives or friends; or other private lenders such as payday lenders and pawn shops.

Industry Participants

Microfinance institutions are intrinsically diverse in their legal form, size, business and financial model, and regulatory and licensing regime. They are usually categorised in tiers (1 to 3), which correspond with their scale and level of regulatory oversight. As microfinance institutions transform into deposit-taking institutions or receive more comprehensive licences, they are generally subject to higher levels of regulatory oversight and requirements.

Cull and Murdoch classify microfinance institutions in three main groups: (i) microfinance banks, (ii) non-bank financial institutions, and (iii) NGOs:

- **Microfinance banks**, commonly regulated by local central banks, will commonly have access to commercial sources of funding as well as a depositor base and have a diverse loan portfolio which can include individual and small and medium-sized enterprise lending.
 - The Group's microfinance institutions in Ghana, Nigeria, Myanmar and Rwanda offer interest-bearing savings accounts.
- **Non-bank financial institutions** can be both for-profit or non-profit and are between (for-profit) microfinance banks and (non-profit) NGOs. They can both be regulated and unregulated.
 - The Group's microfinance institutions in India, Pakistan, Sri Lanka, the Philippines, Sierra Leone, Kenya, Uganda and Tanzania are non-bank financial institutions.
- **NGOs** tend to be smaller, with some notable exceptions (including ASA NGO Bangladesh).

When it comes to segmenting the industry, an additional distinction should be made between the 'joint liability' and 'non-joint liability' group lending models. Under the former, all members of the borrowing group have liability for each member's loan. Should any member of the group default, the other members of the group are required to bear the cost of the defaulting member. The joint liability model is practiced by a number of microfinance institutions around the world. In a non-joint liability model, the members of a group are not responsible for any individual defaulter. As a result, the non-joint liability model does not create any liability for each member of the group while maintaining the underlying 'social collateral' associated with the cohesion of group lending, as well as providing the power of the group in terms of client selection. The non-joint liability group lending methodology was pioneered by ASA NGO Bangladesh and put into practice globally by the Group.

ASA NGO Bangladesh

The track record of ASA NGO Bangladesh suggests there is significant opportunity within the microfinance industry. ASA NGO Bangladesh has grown its revenues and loan portfolio and has seen a correlation between

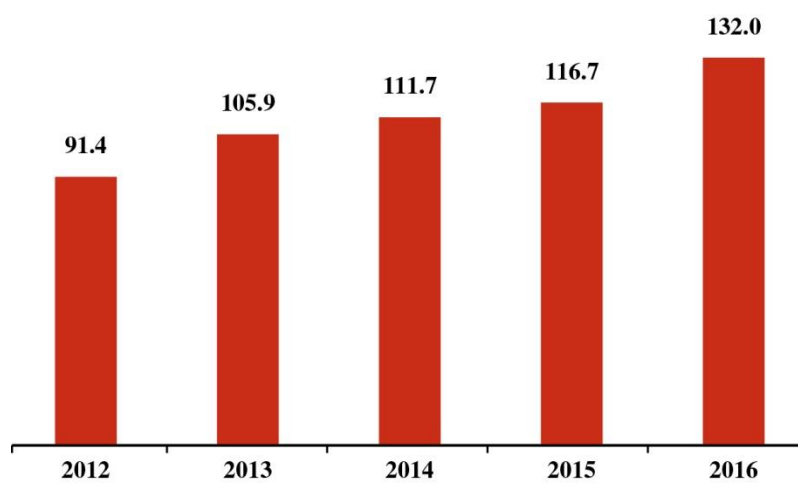
gross loan portfolio per client and GDP per capita, as its operations matured. It has also maintained strong asset quality, while growing revenue. Further, the number of microfinance clients as a proportion of the population in Bangladesh is much larger than that in the Group's countries of operations – 29.5 per cent. of the Bangladesh population are microfinance clients, compared to 9.8 per cent. in Ghana, 9.4 per cent. in India, 6.8 per cent. in the Philippines, 3.6 per cent. in Pakistan and 1.6 per cent. in Nigeria.

Industry Performance Indicators

Microfinance institutions have demonstrated the ability to grow and generate strong and sustainable returns while maintaining high quality loan portfolios. MIX Market is the primary data platform for the microfinance industry globally and collects, standardises and reports microfinance institution financial and portfolio data submitted on a self-reporting basis. MIX Market is operated by the Microfinance Information Exchange (MIX), which is an independent institution funded by industry stakeholders and philanthropic donors.

The table below presents the total number of microfinance borrowers by year.

Total global microfinance borrowers



Source: Microfinance barometer based on MIX Data, in millions.

The microfinance industry is growing fast and has continued to grow: in terms of number of borrowers, it reached approximately 132.0 million in 2016 from approximately 91.4 million in 2012, representing a 9.6 per cent. CAGR between 2012 and 2016.

The table below presents selected operational and financial metrics for each of the types of microfinance institutions described above.

Key operational and financial metrics by legal status (2015)

	Legal status of microfinance institution				Total
	Bank	NBFI	NGO	Other	
Selected Key Metrics					
Number of active borrowers (<i>in millions</i>).....	38.9	38.5	34.5	4.3	116.7
Total gross loan portfolio (<i>U.S.\$, billions</i>)	48.8	25.9	10.0	7.5	92.4
Average loan balance (<i>U.S.\$</i>).....	1,021	590	289	—	674
ROA ⁽¹⁾	1.9%	2.4%	5.8%	—	2.4%
ROE ⁽²⁾	12.7%	13.2%	16.2%	—	13.2%
Financial expenses/assets ⁽³⁾	4.7%	6.0%	4.5%	—	4.9%
Operating expense/loan portfolio ⁽⁴⁾	10.6%	13.9%	14.8%	—	12.0%
Financial revenue/assets ⁽⁵⁾	16.8%	24.3%	24.6%	—	19.1%
Yield on gross loan portfolio ⁽⁶⁾	18.5%	25.2%	25.4%	—	21.0%
Portfolio at risk > 30 days ⁽⁷⁾	5.8%	5.1%	3.2%	—	5.3%

Notes:

Source: MIX Global Outreach & Financial Performance Benchmark Report, 2015.

- (1) Measures how well a microfinance institution uses its total assets to generate returns.
- (2) Measures a microfinance institution's rate of return on equity.
- (3) Helps to determine the proportion of total financial expense incurred by a microfinance institution to fund its assets.
- (4) Measures costs incurred to deliver loans.
- (5) Represents the total revenue generated by microfinance institution portfolio as a percentage of its assets.
- (6) Indicates a microfinance institution's ability to generate revenue from its loan portfolio and is also an indication of the charges made to the borrower.
- (7) Most accepted measure of portfolio quality in microfinance and is the outstanding amount of all loans that have one or more instalments of principal past due by 30 days.

Economic and Social Benefits

An increasing body of evidence shows that appropriate financial services can help improve individual and household welfare and spur small enterprise activity. According to Consultative Group to Assist the Poor, different types of financial products can benefit low-income communities in different ways.

- Credit: microcredit helps encourage investments into assets that enable business owners to start or expand small enterprises. In many countries, it has been demonstrated that access to credit can lead to larger and more profitable businesses.
- Savings: building savings helps households manage cash flow spikes and smooth consumption, as well as build working capital.
- Insurance: vulnerability to risk and the lack of instruments to cope with external shocks make it difficult for low-income households to escape poverty and microinsurance can be an important instrument for mitigating risk.
- Payments and mobile money: having an efficient way of making payments reduces transaction costs. Rather than travel long distances, people can make and receive payments on their mobile phones. New

models of mobile banking are emerging to simplify processes and improve foreign currency conversion and payment terms for clients with limited access to financial services.

Research also shows that more inclusive financial markets are directly linked with economic growth and employment. Additionally, policymakers increasingly recognize that a financial market that reaches all citizens allows for more effective execution of other social policies and economic development priorities.

Perspectives on Industry & Macroeconomic Dynamics for the Group

Addressable market

The Group's addressable market is defined using World Bank's data within its current 12-country footprint. To assess the Group's addressable market, the total adult population and the share of the female adult population in each country in which the Group operates are used to identify the total number of adult women in each country. As the Group is focused on the improvement of financial inclusion among low-income women, the second stage consists of identifying the number of low-income women in each country. The Group views women earning broadly around U.S.\$3.20 a day (which is the international poverty line for lower-middle income economies (as defined by the World Bank) and based on 2011 international prices) as potential clients and, applying the percentage of the population earning below this threshold to the total number of adult women, this results in approximately 365 million low-income adult women in the Group's existing countries of operation.

This total addressable market of 365 million adult women can be further broken down into women who have previously borrowed (as a proxy for demand for the Group's loans) and women who have not previously borrowed from any source. The World Bank defines women who have previously borrowed as 'existing borrowers' which includes women who have borrowed from formal financial institutions, such as banks or information sources, such as (a) stores by using instalment credit or buying on credit, (b) family, relatives or friends or (c) other private lenders such as payday lenders and pawn shops. Using World Bank data, it is estimated that there are approximately 158 million adult women in the Group's existing countries of operation who are classified as 'existing borrowers', of which approximately 134 million have borrowed from informal sources.

The immediately addressable market for the Group consists of the approximately 134 million women who have borrowed from informal sources and could potentially be converted into the Group's clients, as well as the remaining women who have not previously borrowed from any source (approximately 207 million). The number of 'existing borrowers' illustrates the significant breadth of opportunity and the potentially sustainable upside from the Group's existing 1.8 million clients (captured within the approximately 158 million 'existing borrowers'), even if it were to capture a fractional market share of the untapped potential.

The chart below presents the number of women in the Group's 12 countries of operation segmented by whether the women had reported borrowing or not and if so, by source of reported funds.

Addressable market

The table below presents further detail on the borrowing habits of women in the Group's 12 countries of operation.

	Borrow from:					ASAIH Existing Clients
	Working Age Pop., (15+)	Financial Institution ⁽¹⁾	Informal Sources ⁽¹⁾	Non- Borrowers ⁽¹⁾	Total ⁽¹⁾	
	(in millions)					
Asia						
India.....	873.9	16.8	91.0	146.6	254.4	0.4
Pakistan	117.1	0.5	7.9	14.2	22.6	0.4
Philippines	65.5	0.9	4.3	3.6	8.8	0.3
Myanmar	35.5	1.0	1.3	3.5	5.4	0.1
Sri Lanka	14.0	0.1	0.1	0.5	0.7	0.1
Total.....	1,106.0	19.3	104.7	167.8	291.9	1.2
Africa						
Nigeria.....	98.9	1.5	13.5	22.9	37.8	0.2
Tanzania	28.8	0.6	4.1	6.8	11.5	0.1
Kenya	27.4	1.6	4.5	3.3	9.4	0.05
Uganda.....	20.7	1.0	3.7	2.4	7.0	0.1
Ghana	16.3	0.3	0.8	1.6	2.7	0.1
Rwanda.....	6.8	0.2	1.6	1.0	2.8	0.01
Sierra Leone.....	4.1	0.1	0.7	0.9	1.7	0.02
Total.....	202.9	5.2	28.8	38.8	72.9	0.6
Grand Total.....	1,308.9	24.6	133.6	206.6	364.8	1.8

Note:

Source: World Bank Global Findex Database, 2017.

(1) Defined as the total adult women population with earnings below U.S.\$3.20 (2011) PPP per day (as per World Bank low middle income poverty line).

Competitive Landscape

Given the broad spectrum of microfinance lenders, the Group typically views as its competitors those institutions that are similar on those basis of: (i) a similar community lending model and (ii) targeting a similar customer segment and therefore, are institutions that are broadly comparable in terms of gross loans / client.

The table below provides an overview of the relative positioning of the Group in each of its markets as well as giving a selected list of institutions that management view as competitors for each of its local microfinance institutions in their respective markets.

	Gross Loan Portfolio – ASAIH (U.S.\$mn)	Gross Loan Portfolio – Competitors’ Average	No. of Borrowers – ‘000 - ASAIH	No. of Borrowers – ‘000 – Competitors’ Average	List of Selected Peers
Asia					
India.....	92	1,110	405	3,804	Bandhan Bank, Bharat, Ujjivan, Equitas, Satin, Grameen Koota, Spandana, Muthoot Microfn
Pakistan	67	196	364	636	Akhuwat, NRSP Bank, Khushhali Bank, TMFB, NRSP-B
Sri Lanka	9	12	65	43	Berendina MFI, Vision Fund, Peoples MF Limited, Hambantota, Arthavida Intermediary
Philippines	36	98	301	729	ASA Philippines, CARD NGO, CARD Bank, NWTF, KMBI
Myanmar	17	199	105	263	PACT Global MF Fund, Sathapana, Vision Fund, Early Dawn
Africa					
Ghana	33	19	137	46	Sinapi Aba S&L, Opportunity Intl S&L, First Allied S&L, Advans S&L, Pan-African S&L
Nigeria.....	24	77	236	321	eLAPO, Grooming Centre, Fortis, AB MFI, Accion MfB
Sierra Leone.....	1	2	17	18	BRAC, LAPO MFI, A Call To Business, ARD MFI, SMT
Tanzania	8	38	56	79	BRAC, Pride Tanzania, Vision Fund, FINCA, Access Bank
Kenya	7	86	47	61	KWFT, Faulu, SMEP, Musoni, Eclof
Uganda.....	4	20	51	87	BRAC, Vision Fund, Ugafode
Rwanda.....	1	13	8	16	Urwego Bank, Umutanguha Fin Co, Unguka

Notes:

Source: Group unaudited management data as at 31-Dec-17. MIX Market. MFIN Report Dec 2017. Bandhan Red Herring Report 2018. Microfinance Connect Sep 2017. LMFPA- Microfinance Review 2016. SLAMFI Report Q1 2017. Sathapana Bank Plc Annual Report 2016. BRAC Tanzania Annual Report 2016. Vision Fund Tanzania website. FactSet.

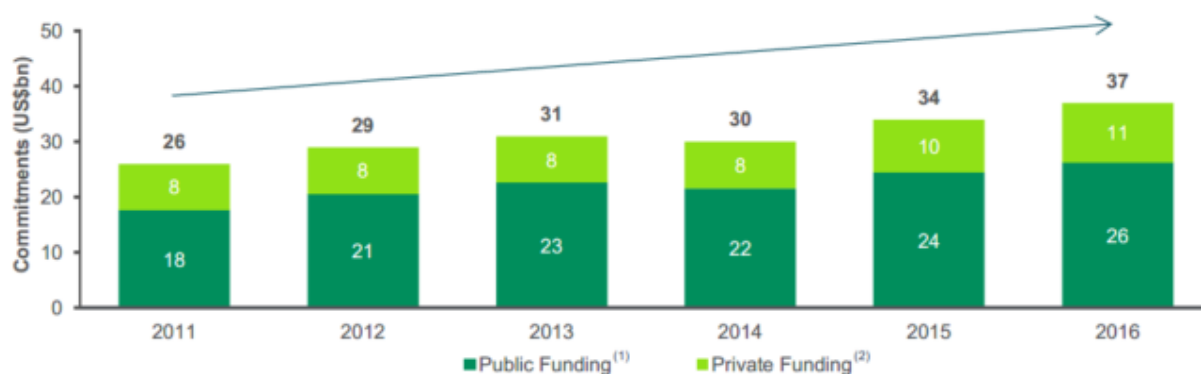
(1) Sourced from MIX Market which reports in U.S.\$.

(2) Information reported in local currency and converted into U.S.\$ based on the exchange rate at the end of the period sourced from FactSet.

(3) Where gross loan portfolio data was not available, net loan portfolio was used.

Public and Private Funding Support

Global funding for microfinance institutions is available from both public and private sources. The chart below presents the total commitments to microfinance institutions as well as the split of global public and private funding availability between the years 2011 and 2016.



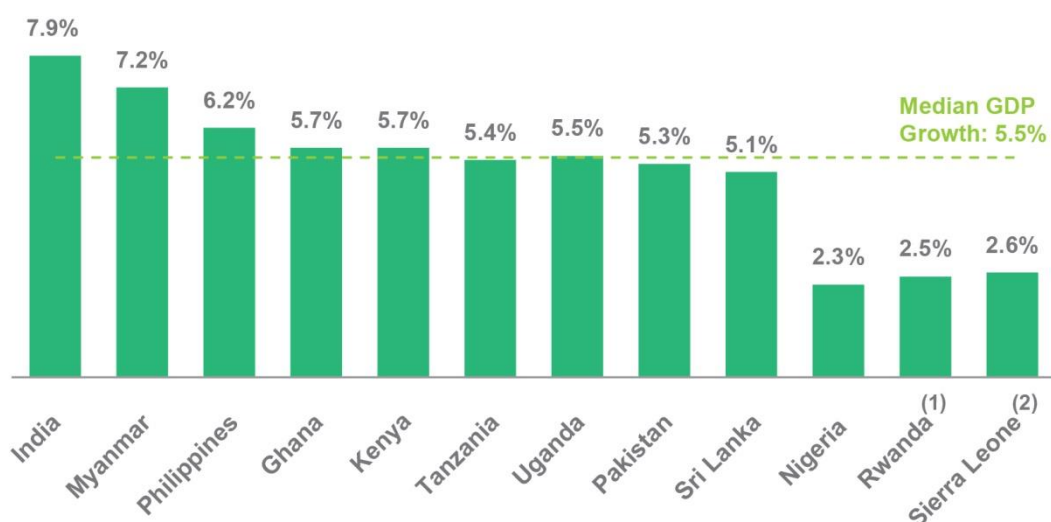
Source: ASA NGO Bangladesh unaudited management data 2000-17; CGAP 2017 Cross-Border Funder Survey.

Supportive Market Fundamentals

The Group's market potential is underpinned by attractive market fundamentals, including higher than average global GDP growth, demographics and increasing digitalisation within its existing countries of operation, which point toward an ongoing demand for the Group's loans as a means of improving financial inclusion.

The chart below presents estimated growth in Real GDP from 2017 to 2022 in the Group's 12 countries of operation.

Real GDP estimated growth 2017-2022



Notes:

Source: EIU, U.S.\$ at 2005 prices, CAGR 2017E-2022F, in per cent.

(1) Rwanda latest forecast is for 2019E, assumed steady growth rate until 2022E.

(2) Sierra Leone latest forecast is for 2019E, assumed steady growth rate until 2022E.

As shown by the chart above, GDP growth in the Group's existing countries of operation is projected by the EIU to be above 4.5 per cent. for all but Nigeria, Rwanda and Sierra Leone, and the median real GDP growth rate for these 12 countries is forecasted to be 5.5 per cent. between 2017-2022.

The chart below presents the estimated population in 2017 and the forecasted population in 2022 in the Group's 12 countries of operation.

Population estimated growth 2017-2022

Population, million

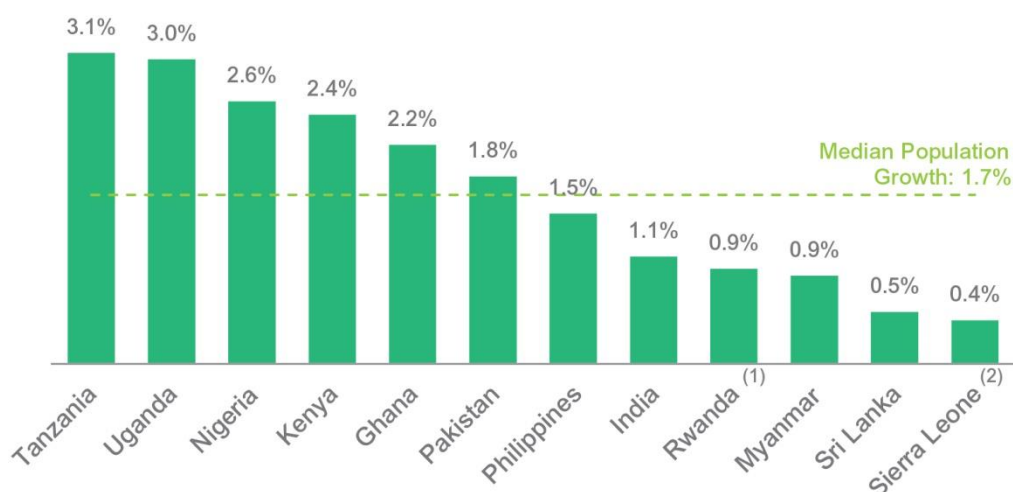


Source:

EIU, in millions.

The chart below presents the estimated CAGR of the populations in the Group's 12 countries of operation.

Population CAGR 2017-2022

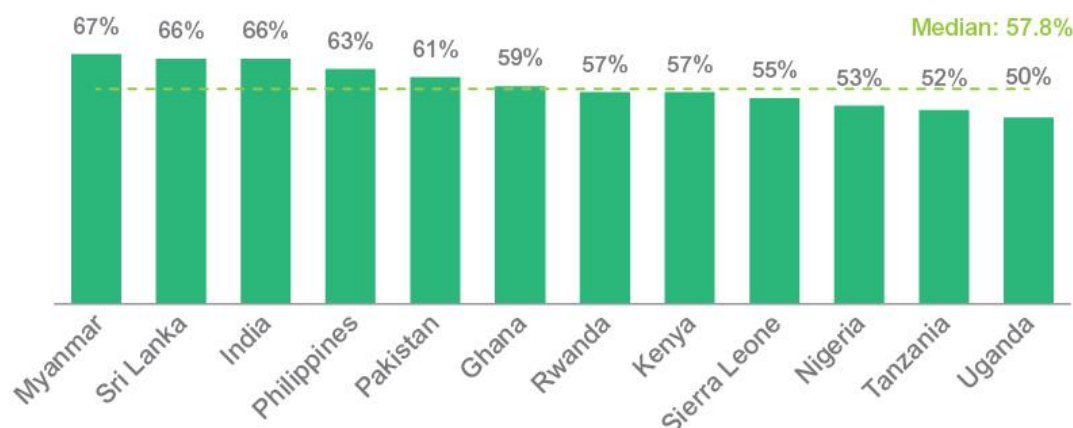


Source:

EIU, CAGR 2017E-2022F, in per cent.

The populations of the Group's countries of operations are growing at a faster rate than in developed markets – projected at a median CAGR of 1.7 per cent. in the five year period from 2017 to 2022, compared to 1.8 per cent. for the 28 countries in the European Union and the United States due to improved macroeconomic conditions.

Percentage of adult women



Source:

EIU, in per cent.

In addition, 58 per cent. of the total population of these countries is between 15-64 years old, creating a larger share of working-age adults than in more developed countries. Further, among the Group's existing countries of operation, the median proportion of adult age women is 57.8 per cent., using data from 2016. The Company believes that a rapidly increasing share of the population that is working age provides the chance to better leverage new technologies to offer and deliver products and services and sustain higher growth levels.

According to a PwC report from 2015 on payments in Africa and Asia-Pacific, 99 per cent. and 98 per cent., respectively, of transactions were in cash. These percentages are high, considering the wide variety of existing means of payment in the market. Digitisation is a key opportunity to expand financial inclusion among the financially excluded by moving away from cash towards electronic payments as it creates efficiencies, reduces risk leading to improved economic connectivity and growth, develops a financial track record for clients with limited credit histories, and creates effective communication channels with clients that can help build financial capabilities.

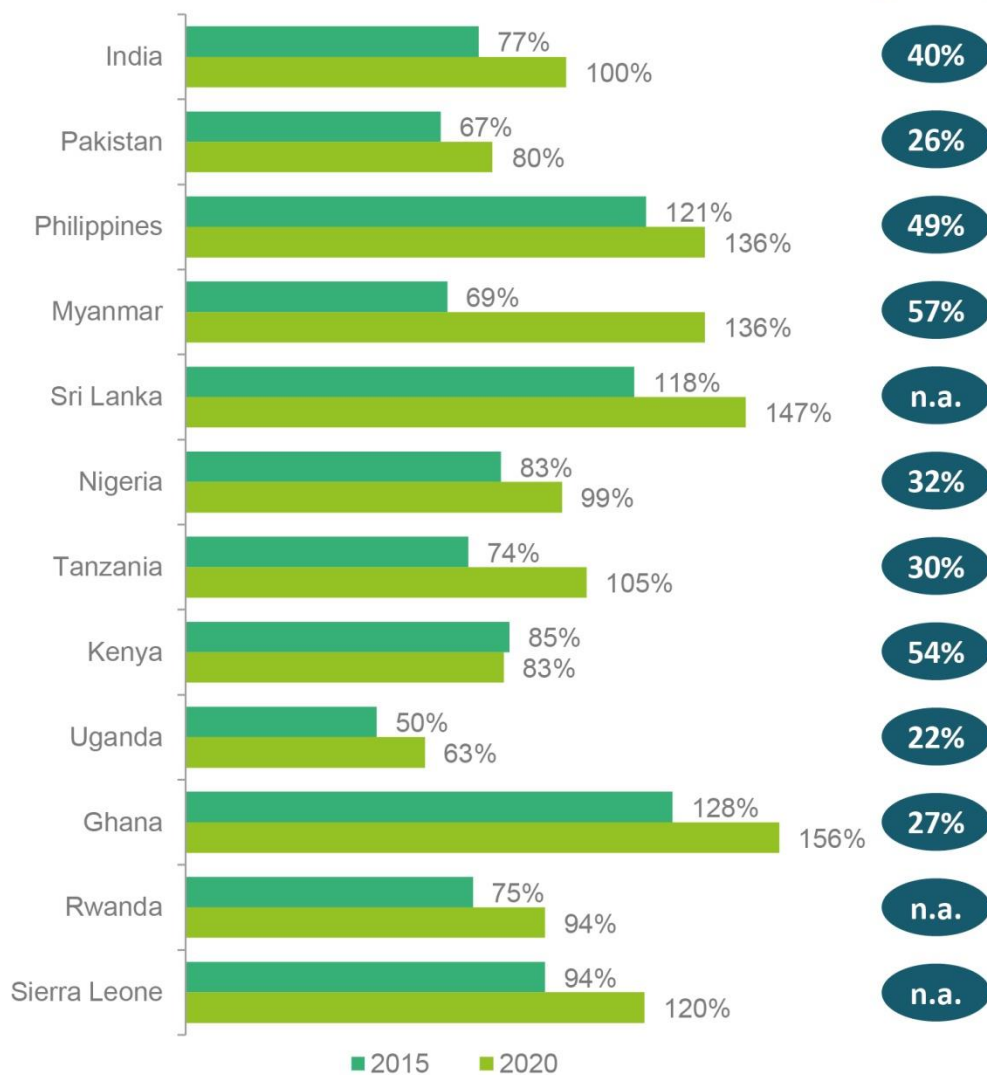
While the Group's countries of operation are currently marked by a low mobile telephone penetration rate and the prevalence of 2G (rather than 3G/4G) phones, the evolution of these countries towards wider smartphone dissemination and greater 3G/4G coverage lays the ground for a market transition to digital microfinance.

The chart below presents the smartphones as a percentage of total network connections in 2017, as well as a comparison of mobile phone penetration as a percentage of total population in 2015 against projected mobile phone penetration in 2020, in the Group's 12 countries of operation.

Smartphone/Mobile phone penetration

Country Mobile Penetration⁽¹⁾, %

Smartphones, %⁽²⁾



Notes:

Source: WCIS.

(1) Not adjusted for unique SIM users.

(2) As a percentage of total connections (2017E).

PART VIII

INFORMATION ON THE GROUP

Investors should read this Part VIII in conjunction with the more detailed information contained in this Prospectus, including the financial and other information appearing in Part XII: “Operating and Financial Review”. Where stated, financial information in this Part VIII has been extracted from Part XV: “Historical Financial Information”.

Overview

The Group is one of the world’s largest and most profitable international microfinance institutions, providing small loans (average local currency equivalent loan size of approximately U.S.\$300 at disbursement) to 1.8 million low-income, financially underserved female micro-entrepreneurs, as well as small business owners, in 12 countries across Africa and Asia. The Group’s business is focused on countries that it believes have high demand potential for microfinance loans and a large population of low-income, female micro-entrepreneurs who do not have access to credit from traditional banks to start or grow their businesses in their communities.

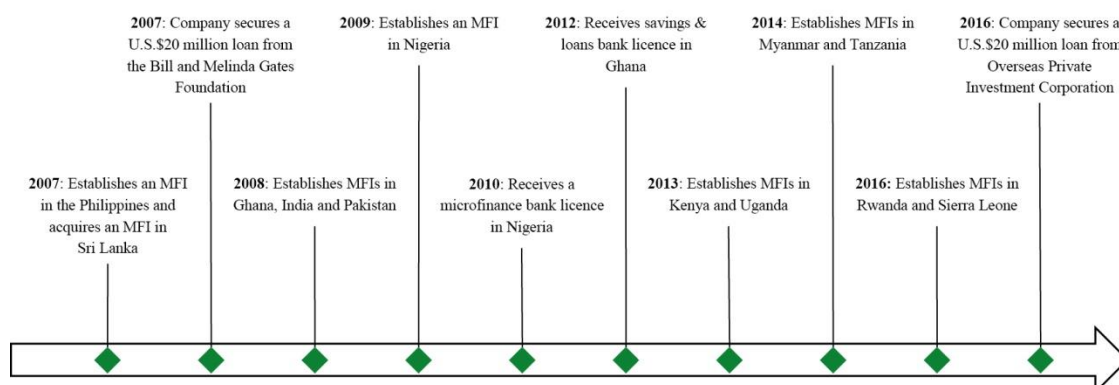
The Group was established in 2007 by its founding promoters, the Company’s Non-Executive Chairman, Md. Shafiqul Haque Choudhury, and the Company’s Chief Executive Officer, Dirk Brouwer, with the support of ASA NGO Bangladesh, one of the world’s leading microfinance institutions by number of active borrowers. Founded in 1978 by Mr Choudhury with the “vision of creating an enabling environment to establish a just society”, ASA NGO Bangladesh began developing its pioneering microfinance lending model in 1992, which is widely acclaimed as one of the world’s most efficient models of microfinance. ASA NGO Bangladesh was ranked as the world’s top microfinance institution by Forbes Magazine in 2007, and was the winner of the “Banking at the Bottom of the Pyramid” award at the Financial Times/International Finance Corporation Sustainable Banking Awards in 2008. The mission of Mr Choudhury, Mr Brouwer and ASA NGO Bangladesh was to adapt this scalable, standardised and low-cost model across Asia and Africa to fit the diverse cultures and environments in which the Group’s microfinance institutions would operate. Today, the Group’s model of microfinance (the “**ASA Model**”) is characterised by the following key features:

- lending predominantly to low-income, female micro-entrepreneurs;
- the disbursement of loans exclusively for income generating activities;
- small average loan sizes (predominantly ranging from the local currency equivalent of U.S.\$120 to U.S.\$500);
- “high touch” client interaction through weekly, bi-weekly or monthly loan collections;
- the benefits of client groups (e.g., collection efficiency of the relatively small loan repayment instalments and social cohesion, which encourages clients to repay on time) without client group liability;
- repeat loan cycles within limits on loan size and tenor specified in the Group’s localised operations manual;
- full repayment of existing loans prior to extending any new loan;
- ongoing assessments of client needs, benefits and satisfaction; and
- no monetary incentives provided to the Group’s staff for increasing the number of clients (except a nominal allowance in the case of Nigeria) or the size or quality of their microfinance institution’s loan portfolio.

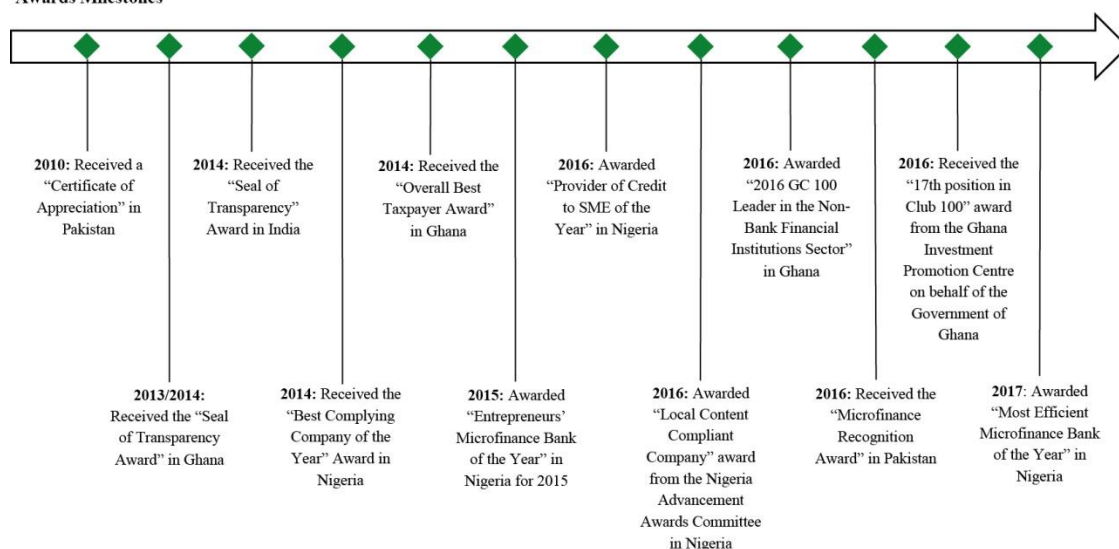
History

The following diagram illustrates the Group's key corporate milestones and awards:

Corporate Milestones



Awards Milestones



Competitive Strengths

Strong heritage, with internationally proven and replicable business model

The Group was founded with the mission to adapt the ASA Model to fit the diverse countries in Asia and Africa in which it has established its microfinance institutions. From inception, the Group benefited from early access to ASA NGO Bangladesh's know-how, industry technical expertise and experts at ASA NGO Bangladesh under the memorandum of understanding between ASAIH and ASA NGO Bangladesh (the "MoU"). See paragraph 15.4 of Part XIX: "Additional Information—Material contracts—Memorandum of Understanding". The technical assistance that the Group has received in the past from ASA NGO Bangladesh and its ability to leverage the qualified and experienced human resource pool from time to time at ASA NGO Bangladesh has provided it with a competitive advantage over other microfinance institutions. The Group's heritage has also allowed its microfinance institutions to play an important role in the development of the microfinance industry and associated regulatory environment in each of their countries of operation.

The Group has enhanced the ASA Model by leveraging ASA NGO Bangladesh's Microfinance Management System ("AMMS") platform to develop the ASA International Micro Banking System, or "AMBS", the Group's fully integrated, proprietary in-house banking system. AMBS is tailored to the Group's processes and unique operating environments and serves as a standardised banking system in each country in which it operates. AMBS facilitates the scalability of the Group's business as it expands its existing branch networks and enters new markets through the generation of detailed MIS reports on a branch, area, regional and country-wide, basis. All branches are expected to be connected in "real-time" through AMBS over the next 12 to 18 months, with AMBS also serving as the platform through which to offer and support the Group's digital banking services.

Unique international presence in diversified markets offers significant opportunity for long-term growth

The Group's microfinance institutions currently operate in 12 countries across Asia and Africa, the majority of whose populations earn on average less than U.S.\$3.20 per day pursuant to the World Bank's Poverty Line in Lower Middle-Income Countries. Traditional bank and financial services penetration remains low, averaging 49 per cent. across these 12 countries in 2017. Using World Bank data, the Group estimates that there are approximately 365 million women in its 12 countries of operations who are over 15 years of age and earn, on average, less than U.S.\$3.20 per day. The Group views women earning broadly around this threshold as potential clients for its products and services. In addition, the microfinance industry in most of the Group's countries of operation is generally in the early stages of development compared to those in other countries. For example, ASA NGO Bangladesh's branch density is approximately 16.1 branches per one million people, compared to an average branch density of 1.7 branches per one million people across the Group's 12 microfinance institutions. The Group believes these demographics provide significant potential for further substantial growth of its microfinance institutions.

With no single country accounting for more than 35 per cent. of its clients or its gross loan portfolio, the Group's international scale also mitigates concentration risk resulting from any adverse macroeconomic or political developments in any one country, when compared to many other microfinance institutions which typically maintain a single-country focus.

Track record of attractive financial returns and growth

The Group focuses on sustainable growth to maintain the quality of its loan portfolio and facilitate the delivery of strong financial results. The Group's return on average assets and return on average equity were 8.7 per cent. and 39.0 per cent. for the year ended 31 December 2017, respectively, and averaged 8.2 per cent. and 24.9 per cent., respectively, between 2013 and 2017. These returns were supported by the strong growth in the number of the Group's clients and branches, with CAGRs of 30.8 per cent. and 22.8 per cent., respectively, between 2013 and 2017, which in turn supported growth in the Group's gross loan portfolio (including the gross loan portfolio attributable to the Group's business correspondent relationships, excluding IDFC) and profits, with CAGRs of 42.6 per cent. and 39.4 per cent., respectively between 2013 and 2017.

The Group has strengthened its balance sheet by increasing its customer deposits (including amounts held as security collateral), which grew at a CAGR of 25.1 per cent. between 2013 and 2017. Customer deposits represented 15.8 per cent. of the Group's total liabilities as at 31 December 2017, and the Group expects this percentage to increase as certain of the Group's microfinance institutions receive deposit-taking licences.

The Group has also successfully raised funding from international lenders (including the Bill and Melinda Gates Foundation, Overseas Private Investment Corporation, Blue Orchard, Symbiotics, Okiocredit and Incofin), which represented 25.2 per cent. of its total debt in 2017, and most of its microfinance institutions have been able to raise local funding, which represented 74.8 per cent. of the Group's total debt in 2017. The ability of the Group's microfinance institutions to raise local funding provides a natural hedge against movements in the

value of local currencies against the Group's reporting currency, the U.S. dollar. Credit and social ratings received by the Group's microfinance institutions include a β + credit rating in Myanmar by Micro-Credit Ratings International Limited in 2016, a mfr5 social rating in India from CRISIL Limited in 2012, a β + credit rating in the Philippines from Micro-Credit Ratings International Limited in 2010 and a silver social rating in Pakistan from Microfinance Information Exchange in 2010.

Strong risk management

Risk management is embedded in the ASA Model, with key features designed to maintain the quality of the Group's loan portfolio. This has translated into historically low average PAR >30 of 0.5 per cent. between 2013 and 2017 (including the adjustment for the year ended 31 December 2016 to exclude the impact of demonetisation in India) and an average write-off ratio of 0.2 per cent. over the same period. Since 2007, the Group has written off loans totalling U.S.\$8.2 million, out of a consolidated U.S.\$2.2 billion of loans extended (converted to U.S. dollars using the relevant local currency to U.S. dollar exchange rate on 31 December 2017).

The Group's branch managers and loan officers have contributed to these results through frequent client interaction, facilitated by branches being embedded in the local community where the business activities of its clients primarily take place, and weekly group meetings, which cultivates their knowledge of the local community and allows loan officers to better assess the credit risk of existing and potential borrowers. In addition, at the heart of the ASA Model is the concept of standardisation through the use of the Group's operations manual at each of its microfinance institution to establish the responsibilities and authorisation limits of its field staff (i.e., loan officers and branch, area, regional and district managers). Each branch is generally operated in the same manner, which simplifies the oversight and internal controls of the Group's microfinance institutions.

Furthermore, the Group actively manages its assets and liabilities, including its transactional foreign currency exposure, by focussing on the use of local funding, where available, to provide a natural hedge against movements in the value of local currencies against the U.S. dollar. As at 31 December 2017, approximately 90 per cent. of the Group's total debt funding (including deposits) was either in local currency or was fully hedged. In addition, where the Group's microfinance institutions have been unable to secure local funding at competitive rates, ASA International Holding has successfully secured international funding, which allows the Group to efficiently deploy capital to its microfinance institutions through the use of inter-company loans to support their expansion. The Group is also able to reduce the risk of funding mismatches through its ability to secure long-term funding, over half of which has a remaining maturity of over one year and typically up to five years compared to its average client loan tenor of six to twelve months at issuance.

Significant upside potential for operational leverage

The Group has entered six new markets since 2013 and has opened 263 new branches in these markets since that time and has opened 617 branches in existing countries since 2015. The Group's branches typically mature over a six to eight-year period, at which point the growth in the number of clients and the size of the average loan portfolio per branch tends to slow. As approximately 42 per cent. of the Group's branches are on average less than three years old, the Group believes that these younger branches have the potential to drive significant growth and enhanced profitability in the medium-term, even with no further incremental branch openings.

Highly experienced management team and Board of Directors

The Group's senior management and its Directors have significant experience in the microfinance industry as well as traditional financial services. In particular, the Company's co-founder and its Non-Executive Chairman, Mr Choudhury, is the founder and President (since 1978) of ASA NGO Bangladesh. He has also held senior committee or advisory positions at key global microfinance stakeholders, such as Consultative Group to Assist the Poor (headquartered at the World Bank) and the UNDP's MicroStart programme, and is a respected thought-leader within the microfinance industry. The Company's Chief Executive Officer, Dirk Brouwer, is also a co-

founder, has been acting as Executive Director since inception and has approximately 20 years of experience with senior positions in banking and private equity. The Executive Director – Operations, the Chief Operating Officer and the Director – Investments, Treasury and Risk Management have, on average, over 30 years of experience in the microfinance industry, at ASA NGO Bangladesh as well as other micro-finance institutions, across multiple countries, and the Chief Financial Officer and the General Counsel have eight years and eleven years, respectively, of experience in the microfinance industry.

In addition, the Company has been operating with three independent Non-Executive Directors on its Board since 2013 and has appointed an additional independent Non-Executive Director, which demonstrates its commitment to robust governance and controls.

The Group has also developed a deep pool of seasoned operational staff within each country of operation. Experienced senior managers supervise and train locally recruited employees for new branches to instil best practices and facilitate knowledge transfer. This ultimately allows for a standardised, decentralised business model with a lean top-level management structure, which results in cost efficiency and facilitates rapid decision making. Its management team also maintains strong relationships with regulatory authorities and, as reputable microfinance practitioners, are frequent collaborators and partners with international bodies to further develop the microfinance industry. Its managing directors of its microfinance institutions have on average 22 years' experience in the microfinance industry.

Commitment to socially responsible outcomes, driving client confidence and industry recognition

The Group aims to enhance financial inclusion among the low-income populations in the countries in which it operates in a socially responsible manner. With its heritage and close association with ASA NGO Bangladesh, the Group makes every possible effort to ensure that the clients of its microfinance institutions are not granted loans that they will not be able to repay. To this end, the Group has implemented a socially responsible lending methodology as more fully described under “—Clients—Socially responsible lending methodology”.

Furthermore, by empowering women through loans used to develop their businesses, the Group enhances its clients' decision-making stature within their communities. This helps to not only encourage the timely repayment of loans, but also the deployment by its clients of the incremental profits that are generated to the growth of their businesses, as well as to the more fundamental household needs which can drive the economic development of the communities in which these women live, such as education, health, nutrition, sanitation and home repairs. The Group believes that the benefits the ASA Model affords to its clients are reflected in its client satisfaction rate of 88 per cent. (according to a survey conducted by the Company in December 2016) and its consolidated client retention rate of 78 per cent. in 2017.

The Group has received a platinum social rating (highest rating category) for its impact business model (analysing social and environmental impact) in 2014, 2015 and 2016 and a 4-star operations rating (measuring governance structure, workers, community engagement and environmental impact) in 2015 and 2016, in each case from the GIIRS, a Tier 1 counter-party creditworthiness rating (highest rating category) in 2017 from MFX Solutions, as well as a variety of awards in selected markets (e.g., “Most Efficient Microfinance Bank of the Year” in Nigeria in 2017, “Provider of Credit to SME of the Year” in Nigeria in 2016; “2016 GC 100 Leader in the Non-Bank Financial Institutions” ranking in Ghana in 2016; “Microfinance Recognition Award” in Pakistan in 2016, “Entrepreneurs' Microfinance Bank of the Year” in Nigeria in 2015; “Seal of Transparency Award” in India in 2014; “Seal of Transparency Award” in Ghana in 2013-14), and “Overall Best Taxpayer Award” in Ghana in 2014.

Strategy

Increase financial inclusion in existing countries through sustainable growth of the loan portfolios of its existing microfinance institutions

The Group aims to continue to increase financial inclusion within its existing countries of operation through the sustainable growth of its loan portfolio. It aims to do so by winning new clients in the communities in which its microfinance institutions currently have branches and growing its branch networks into new regions in the countries in which its microfinance institutions currently operate. The Group also believes that its high client retention rates (78 per cent. in 2017) will also contribute to growth in the loan portfolio as follow-on loans, which are often larger, are disbursed to repeat clients. The Group aims to create a cycle of ongoing wealth creation in the communities it serves by gradually increasing the loan sizes to its most successful clients, which, in turn, generally leads to larger loans also being disbursed to its other more junior clients.

The Group also expects to support this strategic growth through the continued recruitment, training and promotion of loan officers and other field staff, which the Group believes not only contributes to the quality of the loan portfolio and higher client satisfaction and higher client retention rates, but also contributes to the Group's reputation through 'word of mouth' advertising by satisfied clients, which drives new clients.

Expansion of geographic footprint

The Group seeks to leverage the scalability of the ASA Model for the gradual expansion of its geographical footprint and is continuing to evaluate new countries in which to expand its operations, focusing on countries that it believes have high potential for microfinance, which include a large population of low-income female micro entrepreneurs who do not have access to credit from traditional banks to start or grow their businesses. The Group has recently established a microfinance institution in Zambia, which has received a non-deposit taking licence. The Group expects to commence operations in Zambia in 2018, once the necessary visas have been obtained for its senior expatriate staff from Dhaka. In addition, the Group has begun the process of establishing a microfinance institution in Cameroon and once the microfinance institution has been incorporated, it will apply for a suitable licence. The Group believes Zambia and Cameroon have significant potential for microfinance due to estimated populations of 3.3 million and 2.8 million, respectively, of women over the age of 15 earning below U.S.\$3.20 per day, which is the Group's target demographic. Furthermore, subject to the development of a more favourable regulatory environment, the Group is interested in establishing operations in Indonesia, which is a major potential market with an estimated population of women over the age of 15 earning below U.S.\$3.20 per day of 27.0 million, and is planning to assess opportunities in additional countries in Asia and Africa.

Align growth in assets and liabilities

The Group also aims to align the growth in its assets and liabilities by growing the deposit base of its microfinance institutions to provide an alternative, stable, low-cost source of funding. Its microfinance institution in Ghana received a savings and loan bank licence in 2012, which allowed it to take deposits from non-clients. The Group has two microfinance institutions in Nigeria, one of which operates as a microfinance bank in Lagos State (licensed to take deposits from the public) and recently received approval from the Central Bank for upgrading its licence to a nation-wide microfinance bank. The Group's other microfinance institution in Nigeria is a non-governmental organisation operating in States other than Lagos State, which will be merged with the microfinance bank as part of the nation-wide bank process. In addition, its microfinance institutions in Myanmar and Rwanda each hold licences which allow them to take deposits from clients. In Myanmar, deposits may only be accepted up to a maximum of 5 per cent. of the loan amount (i.e., a mandatory security deposit), however, the Group expects that the microfinance institution will meet certain additional criteria (such as three years of operations and two years of profitability), which will allow it to take additional 'voluntary' deposits from clients, which have no regulatory limit.

Furthermore, in October 2016, the Group's microfinance institution in Pakistan, which currently operates as a lending company, applied for a microfinance bank licence, which would allow it take deposits from the public. The application is currently under review by the State Bank of Pakistan. The Group's microfinance institution in Sri Lanka, which currently operates as a lending company, applied for a microfinance company licence, which will allow it to take deposits from the public.

The Group will continue to monitor the regulatory environment in the remainder of the countries in which it operates as well as potential new countries, and where the costs and benefits of obtaining a deposit-taking licence are balanced, may apply for deposit-taking licences in those additional countries.

Enhance the Group's digital platform

The Group believes that the proactive adoption and development of digital and other technology offerings are critical to its ability to compete and provide a better client proposition. Therefore, the Group is continually investing in its AMBS and other technology as a means of meeting the demands of its clients and thereby increasing client satisfaction and client retention, as well as, increasing productivity. For example, the roll-out of tablets and other handheld devices to all loan officers at its 12 microfinance institutions will enable the Group's microfinance institutions to start offering 'doorstep banking' (i.e., taking deposits at the client's home) once regulations permit in each of the countries in which the Group operates. In addition, the Group is developing a banking application for its clients in Ghana and a few other markets that will allow its clients to, among others, pay instalments online, transfer funds to other bank accounts, as well as, transfer funds between accounts, and over time plans to roll-out this banking application to all its microfinance institutions, subject to regulation, smartphone ownership and network coverage in each of the countries in which the Group operates.

By enhancing its digital platform, the Group believes that it can continue to increase efficiencies, as well as reduce the risk of errors or misappropriation.

The ASA Model

The ASA Model is central to the Group's success and lies at the heart of its business model. It is scalable, standardised in format and capable of being deployed at low-cost to the Group's target client base of female micro-entrepreneurs who are over 15 years of age and earn around U.S.\$3.20 per day in each country in which the Group operates. Its key features are described below.

"High touch" client interaction

Loan officers are in regular contact with their clients through weekly, bi-weekly or monthly group meetings to collect loan instalments or deposits. This "high-touch" model fosters close client relationships that allow branch employees to quickly identify any repayment or other issues being experienced by their clients and to target the disbursement of higher value, follow-on loans to clients who have successfully developed and expanded their businesses.

Income generating loans

The Group's microfinance institutions only offer loans to start or grow businesses, rather than for general consumption purposes. In order 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.

Small loan size

The Group's microfinance institutions offer small loans predominantly in amounts between the local currency equivalent of U.S.\$120 to U.S.\$500. This small loan size helps to prevent clients from becoming over-leveraged and maintains group cohesion by preventing the participation of clients with much higher repayment capacity in the group.

Member group selection without joint liability

The Group's lending methodology aims to incorporate the benefits of a group, while preserving each group member's individual aspirations, by making the group responsible only for non-financial obligations, such as the screening and selection 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 in the group are never penalised for the poor performance of defaulting clients.

Full repayment via instalments before qualifying for new loans

Only when a loan is repaid will clients be eligible to apply for a new, often larger loan to further develop their businesses. This policy is consistent with the Group's socially responsible lending methodology to ensure that the clients of its microfinance institutions do not become over-leveraged, and therefore unable to repay an existing loan.

Repeat loan cycles with set limits

The Group sets 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. Almost half of the Group's clients are on their second or higher loan cycle with 9 per cent. on their sixth or higher loan cycle.

Ongoing assessment of client needs and satisfaction

The Group is committed to enhancing financial inclusion in a socially responsible manner. It therefore requires its loan officers to assess a client's repayment capacity as part of the initial loan application process and at each loan renewal. The Group also offers a moratorium on loan repayments in emergency situations (e.g., natural disasters, death of family member, etc.). This commitment to the well-being of its clients, along with its "high-touch" client interaction, helps support strong client satisfaction rates, which averaged 88 per cent. (according to a survey conducted by the Company in December 2016) and high client retention rates of 78 per cent. in 2017. Furthermore, every year the Group conducts a survey of its clients to assess the economic benefit of its loans in relation to its clients' loan costs. According to its most recent survey in 2017, the Group estimates that the average weekly yield generated by its loans ranged from 5 per cent. in Nigeria to 18 per cent. in the Philippines.

No monetary incentives

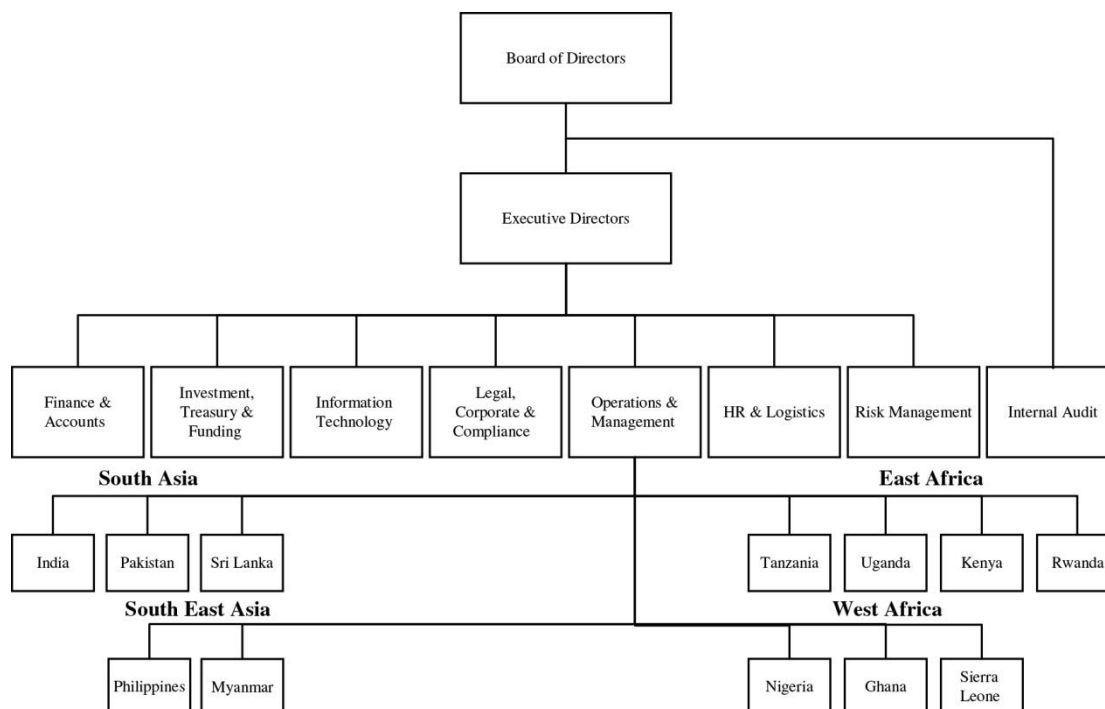
The Group's loan officers do not receive monetary incentives for increasing the number of clients or the size or quality of their microfinance institution's loan portfolio, which the Directors believe makes the Group's loan officers more cautious and conservative, unlike some other microfinance institutions. District, regional, area and branch managers also only receive fixed remuneration without any monetary incentives.

Management and Operational Structure

The Group's operations are standardised, which allows management authority to be decentralised and delegated (within specified limits) from the Group's integrated corporate headquarters in Dhaka, Bangladesh and Amsterdam, the Netherlands to each of its microfinance institutions. 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.

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, therefore, segmented into four regions: South Asia, South East Asia, East Africa and West Africa.



The Group’s microfinance institutions operate an aggregate total of 1,387 branches across 12 countries in South Asia, South East Asia, East Africa and West Africa. Limited administrative layers exist throughout each in-country branch network to promote 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, Chief Operating Officer, Director of Investments, Executive Director – Operations and Director – Investments, Treasury and Risk Management. Remaining directors often having extensive experience in the microfinance industry or at central banks.

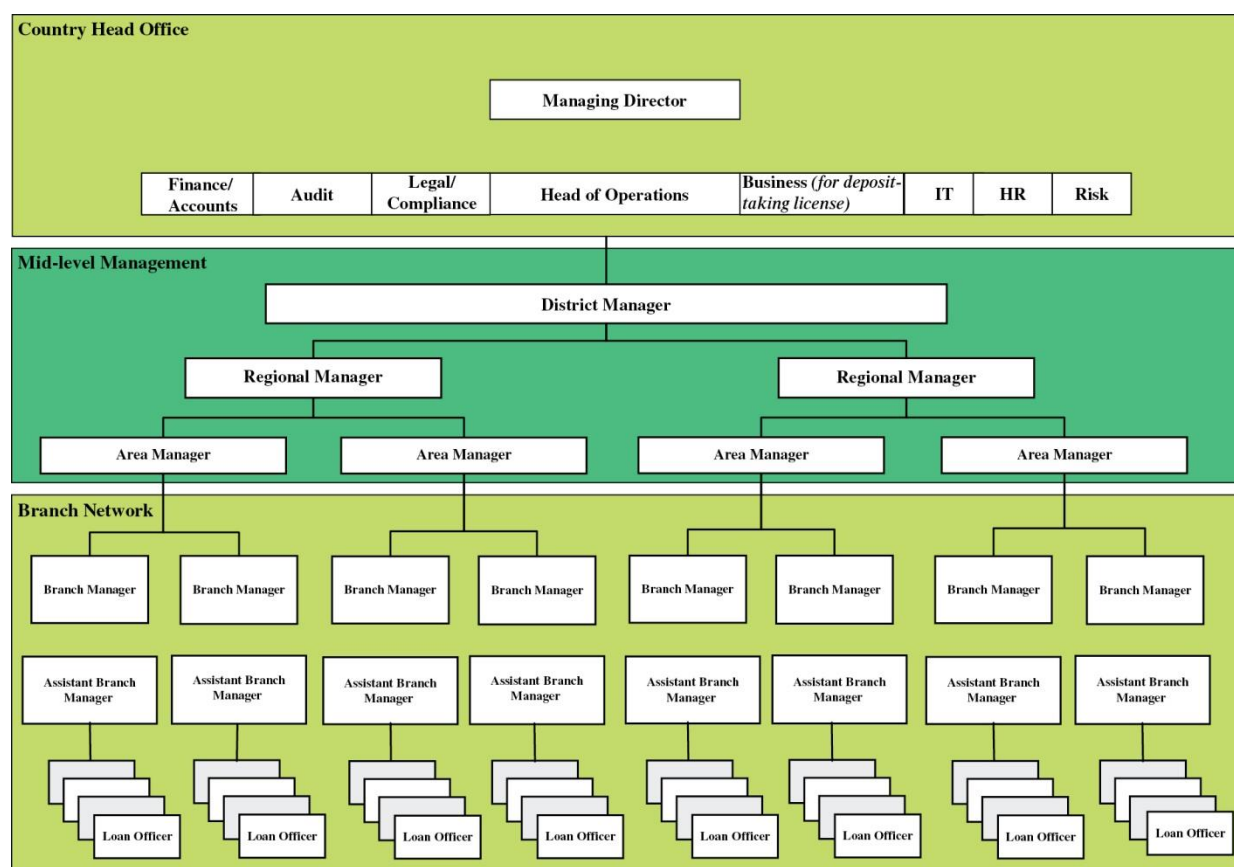
Each of the Group’s microfinance institutions also has a country-level head office from which the managing director works and manages the microfinance institution, reporting to the MFI Board and the Group’s corporate headquarters in Dhaka and Amsterdam. Reporting to the managing director, the head of operations is also located in the country head office and oversees the microfinance institution’s mid-level management. The country head office also includes various other management functions, including finance and accounts, internal audit, legal and compliance, business (for microfinance institutions with deposit-taking licences), information technology, human resources and risk management. Internal audit reports directly to the MFI Board. Each country 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 Dhaka.

The field staff of each microfinance institution is comprised of mid-level management and branch staff. The mid-level management 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 is generally comprised of 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 their 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 in accordance with the Group's operations manual. At client group meetings, mid-level management also receives client feedback and follows-up in relation to any prior client complaints.

Branch staff comprise branch managers, loan officers and supporting staff members and are based in the branches.

The following diagram presents an illustrative and simplified overview of the in-country management structure discussed above:



Branch network

Structure

Each of the Group's microfinance institutions has its own branch network that forms the basis of the highly decentralised ASA Model. These networks are embedded within the urban, semi-urban and rural communities they service, thereby allowing the Group to understand the business environment in which its clients operate and integrate its operations within their communities.

Operations at each branch are highly standardised through the use of the Group's operations manuals, which set out the responsibilities and authority of field staff (within pre-determined limits) and effectively function as a set of internal controls. Branch managers have the authority to approve both new clients and client groups, as

well as the size of loans within certain specified ranges, without approval from the head office. Branch managers are responsible for supervising loan officers. Loan officers are the Group's "front-line", carrying out group meetings, selecting potential new clients and collecting loan instalments. Loan officers also carry out branch "back office" administrative and accounting roles.

The Group's branches typically comprise a leased multi-room residential house or apartment, which is repurposed to serve as both the office and accommodation for its staff. Branch management and administrative activities as well as the disbursement of loans to clients take place in the office section of the branch, and the branch manager and loan officers reside in the remainder of the branch. By co-locating its employees' living and work environments, the Group aims to foster a close working and learning environment to optimise branch performance.

This structure also allows the Group to establish new branches with a capital-light model characterised by low annual lease expense and an initial capital cost, and to expand rapidly where local market conditions permit. Spending limits for operating costs are set out in the operations manual, which helps the Group maintain tight control over operating costs, which it believes are lower than most of its peers on a per-branch basis. In general, new Group branches are expected to break-even (i.e., generate operating profits) within nine months to a year from establishment and in the Group's experience, a minimum of U.S.\$2.3 million in capital (equity or debt) is required to properly establish a 'greenfield' operation.

A typical branch has a branch manager, four or five loan officers (up to six in Myanmar), and one supporting staff member. Larger branches may also have an assistant branch manager. Where client demand indicates that a branch can support more than five loan officers, the Group will generally open a new branch to serve these additional clients, either by opening another branch in the same building or in the area of demand.

Branch managers are carefully selected from a pool of experienced loan officers. Branch managers and loan officers are generally hired from within the same region as their branch, but will not be posted to branches in their home community in order to avoid conflicts of interest with potential or existing clients.

Nearly all of the Group's branches are identical and operated and managed in the same manner, allowing for easy replication, expansion and supervision. Individual branches are designed and staffed to service approximately 1,500-2,000 clients within a 12-kilometre radius. By locating its branches within a 12-kilometre radius of its clients' communities, the distance travelled by loan officers to meet prospective clients and attend collection meetings, and by clients to receive loans, is minimised.

Where the microfinance institution has a deposit-taking licence, it may have one or more main bank branches, which are characterised by higher infrastructure requirements and associated costs (e.g., bank vaults, security guards, CCTV, parking lots, etc.) to comply with central bank requirements for deposit-taking institutions. These main bank branches undertake traditional Group branch business as well as deposit-taking, and are complimented by satellite branches that follow the branch model as described above.

Geographic expansion

When the Group establishes a microfinance institution in a new country, it uses a standardised approach to assess the market opportunity. Using an initial implementation team that consists of four to five senior Group expatriate staff from Dhaka, the Group undertakes a thorough macroeconomic, competitor and regulatory assessment. A member of the senior operations team, supported by experienced staff, is tasked with identifying relevant market centres in urban, semi-urban and rural communities and analysing competitor influence and activity in the market. Once those market centres are identified, the Group collects further data about the local communities, including population, income levels, economic activity, types of businesses, social cohesion, and proximity to banks and other relevant financial infrastructure. Among other things, the Group seeks areas with

populations of approximately 15,000-20,000 adults within a 12-kilometre radius of the proposed branch location before it will approve the establishment of a new branch network. The regulatory assessment, prior to applying for a licence, focuses on licensing requirements and any foreign ownership restrictions for microfinance institutions to ensure that the microfinance institution can obtain the necessary licence and be wholly or majority-owned by the Group, as well as ensuring that senior Group expatriate staff can secure the necessary visas to the new country.

The decision to conduct an assessment of, or establish a microfinance institution in, a new country rests with the Group's Executive Committee, which will discuss potential areas of expansion and evaluate completed market and regulatory assessments, before making a recommendation to the Board in the case of a new country. Once the Board has approved the expansion (typically a decision is made within three months from the commencement of the assessment), the Group will identify the expatriate team, including the managing director of the new microfinance institution, to deploy and apply for a business licence.

Following formal approval as described above, the Group will first open a country head office (for new countries) and then begin to open branches. Over the next three years, a branch network will generally grow to between ten and 50 branches and, subject to the size of the market, to over 50 branches over the longer term. Historically, the Group's microfinance institutions have generated profits within three years of commencement of operations (excluding Rwanda and Sierra Leone which commenced operations in 2016).

In new countries, an experienced expatriate senior manager will oversee and run the first branch for up to six months, during which time he trains four or five loans officers, one of whom is then selected to succeed the original senior manager. The expatriate senior manager then moves to a new community within the same country to open a new branch, gradually appointing and training a new group of loan officers until the branch is fully staffed. As the branch network expands, area and regional managers will be appointed, and it is common for the original expatriate staff to become area, regional or district managers or eventually head of operations, unless the Group has deployed a senior expatriate manager already to fill this role. As local branch managers become effective managers and trainers themselves, the involvement of only four to five expatriate branch managers enables the opening of 15-20 branches in the first year. Over time, expatriate staff are promoted to more senior operational positions until they are ultimately replaced by experienced local staff. While there will always be strong operational involvement by the Group's senior management team within the country and in Dhaka, the phasing in of locally based branch management provides long-term stability to the Group's operational model and, once deployed and established, entrenchment of the ASA Model in the local community.

The process for in-country expansion is similar to the process followed for expansion into new countries, with the following differences: the macroeconomic, regulatory and competitor assessment will be conducted by four to five local managers who are experienced professionals; approval to expand into a new region within an existing country rests with the relevant MFI Board; the regulatory assessment will involve the General Counsel in Amsterdam and the macroeconomic and competitor assessment is often supported by senior management in Dhaka; the time from assessment to a decision to move into a new country is generally within one to two months; and once approved, locally experienced staff will be deployed to set-up the new branch or branches.

Branch maturity

Generally, as the Group's branches become embedded in the communities they serve, their client base increases, the number of loans outstanding increases and the average value of loans extended increases. This reflects the maturation of a branch's client base over time, both in terms of the actual number of clients to whom the branch extends loans as well as the higher average loan size over time. These trends and the positive impact this has on the growth of the Group's loan portfolio and associated income are illustrated by the following table, which presents, for the Group's operations in Pakistan, the average number of clients per branch and the gross loan portfolio per branch from 2009, its first full year of operation in Pakistan, through the end of 2016.

	As at and for the year ended 31 December								
	First 2 years ⁽¹⁾	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Average number of clients per branch.....	963	1,261	1,420	1,486	1,632	1,704	1,805	1,925	1,987
Outstanding loan portfolio (net of provisions) per branch (U.S.\$ in thousands)	93.1	137.6	171.2	192.5	232.1	263.2	299.9	348.5	392.0

Note:

- (1) Includes the first calendar year of operations together with the next full calendar year of operations (i.e., may be less than two years for branches that opened after 1 January of the relevant year).

Approximately 42 per cent. of the Group's branches are less than three years old, which the Group believes provides a significant opportunity to increase the average number of clients per branch and outstanding loan portfolio per branch, as illustrated by the table the below.

	As at and for the year ended 31 December								
	First 2 years ⁽¹⁾	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Average number of clients per branch.....	1,103	1,238	1,246	1,117	1,279	1,365	1,500	1,566	1,625
Outstanding loan portfolio (net of provisions) per branch (U.S.\$ in thousands)	117	158	167	132	160	193	245	282	329

Note:

- (1) Includes the first calendar year of operations together with the next full calendar year of operations (i.e., may be less than two years for branches that opened after 1 January of the relevant year).

The following table presents the average branch maturity of each of the Group's microfinance institutions.

	Branch maturity		
	<3yrs	3-5yrs	>5yrs
	(per cent.)		
India	52%	3%	45%
Pakistan.....	28%	16%	56%
Sri Lanka	42%	8%	50%
Philippines	24%	15%	61%
Myanmar	75%	25%	—%
Tanzania.....	83%	17%	—%

	Branch maturity		
	<3yrs	3-5yrs	>5yrs
	<i>(per cent.)</i>		
Uganda	71%	29%	—%
Kenya.....	60%	40%	—%
Rwanda	100%	—%	—%
Nigeria.....	38%	23%	39%
Ghana.....	27%	23%	50%
Sierra Leone	100%	—%	—%

The following table presents the outstanding loan portfolio per branch by age of branch for each of the Group's microfinance institutions.

	Outstanding loan portfolio per branch		
	<3yrs	3-5yrs	>5yrs
	<i>(in U.S.\$)</i>		
India	298,662	794,258	712,493
Pakistan.....	137,682	228,016	341,374
Sri Lanka	99,968	131,334	181,482
Philippines	83,392	111,444	160,524
Myanmar	299,669	301,331	—
Tanzania.....	115,750	183,934	—
Uganda	66,263	103,864	—
Kenya.....	118,334	187,250	—
Rwanda	71,399	—	—
Nigeria.....	91,575	92,991	130,571
Ghana.....	190,260	241,975	405,218
Sierra Leone	60,171	—	—

The following table presents the number of clients per branch, by age of branch for each of the Group's microfinance institutions.

	Clients per branch		
	<3yrs	3-5yrs	>5yrs
India	1,349	3,279	3,005
Pakistan.....	801	1,294	1,824
Sri Lanka	877	1,163	1,246

	Clients per branch		
	<3yrs	3-5yrs	>5yrs
Philippines	881	1,010	1,214
Myanmar	1,790	1,969	—
Tanzania.....	891	1,112	—
Uganda	863	940	—
Kenya.....	817	1,100	—
Sierra Leone	838	—	—
Nigeria.....	845	1,030	1,213
Ghana.....	1,119	963	1,487
Rwanda	495	—	—

Products

The Group's product portfolio primarily comprises small and micro-enterprise loans.

Loans

The Group exclusively offers loans for income-generating purposes, which have tenures of between six and twelve months and an average local currency equivalent loan size of approximately U.S.\$300, at locally competitive rates of interest. Minimum loan amounts typically start at the local currency equivalent of U.S.\$120. Repayments are made in instalments, which are generally weekly, but in certain jurisdictions are bi-weekly (e.g., in Myanmar) or monthly (e.g., in Pakistan). These loans may be used to start or scale-up an existing business such as: services (e.g., food shops, restaurants, beauty salons and pharmacies), trading (e.g., shops, selling and trading), manufacturing (e.g., handicrafts) or agriculture (e.g. food grains, poultry and dairy), etc. Based on a survey conducted by the Group in 2016-17 on a sample of 6,495 clients in their third loan cycle and above across its operations, approximately 50 per cent. of the Group's clients were active in the trading segment, with approximately 42 per cent. in services, 6 per cent. in agriculture and 2 per cent. in manufacturing.

Once a loan is repaid, borrowers are generally eligible to apply for a new, often larger loan to further develop their businesses based on an assessment of client needs and business potential. These follow-on loans are on average 20 to 50 per cent. larger than the previous loan, subject to the inflation rate in the specific country and the earning capacity of the client's business. Maximum loan amounts per loan cycle are tailored to the local market.

The Group's microfinance institutions regularly benchmark loan interest rates against equivalent providers (e.g., non-governmental organisations, microfinance banks or other microfinance institutions) in their countries of operation. The interest rates the Group's microfinance institutions charge ranges from 23 per cent. to 50 per cent. per annum, depending on country, product and loan term. As the interest rates offered are generally similar to those offered by the other lending institutions with whom they compete, the Group's microfinance institutions primarily compete on the basis of providing superior client service, loans without joint liability, a stream-lined credit application process, speed and reliability of delivery, and the breadth of their branch networks.

As the branches within a particular branch network mature, they may introduce larger small business/small enterprise loans to their product portfolio to meet demand from both existing as well as new clients. These small business/small enterprise loans are granted to individuals, average in size between the local currency equivalent of U.S.\$550 and U.S.\$2,000, have an average tenure of 6 to 12 months and are usually approved by regional or

area managers, rather than branch managers. The Group's small business/small enterprise loan clients, over 40 per cent. of whom are men, are usually seeking to expand their businesses. Small business/small enterprise loans comprised approximately 9 per cent. of the Group's outstanding loan portfolio as at 31 December 2017.

Deposit taking

In most countries (except Pakistan, India, Sri Lanka and Myanmar), clients must demonstrate credit discipline by depositing a fixed amount with their local branch in advance, as security collateral, prior to loan disbursement. In most countries (except India, Pakistan and Myanmar), clients also pay a small amount simultaneously with their loan repayments that is retained by the branch as security against the client's obligations to repay the balance of the loan. The amount clients pay as a security deposit ranges from 5 per cent. to 20 per cent. of the loan amount and where a regular subscription is offered, the minimum subscription amount ranges from U.S.\$0.65 to U.S.\$4.00 per week. In Ghana, the Group's microfinance institution pays approximately 8 per cent. interest to its clients on amounts held as security. The Group believes this practice helps to instil savings habits, with some clients choosing to deposit more than what the Group requires (so long as its licence allows), while having access to this excess balance for personal use.

Besides taking security collateral from its clients in countries where it is allowed to do so, the Group's microfinance institutions in Ghana, Nigeria, Myanmar and Rwanda offer interest-bearing savings accounts. Interest rates on deposits range from 6 per cent. to 15 per cent. As it is able to draw upon these accounts to advance loans in these countries to its clients, deposit taking allows the Group to more efficiently manage its balance sheet funding. These accounts primarily comprise standard savings accounts and term deposits. As at 31 December 2017, client deposits, including security collateral, represented 15.8 per cent. of total liabilities. As at 31 December 2017, security collateral comprised the majority of deposits (74 per cent.), followed by compulsory deposits (paid-in amounts or amounts collected upon each payment instalment on a weekly, bi-weekly or monthly basis from clients) which comprised 18 per cent., voluntary deposits (any amount deposited above the compulsory amount) which comprised 8 per cent. and public deposits which comprised 0.07 per cent. of deposits. The Group has applied for further deposit-taking licences in Pakistan and Sri Lanka, and is considering applying for deposit-taking licences in the Philippines and Tanzania.

Ancillary products

In the Philippines, the Group's microfinance institution, acting as the agent of an affiliated mutual benefit association formed by its clients, offers basic credit and life insurance to its clients, and in India, as an agent of a major local insurance company, the Group's microfinance institution offers basic insurance services.

Clients

The Group's principal target market is financially underserved female micro-entrepreneurs who are over 15 years of age and earn around U.S.\$3.20 per day. They are from low-income households and have little or no access to formalised credit. The Group believes that women have a positive influence on loan repayment behaviour in their homes because they are generally more risk averse in respect of income earned to finance the household, tend to be more cooperative in group contexts, and are generally able to regularly attend group meetings to repay their loans. Consequently, through the provision of capital to women, the Group believes it reduces its credit risk profile. Furthermore, by empowering women through loans used to develop businesses, the Group enhances the decision-making stature of women within their communities. This helps to not only encourage the timely repayment of loans, but also the deployment of disposable income to the more fundamental domestic needs which can drive the economic development of the communities in which these women live, such as education, health, nutrition, sanitation and home repairs.

Client sourcing and group formation

In order to source new loans, the Group deploys its loan officers to identify female micro-entrepreneurs who seek working capital for their new or existing businesses. The first group of members (usually five to ten in number, although as high as 35) then assist the branch's staff to form a member group, which eventually will consist of 15-25 women, and help to identify other potential borrowers through their interpersonal relationships and "word of mouth". Eventually, client sourcing and group formation becomes self-perpetuating as repeat clients mobilise other potential clients. The Group has adopted standard policies in this respect, which are set out in the operations manual as applied in each branch.

In most countries, clients must pay a membership fee (ranging from U.S.\$0.50 to U.S.\$6.00) to become a group member and a loan processing fee (typically ranging between 1 per cent. and 3.5 per cent. of the loan value) when applying for a loan. Clients in India and Pakistan are not required to pay a membership fee and clients in Pakistan, the Philippines, Sri Lanka and Myanmar do not pay loan processing fees. Membership fees accounted for 18.4 per cent. of other operating income in the year ended 31 December 2017.

Each member of a group is eligible to obtain loans individually, and neither the group nor any of its members can be penalised if another member defaults on its loan. However, as the members are generally known to one another or reside in the same community, they tend to encourage each other to repay loans on a timely basis. Notwithstanding the provision of guarantees in respect to its loans, the Group believes that this member group social cohesion is central to helping it cost-effectively maintain its low default rates by increasing credit discipline.

The majority of the Group's client are located in urban (64 per cent.) and semi-urban (22 per cent.), with the remaining (14 per cent.) in rural communities.

Verification and disbursement

Following the formation of a member group, clients complete a one-page standardised loan application, and in certain countries are required to provide identification documents and references. Loan officers conduct a comprehensive, but simple verification exercise of the client's business to determine her repayment capacity, and the appropriate size of the loan to be extended, within the range prescribed by the Group's operation manual as reviewed by the country head office from time-to-time. In Ghana, India and Rwanda, the client's credit, if any, will be checked with a central credit bureau or similar third party organisations. This verification process is generally completed in one day, but can take up to two weeks. Following successful completion of the verification process, and in case the application has been successful, the loan is then disbursed in the nearest branch in the form of cash, cheque, wire transfer or mobile money transfer.

Socially responsible lending methodology

The Group aims to enhance financial inclusion among the low-income population throughout Asia and Africa in a socially responsible manner. With its heritage and close association with ASA NGO Bangladesh, the Group makes every possible effort to ensure that the clients of its microfinance institutions do not become overleveraged by taking on loans which they will not be able to repay. In addition to the key features of the ASA Model described under "*The ASA Model*", the Group has, therefore, implemented the following socially responsible lending methodology:

- prior to the disbursement of a loan, loan officers are required to assess the repayment capacity of the potential client, including the earning capacity of the client's existing or planned business and how a loan from the Group's microfinance institution could increase its earning capacity;
- each loan officer is responsible for collecting unpaid loan instalments by his or her clients by visiting their homes after his or her regular daily activities, which can substantially increase a loan officer's daily

work load and ensures that loan officers are cautious and conservative in the selection of clients and the sizing of loans from the outset;

- the Group has a strict policy not to restructure any existing loans by, for instance, lengthening its term, other than allowing for a temporary moratorium in the repayment of loan instalments in case of (i) natural disasters (no longer than 3-4 weeks) or (ii) a client's serious illness (time-period dependent on the specific circumstances);
- while the client retention rate among the Group's microfinance institutions is relatively high, approximately 21 per cent. of clients that drop out at the end of the loan cycle are refused a further loan by the Group most commonly due to poor repayments habits and/or perceived irregularities in loan use (which otherwise could lead to problems for the client and the Group);
- each year the Group conducts a client satisfaction and client economic yield survey among all its microfinance institutions;
- the Group's microfinance institutions do not use any agents or middlemen to recruit and/or manage their clients;
- the Group actively invites clients to lodge complaints about inappropriate behaviour by any of its staff by giving its clients a telephone number and e-mail address of a client complaint officer at each of the Group's microfinance institutions as well as installing a complaint box in each branch;
- the Company and each of its microfinance institutions have endorsed the "Client Protection" principles set by a SMART Campaign, the leading microfinance sector industry body;
- the Group's microfinance institutions actively support the establishment of independent credit bureaus in each of their respective markets;
- the Group continuously strives to improve financial inclusion by improving the quality and ease of service through substantial IT investment in digital finance, including real-time banking, mobile payments, SMS balance and transaction notification, tablets or other handheld devices, client banking applications and other doorstep banking initiatives; and
- the Group has a strict policy to minimise the number of non-performing loans at the expense of growth.

Collection

Typically, collection meetings take place in the morning, on a weekly basis (with collection meetings in Myanmar on a bi-weekly and in Pakistan on a monthly basis) and disbursements are made in the afternoon. Any excess cash following disbursements is taken to a nearby commercial bank to ensure that branches do not hold cash overnight (each branch holds a bank account with a local commercial bank).

High frequency repayment fosters good financial discipline and cash flow management by the clients of the Group's microfinance institutions. In order to make the repayment of loans as easy for its clients as possible, collection meetings are held by loan officers at the home of one of the group members or at a common meeting venue in the member group's local community (e.g., at a client's business or in a community market area), which allows loan officers to also assess business developments and any other relevant community issues. These meetings also provide members with a forum in which to ask common questions, draw upon and learn from one another's skills and, with access to credit, identify new business opportunities and grow existing income-generating activities.

If a client fails to attend the collection meeting or fails to make a repayment, the loan officer will use the collection meeting as an informal forum through which to investigate the reasons for the absence or non-

payment. Following the collection meeting, the loan officer will visit the client at her home and/or business to determine the cause of the non-payment and seek to collect the applicable loan instalment due. If this fails, the loan officer will involve the guarantor and other group members and, where possible, local community leaders to encourage the client or the guarantor to make payment. Where a defaulting group member has experienced an emergency (e.g., a death in the family) or in the case of a natural disaster, the Group generally (where relevant) grants a moratorium on repayment, which may be up to four weeks per loan term. The Group records all loans as past due one day after non-payment of a loan instalment (excluding those granted a moratorium), and takes provisions in respect of past due loans thereafter in accordance with its provisioning policy addressed more fully under Part XII: *“Operating and Financial Review—Critical Accounting Judgements and Key Sources of Estimation Uncertainty—Provision for credit loss”*.

Loan instalments are primarily collected in cash by the loan officer and taken back to the branch office, except in Kenya and in certain regions of Tanzania, where loan instalments are deposited at the nearest mobile phone money transfer agent from where it is electronically transferred to the branch office account.

Information Technology

The Group’s microfinance institutions are supported by the AMBS system, an integrated software solution to provide “real-time” connectivity and transaction reporting that was developed by an in-house team of software developers and IT professionals. The Group is focused on fully integrating its MIS and financial information system (“FIS”) reporting for each of its microfinance institutions. The Group has implemented AMBS into all its microfinance institutions and is in the process of installing the necessary IT infrastructure for “real time” connectivity in all countries and expects to complete this over the next 12 to 18 months, depending on local infrastructure conditions. AMBS has the following features:

- day-to-day entry of activities by loan officers, branch, area and regional managers, and generation of regular management monitoring reports on a branch-by branch basis as well as on a consolidated area, regional and district basis;
- adjustable to cater for the different needs of the Group’s microfinance institutions in the various countries in which it operates, while at the same time producing standardised MIS and FIS reports for each level of user; and
- micro-credit programme parameters (e.g., interest rates, amortisation schedules, duration, etc.) can be customised, which allows each of the Group’s microfinance institutions to offer its products without any further software development.
- AMBS is divided into two major components: Branch AMBS and Central AMBS allowing for multi-level use (including headquarters in Dhaka and Amsterdam).

AMBS facilitates the supervision of the Group’s microfinance institutions by senior management in Dhaka and Amsterdam, and the supervision of branch activity by in-country senior management through the ability to remotely review “real-time” MIS and FIS reports on an individual branch basis. AMBS was evaluated by the Bank of Ghana, the Central Bank of Nigeria and the National Bank of Rwanda in connection with the deposit-taking licences received in each of these countries. It is also currently being evaluated by the State Bank of Pakistan.

The Company believes that technology will allow it to expand the products it offers its clients as well as to improve the efficiency of its business model. AMBS provides its microfinance institutions with the ability to quickly and cost effectively introduce flexible digital finance initiatives at its microfinance institutions, where local infrastructure and market conditions allow. Due to the Group’s ownership of AMBS, its highly controlled organisational structure, its international scale and the experience of its senior management and in-house IT

team, it can react more quickly to developments in technology than its smaller competitors. For example, in 2017 it rolled-out handheld devices to all loan officers at its 12 microfinance institutions in order to improve the quality of record-keeping, accelerate transaction times, and enable the Group's microfinance institutions to start offering 'doorstep banking' (i.e., taking deposits within the client's home) once regulations permit in each of the countries in which the Group operates. In Ghana, the Group is planning to introduce a banking application for its clients in 2018 that will allow its clients to, among others, to pay instalments online, transfer funds to other bank accounts in the country as well transfer funds between their own accounts. Subject to regulation, smart phone ownership as well as network coverage, the Group expects to roll-out this banking application over time to all its microfinance institutions.

The Group maintains back-ups of its AMBS on three different media in line with its disaster recovery plan. The Group has implemented data centres in six of its countries of operation, and expects to implement data centres in the remaining six countries by the end of 2018. Further, the Group is updating all its software licences for its operating systems, databases, antivirus software, along with other licences per local requirements.

Geographical Presence

The Group segments its operations into four regions: South Asia, South East Asia, East Africa and West Africa. The Group organises its operating segments based on geographical proximity and associated cultural similarities. See Part VII: "Market Overview" for more details on demographic and macro-economic information on each country and Part XVI: "Regulatory Framework" for more detail on the regulatory environment in each country.

The table below sets out certain summary financial and operating data for the Group by operating segment as at 31 December 2017, unless otherwise indicated.

As at 31 December 2017							
	No. of clients (thousands)	Per cent. of clients	No. of branches	Gross loan portfolio (U.S.\$ m)	Per cent. of gross loan portfolio	No. of clients CAGR (2013-2017)	Gross loan portfolio CAGR (2013-2017)
South Asia.....	835.1	46.6%	521	167.4	55.9%	30.0%	55.4%
South East Asia	405.9	22.7%	325	53.2	17.8%	29.4%	33.4%
East Africa	160.7	9.0%	183	20.6	6.9%	104.9%	375.2%
West Africa	390.0	21.8%	358	58.2	19.4%	24.6%	21.3%
Total	1,791.7	100%	1,387	299.4	100%	30.8%	42.6%

South Asia

The Group operates in three countries in South Asia: India, Pakistan and Sri Lanka. The South Asia segment comprised approximately 835.1 thousand clients as at 31 December 2017, representing 46.6 per cent. of the Group's total clients at that date and had a gross loan portfolio of U.S.\$167.4 million, representing 55.9 per cent. of the Group's total gross loan portfolio, in each case as at 31 December 2017. All of its microfinance institutions in South Asia are credit-only institutions.

South Asia is presently the Group's largest segment by number of clients and by size of loan portfolio, which grew at CAGRs of 30.0 per cent. and 55.4 per cent., respectively, over the period from 2013 to 2017. South Asia is by far the largest market for the Group, with an estimated 278 million of potential clients. As a result, the Group believes it will continue to realise significant growth in South Asia in the future.

While the communities where the Group's microfinance institutions have their branches in India and Pakistan are similar in terms of demographics, population density, religious denomination and male-female relationships, there are certain differences in that in Pakistan, clients are more conservative which translates into tighter

communities and smaller group sizes. This is offset by the custom in the microfinance sector in Pakistan to have monthly group meetings and collection, whereas weekly group meetings remain more common in India and Sri Lanka.

India

In 2008, the Group acquired a dormant entity that held an NBFC licence and renamed it ASA India. ASA India commenced business in July 2008 with 25 branches. Since then, it has grown to 217 branches and approximately 405.5 thousand clients, representing 15.6 per cent. and 22.6 per cent. of the Group's branches and clients, respectively, in each case as at 31 December 2017. ASA India had a gross loan portfolio of U.S.\$91.5 million, representing 30.8 per cent. of the Group's total gross loan portfolio as at 31 December 2017, with a PAR>30 of 1.3 per cent. as at 31 December 2017. Branch productivity increased from 1,275 clients per branch in 2015 to 1,869 in 2017 and the gross loan portfolio per client increased from U.S.\$116 in 2015 to U.S.\$227 in 2017. Between 2013 and 2017, the number of its branches in India grew at a CAGR of 20.2 per cent.

ASA India has branches in six Indian States (West Bengal, Assam, Tripura, Bihar, Uttar Pradesh and Meghalaya), with over half of its branches located in West Bengal. It also has a significant presence in Assam and Tripura States.

ASA India is regulated by the Reserve Bank of India under the RBI Act, 1934, and is licensed as an NBFC. In June 2012, ASA India applied for a non-bank finance company-microfinance institution licence. *See Part II: "Risk Factors—Risk factors relating to the Group's business and the microfinance industry—The Group's microfinance institutions operate in emerging markets and are subject to extensive legal, regulatory and licensing requirements relating to the lending industry, and the Group does not currently hold all relevant licences required in certain countries in which it operates. Changes to these requirements or the inability to obtain the relevant licences, as well as the manner in which they are enforced, could adversely affect the Group's operations, financial condition, results of operations and prospects".*

ASA India is 90.01 per cent. indirectly owned by the Company, with 9.99 per cent. held by IDFC.

Beginning in 2016, ASA India entered into business correspondent agreements with three Indian banks (IDFC, IDBI and Reliance), whereby ASA India acts as an agent, on branch-by-branch basis, for these Indian banks to locate and service clients, using its expertise to help these traditional banks reach underbanked populations. Under these business correspondent agreements, ASA India receives fees for its services and is subject to first loss provisions which vary significantly by each contract. In addition, ASA India entered into a partnership agreement with MAS in 2016, under which ASA India locates, screens and recommends potential clients for loans which are funded by a credit facility from MAS Financial Services. As at 31 December 2017, those business correspondent agreements accounted for 147.5 thousand clients, 10 branches and U.S.\$17.9 million of its gross loan portfolio (excluding loans attributable to IDFC). See paragraph 15 of Part XIX: *"Additional Information—Material contracts"* for further details.

In 2014, ASA India received the "Seal of Transparency" award on pricing transparency and disclosure from MF Transparency. ASA India has received a M2 credit rating (second highest rating out of five rating scale) from ICRA Limited on ASA India's ability to manage its microfinance activities in a sustainable manner in 2017, a MFI 2 credit rating (third highest rating category out of eight rating scale) from Credit Analysis & Research Ltd. on ASA India's capability to undertake microfinance activities based on an analysis of transparency, operational setup, scale of operations and sustainability in 2016 and a mfr5 social rating (fifth highest rating category out of eight rating scale) from CRISIL Limited on ASA India's ability to conduct its operations in a scalable and sustainable manner in 2012.

Pakistan

The Group established ASA Pakistan in March 2008, which commenced operations in September 2009 with four branches. Since then, it has grown to 245 branches and approximately 364.5 thousand clients, representing 17.7 per cent. and 20.3 per cent. of the Group's branches and clients, respectively, in each case as at 31 December 2017. ASA Pakistan had a gross loan portfolio of U.S.\$66.7 million, representing 22.3 per cent. of the Group's total gross loan portfolio as at 31 December 2017, with a PAR>30 of 0.2 per cent. as at 31 December 2017. Branch productivity increased from 1,314 clients per branch in 2015 to 1,488 in 2017 and the gross loan portfolio per client increased from U.S.\$138 in 2015 to U.S.\$183 in 2017. Between 2013 and 2017, the number of its branches in Pakistan grew at a CAGR of 13.0 per cent.

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

ASA Pakistan is supervised by the Securities and Exchange Commission of Pakistan, and operates as a lending company. In October 2016, ASA Pakistan submitted an application for a microfinance bank licence which, once awarded, will enable it to take deposits. Upon receipt of a deposit-taking licence, ASA Pakistan will be regulated by the State Bank of Pakistan.

ASA Pakistan is indirectly wholly-owned by the Company.

In 2016, ASA Pakistan received the "Pakistan Microfinance Recognition Award" for its contribution to the growth and sustainability of the microfinance sector in Pakistan during the 10th Pakistan Microfinance Forum in 2016 (by from Shamrock Conference International) and the "Certificate of Appreciation" in 2010 from the Microcredit Summit Campaign. ASA Pakistan received a silver social rating from Microfinance Information Exchange in 2010.

Sri Lanka

The Group began operating in Sri Lanka through the acquisition of Lak Jaya Micro Finance Ltd. ("**Lak Jaya**") in March 2008, which had 21 branches at the time of acquisition. Since then, it has grown to 59 branches and approximately 65.1 thousand clients, representing 4.3 per cent. and 3.6 per cent. of the Group's branches and clients, respectively, in each case as at 31 December 2017. Lak Jaya had a gross loan portfolio of U.S.\$8.6 million, representing 2.9 per cent. of the Group's total gross loan portfolio as at 31 December 2017, with a PAR>30 of 2.0 per cent. as at 31 December 2017. Branch productivity increased from 1,071 clients per branch in 2015 to 1,104 in 2017 and the gross loan portfolio per client decreased from U.S.\$137 in 2015 to U.S.\$132 in 2017. Between 2013 and 2017, the number of its branches in Sri Lanka grew at a CAGR of 15.6 per cent.

Lak Jaya's branches are generally equally distributed among 19 districts, with Colombo having the largest number of branches.

Lak Jaya is currently unregulated and operates as a lending company. In June 2017, submitted an application for a microfinance company licence which, once awarded, will enable it to take deposits.

Lak Jaya is indirectly 97.14 per cent. owned by the Company, with 2.86 per cent. held by local investors.

South East Asia

The Group operates in two countries in South East Asia: the Philippines and Myanmar. The South East Asia segment comprised approximately 405.9 thousand clients as at 31 December 2017, representing 22.7 per cent. of the Group's total clients as at that date, and had a gross loan portfolio of U.S.\$53.2 million, representing 17.7 per cent. of the Group's total gross loan portfolio, in each case as at 31 December 2017. South East Asia is the Group's second largest segment by number of clients and third largest segment by size of loan portfolio, which grew at CAGRs of 29.4 per cent. and 33.4 per cent., respectively, over the period from 2013 to 2017. The Group believes that due to the size of the market, it will continue to expand in South East Asia in the future.

While geographically relatively close and with sizeable populations that could benefit from microfinance, Myanmar and the Philippines are quite different in other aspects: the Philippines is a more open and developed country with higher GDP per capita, but nevertheless with a large, low-income population; while Myanmar has been a closed society for many years and has only recently opened up to the outside world, which has allowed formal microfinance to become established.

The Philippines

The Group established Pagasa Philippines Lending Co. Inc. (“**PPLCI**”) in June 2007, which commenced operations in December 2007 with three branches. Since then, it has grown to 265 branches and approximately 301.4 thousand clients, representing 19.1 per cent. and 16.8 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. PPLCI had a gross loan portfolio of U.S.\$36.1 million, representing 12.1 per cent. of the Group’s total gross loan portfolio, in each case as at 31 December 2017, with a PAR>30 of 0.2 per cent. as at 31 December 2017. Branch productivity increased from 1,038 clients per branch in 2015 to 1,137 in 2017 and the gross loan portfolio per client increased from U.S.\$118 in 2015 to U.S.\$120 in 2017. Between 2013 and 2017, the number of its branches in the Philippines grew at a CAGR of 12.7 per cent.

PPLCI has branches in six regions (South Luzon, Central Luzon, North Mindanao, South Mindanao, North Luzon, and Visayas), with the largest number of branches in South Luzon.

PPLCI is regulated by the Security and Exchange Commission of the Philippines under the Lending Company Regulation Act of 2007, and operates as a lending company. In March 2018, PPLCI submitted an application for a Finance Company licence.

PPLCI is indirectly wholly-owned by the Company.

In the Philippines, the Group’s clients have formed a mutual benefit association (a “**Mutual Benefit Association**”), and the Group acts as an agent for the Mutual Benefit Association, which provides payment protection to the family of its clients in the event of the death or disability of the client as well as providing life and long-term savings products. The Mutual Benefit Association is managed by PPLCI staff through a service agreement.

PPLCI received a β+ social rating (fourth highest rating out of eight rating scale) by Micro-Credit Ratings International Limited on PPLCI’s governance, strategic positioning, operations and management in 2016.

Myanmar

The Group established ASA Microfinance (Myanmar) Ltd. (“**ASA Myanmar**”) in Myanmar in November 2013 which commenced operations in September 2014 with five branches. Since then, it has grown to 60 branches and approximately 104.5 thousand clients, representing 4.3 per cent. and 5.8 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. ASA Myanmar had a gross loan portfolio of U.S.\$17.1 million, representing 5.7 per cent. of the Group’s total gross loan portfolio as at 31 December 2017, with a PAR>30 of 0.1 per cent. as at 31 December 2017. Branch productivity increased from 1,113 clients per branch in 2015 to 1,742 in 2017 and the gross loan portfolio per client increased from U.S.\$74 in 2015 to U.S.\$164 in 2017. Between 2014 and 2017, the number of its branches in Myanmar grew at a CAGR of 81.7 per cent.

ASA Myanmar has branches in three States (Bago, Yangon and Mon), with the most branches located in Bago State.

ASA Myanmar is regulated by the Financial Regulatory Department of the Ministry of Finance under the Microfinance Business Law 13/2011, and operates as a deposit-taking microfinance institution. It is licensed by the Myanmar Micro-finance Supervisory Enterprise and is allowed take mandatory deposits from its clients,

up to a maximum of 5 per cent. of the value of the loan. In June 2017, ASA Myanmar applied for a full-deposit taking licence, which is subject to it meeting certain requirements.

ASA Myanmar is wholly-owned by the Company.

ASA Myanmar received a $\beta+$ social rating (fourth highest rating out of eight rating scale) by Micro-Credit Ratings International Limited on ASA Myanmar's governance, strategic positioning, operations and management in 2016.

East Africa

The Group operates in four countries in East Africa: Tanzania, Uganda, Kenya and Rwanda. The East Africa segment comprised approximately 160.7 thousand clients as at 31 December 2017, representing 9 per cent. of the Group's total clients as at that date, and had a gross loan portfolio of U.S.\$20.6 million, representing 6.9 per cent. of the Group's total gross loan portfolio, in each case as at 31 December 2017. East Africa is the Group's smallest segment by number of clients and by size of loan portfolio, which grew at CAGRs of 350.5 per cent. and 375.2 per cent., respectively, over the period from 2013 to 2017. Due to population density and the competitive environment in East Africa, the Group believes it will continue to grow and contribute to the Group's profitability.

Tanzania

The Group established ASA Microfinance (Tanzania) Ltd. ("**ASA Tanzania**") in September 2012, which commenced operations in March 2014 with two branches. Since then, it has grown to 60 branches and approximately 55.7 thousand clients, representing 4.3 per cent. and 3.1 per cent. of the Group's branches and clients, respectively, in each case as at 31 December 2017. ASA Tanzania had a gross loan portfolio of U.S.\$7.6 million, representing 2.6 per cent. of the Group's total gross loan portfolio as at 31 December 2017, with a PAR>30 of 1.4 per cent. as at 31 December 2017. Branch productivity increased from 541 clients per branch in 2015 to 928 in 2017 and the gross loan portfolio per client increased from U.S.\$118 in 2015 to U.S.\$137 in 2017. Between 2014 and 2017, the number of its branches in Tanzania grew at a CAGR of 128.9 per cent.

ASA Tanzania has branches in five regions (Dar es Salam, Tanga, Morogoro, Arusha and Kilimanjaro), with the largest number of branches in Dar es Salam.

ASA Tanzania is unregulated and operates as a lending company.

ASA Tanzania is indirectly wholly-owned by the Company.

Uganda

The Group established ASA Microfinance (Uganda) Ltd. ("**ASA Uganda**") in August 2012, which commenced operations in January 2013 with two branches. Since then, it has grown to 57 branches and approximately 50.6 thousand clients, representing 4.1 per cent. and 2.8 per cent. of the Group's branches and clients, respectively, in each case as at 31 December 2017. ASA Uganda had a gross loan portfolio of U.S.\$4.5 million, representing 1.5 per cent. of the Group's total gross loan portfolio, in each case as at 31 December 2017, with a PAR>30 of 1.1 per cent. as at 31 December 2017. Branch productivity decreased from 916 clients per branch in 2015 to 888 in 2017 and the gross loan portfolio per client decreased from U.S.\$99 in 2015 to U.S.\$89 in 2017. Between 2014 and 2017, the number of its branches in Uganda grew at a CAGR of 68.1 per cent.

ASA Uganda has branches in three regions (Central, Western and Eastern), with the largest number of branches in the Central Region.

ASA Uganda is regulated by the Uganda Microfinance Regulatory Authority under the Tier 4 Microfinance Institutions and Money Lenders Act 2016, Act No. 18 of 2016, and operates as a lending company.

ASA Uganda is indirectly wholly-owned by the Company.

Kenya

The Group established ASA Limited (“**ASA Kenya**”) in October 2012, which commenced operations in September 2013 with two branches. Since then, it has grown to 50 branches and approximately 46.5 thousand clients, representing 3.6 per cent. and 2.6 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. ASA Kenya had a gross loan portfolio of U.S.\$7.3 million, representing 2.4 per cent. of the Group’s total gross loan portfolio, in each case as at 31 December 2017, with a PAR>30 of 1.2 per cent. as at 31 December 2017. Branch productivity increased from 756 clients per branch in 2015 to 930 in 2017 and the gross loan portfolio per client increased from U.S.\$127 in 2015 to U.S.\$157 in 2017. Between 2014 and 2017, the number of its branches in Kenya grew at a CAGR of 60.9 per cent.

ASA Kenya’s branches are primarily located in and around Nairobi.

ASA Kenya operates as a lending company and holds a business permit from the Nairobi City Council for providing non-deposit taking microfinance services.

ASA Kenya is indirectly wholly-owned by the Company.

Rwanda

The Group established ASA Microfinance (Rwanda) Ltd. (“**ASA Rwanda**”) in December 2014, which commenced operations in June 2016 with one branch. Since then, it has grown to 16 branches and approximately 7.9 thousand clients, representing 1.2 per cent. and 0.4 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. ASA Rwanda had a gross loan portfolio of U.S.\$1.2 million, representing 0.4 per cent. of the Group’s total gross loan portfolio as at 31 December 2017, with a PAR>30 of 0.2 per cent. as at 31 December 2017. Branch productivity increased from 278 clients per branch in 2016 to 495 in 2017 and the gross loan portfolio per client decreased from U.S.\$158 in 2016 to U.S.\$146 in 2017. From 2016 to 2017, the number of its branches in Rwanda increased by 220 per cent.

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

ASA Rwanda is regulated by the National Bank of Rwanda under law no. 040/2008 of 26/08/2008, and operates as a microfinance institution. It is licensed to take deposits.

ASA Rwanda is indirectly wholly-owned by the Company.

West Africa

The Group operates in three countries in West Africa: Nigeria, Ghana and Sierra Leone. The West Africa segment comprised approximately 390.0 thousand clients as at 31 December 2017, representing 21.8 per cent. of the Group’s total clients as at that date, and had a gross loan portfolio of U.S.\$58.2 million, representing 19.4 per cent. of the Group’s total gross loan portfolio, in each case as at 31 December 2017. West Africa is the Group’s third-largest segment by number of clients and second-largest segment by size of loan portfolio, which grew at CAGRs of 22.4 per cent. and 21.3 per cent., respectively, over the period from 2013 to 2017. The Group believes that West Africa will continue its growth, benefitting from the deposit-taking microfinance bank licences it has in two of its three markets.

Both Ghana and Nigeria have shown strong growth. and the operating environments in all three countries have certain similarities, including challenging macro-economic (e.g., high inflation and currency depreciation) and political conditions. Yet despite this, the Group’s microfinance institutions in Ghana and Nigeria have maintained the quality of their loan portfolios and demand appears strong.

Nigeria

In Nigeria, the Group has established two legal entities that for operational purposes are managed as one. The Group established Association for Social Improvement and Economic Advancement (“**ASIEA**”) in Nigeria in November 2008, which commenced operations in February 2009 with three branches. In October 2009, the Group established ASHA Microfinance Bank Ltd. (“**ASA Nigeria**”) as a microfinance bank, which commenced operations in November 2010 with four branches. Since then, ASIEA and ASA Nigeria have grown to 230 branches and approximately 236.4 thousand clients, representing 16.6 per cent. and 13.2 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. ASA Nigeria and ASIEA collectively had a gross loan portfolio of U.S.\$23.6 million, representing 7.9 per cent. of the Group’s total gross loan portfolio as at 31 December 2017, with a PAR>30 of 0.3 per cent. as at 31 December 2017. Branch productivity decreased from 1,086 clients per branch in 2015 to 1,028 in 2017 and the gross loan portfolio per client decreased from U.S.\$137 in 2015 to U.S.\$100 in 2017. Between 2013 and 2017, the number of its branches in Nigeria grew at a CAGR of 22.5 per cent.

ASA Nigeria’s branches are currently all located in Lagos State. ASIEA has branches in 14 States, with Ogun State and Oyo State having the largest number of branches.

ASA Nigeria is regulated by the Central Bank of Nigeria under the Bank and other Financial Institution Act No. 25 of 1991, and operates as a microfinance bank in Lagos State. It is licensed to take deposits. ASIEA is an association managed and controlled by the Group, and operates the Group’s branches outside of Lagos State. ASA Nigeria has received approval from the Central Bank of Nigeria to become a nation-wide bank and the operations of ASIEA will be consolidated under ASA Nigeria as part of the transition.

ASA Nigeria is wholly-owned by the Company.

ASA Nigeria has won numerous awards, including: “Most Efficient Microfinance Bank of the Year” from the Executive Board of the Nigeria Entrepreneur Award in 2017; the “Provider of Credit to SME of the Year” from the Institute of Credit Administration Nigeria in 2016; and the “Local Content Compliance Company of the Year” from The Nigeria Advancement Awards Committee in 2016; the “Entrepreneurs Microfinance Bank of the Year” from the Nigerian Entrepreneurs Awards Committee; and the “Best Complying Company of the Year” in Nigeria from the Corporate Affairs Commission in 2014.

Ghana

The Group established ASA Savings & Loans Ltd (“**ASA S&L Ghana**”) in June 2009. Operations in Ghana initially commenced in February 2008 with eight branches through ASA Ghana Ltd, a company limited by guarantee, established in June 2007. The business of ASA Ghana Ltd was transferred to ASA S&L Ghana in 2013 and ASA Ghana Ltd. was liquidated in 2015. Since February 2008, it has grown to 108 branches and approximately 136.8 thousand clients, representing 7.8 per cent. and 7.6 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. ASA S&L Ghana had a gross loan portfolio of U.S.\$33.4 million, representing 11.1 per cent. of the Group’s total gross loan portfolio as at 31 December 2017, with a PAR>30 of 0.1 per cent. as at 31 December 2017. Branch productivity increased from 1,072 clients per branch in 2015 to 1,267 in 2017 and the gross loan portfolio per client increased from U.S.\$165 in 2015 to U.S.\$244 in 2017. Between 2013 and 2017, the number of its branches in Ghana grew at a CAGR of 18.9 per cent.

ASA S&L Ghana has branches in four regions (Accra, Ashanti, Western and Brong-Ahafo), with the largest number of branches in the Greater Accra Region.

ASA S&L Ghana is regulated by the Bank of Ghana under the Non-Bank Financial Institutions Act 2008, and operates as a savings and loan bank. It is licensed to take deposits, including from the public.

ASA S&L Ghana is wholly-owned by the Company.

ASA S&L Ghana received the “17th position in Club 100” award and the “2016 GC 100 Leader in the Non-Bank Financial Institutions Sector” ranking in 2016 from the Ghana Investment Promotion Centre on behalf of the government of Ghana; the “Overall Best Taxpayer Award” from the Ghana Revenue Authority in 2014; and the “Seal of Transparency Award” from MF Transparency for participating in the country’s transparency pricing initiative in 2013 and 2014.

Sierra Leone

The Group established ASA Microfinance (Sierra Leone) Ltd. (“**ASA Sierra Leone**”) in May 2015, which commenced operations in July 2016 with one branch. Since then, it has grown to 20 branches and approximately 16.8 thousand clients, representing 1.4 per cent. and 0.9 per cent. of the Group’s branches and clients, respectively, in each case as at 31 December 2017. ASA Sierra Leone had a gross loan portfolio of U.S.\$1.2 million, representing 0.4 per cent. of the Group’s total gross loan portfolio as at 31 December 2017, with a PAR>30 of 0.0 per cent. as at 31 December 2017. Branch productivity increased from 343 clients per branch in 2016 to 838 in 2017 and the gross loan portfolio per client increased from U.S.\$71 in 2016 to U.S.\$72 in 2017. From 2016 to 2017, the number of its branches in Sierra Leone increased by 233.3 per cent.

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

ASA Sierra Leone is regulated by the Bank of Sierra Leone under the Other Financial Services Act 2001 and the Guidelines for the Operations of Credit-Only Microfinance Institutions, and operates as a lending company.

ASA Sierra Leone is indirectly wholly-owned by the Company.

Corporate Social Responsibility

In addition to the Group’s focus on financial inclusion for low-income entrepreneurs, the Group is also committed to contributing its share towards the general betterment of society in the countries and communities in which it operates. The Group has therefore established a corporate responsibility policy, pursuant to which each of its microfinance institutions allocates between 0.5 per cent. and 1 per cent. of the microfinance institution’s profit towards corporate social responsibility (“**CSR**”) activities after having achieved profitability.

In 2017, the Group’s microfinance institutions engaged in a variety of social initiatives, including, among others, the establishment of “centres of excellence” for the education of children in India, medical screening in Ghana and Nigeria, the establishment of a scholarship programme for the education of clients’ children in the Philippines and disaster relief activities in India, Ghana, Nigeria, Sri Lanka and the Philippines. In 2017, through its corporate responsibility policy, the Group spent U.S.\$139,331 on CSR activities.

Competition

The Group’s microfinance institutions competitors are mainly non-governmental organisations, microfinance institutions and microfinance banks, including, in the Philippines, India and Nigeria, companies that also use microfinance models that are similar in many respects to the ASA Model. In these countries, the Group’s microfinance institutions compete principally on the quality of customer service and price. In other countries, the Group primarily competes for clients on the basis of its simplified lending process, high standards of client service, ease of use, reliability, cost of service and the breadth of its branch networks. Due to the community-based lending through client groups, but without group liability and the relatively small loan sizes that the Group offers, the Group does not believe it competes with traditional banking institutions and many other microfinance institutions, which may also offer loans for consumption purposes and target clients with higher incomes than the Group. The Group also believes that its international scale, the experience of its senior management, the standardisation of its operations, and the quality of its AMBS system allow it to compete more effectively and with lower operating costs than many of its smaller competitors or competitors that only operate

in a single country or region. These attributes also allow it to react more quickly to new opportunities, as well as provide more effective supervision over its microfinance institutions.

Employees

Overview

The Group's operating team is composed of well-trained local staff, along with seasoned and highly skilled senior managers in the Group's microfinance institutions. Almost all of the Group's field staff have been recruited and trained as loan officers and have been promoted to more senior positions over time. Over the last ten years, this has allowed the Group to develop a deep pool of experienced local managers and loan officers, and due to the standardisation of operations, it can draw from this pool to expand or send these experienced staff into any area to correct any issues.

As at 31 December 2017, the Group had approximately 9,000 full-time employees. The table below sets forth the total number of employees by geographic location as at 31 December 2017:

	As at 31 December 2017⁽¹⁾
South Asia	
Country Head Office.....	93
Field Staff	3,128
Total South Asia	3,221
South East Asia	
Country Head Office.....	56
Field Staff	2,235
Total South East Asia	2,291
East Africa	
Country Head Office.....	72
Field Staff	1,103
Total East Africa	1,175
West Africa	
Country Head Office.....	65
Field Staff	2,191
Total West Africa	2,256
Corporate	
Employees	57
Total	9,000

Note:

- (1) Total employees excludes service and support staff who are not under the Group's regular payroll.

The Group is an equal opportunity employer, as demonstrated by the ratio of male to female employees, which excluding South Asia averaged 44.9 per cent. The table below sets forth the number of staff at the Group's microfinance institutions by gender as at 31 December 2017:

	As at 31 December 2017			Percentage of female staff
	Male staff	Female staff	Total staff ⁽¹⁾	(%)
South Asia				
India.....	1,263	143	1,406	10.2
Pakistan	1,377	62	1,439	4.3
Sri Lanka	297	79	376	21.0
Total South Asia.....	2,937	284	3,221	8.8
South East Asia				
The Philippines	1,036	828	1,864	44.4
Myanmar.....	136	291	427	68.1
Total South East Asia	1,172	1,119	2,291	48.8
East Africa				
Tanzania	244	176	420	41.9
Uganda.....	106	218	324	67.3
Kenya.....	185	148	333	44.4
Rwanda.....	65	33	98	33.7
Total East Africa.....	600	575	1,175	48.9
West Africa				
Nigeria.....	925	499	1,424	35.0
Ghana.....	388	313	701	44.7
Sierra Leone.....	68	63	131	48.1
Total West Africa.....	1,381	875	2,256	38.8
Corporate				
Employees	52	5	57	8.8
Total.....	6,142	2,858	9,000	

Note:

- (1) Total staff excludes service and support staff who are not under the Group's regular payroll.

Recruitment and training

The Group focuses on low cost and innovative recruitment. The Group focuses its recruitment efforts on young college graduates who are interested in working with low-income communities and are generally from rural or semi-urban backgrounds. No written examinations or individual assessments are administered to potential loan officers. Instead, applicants take part in a group interview, where the Group evaluates applicants on communication and motivational skills. Those who successfully pass this stage are offered a position with a 6-12-month probationary period at local market salaries and provided with on-the-job training.

The Group's training programmes seek to complement its business strategy and processes by accelerating the business' growth by nurturing and retaining talented employees. The Group stresses practical training over the theoretical, which is characterised by the motto "Each One, Teach One", which leverages the knowledge and experience of long-term staff and facilitates the training of large numbers of new loan officers to support rapid expansion. New branch staff are instructed through introductory practical training of generally 12 days, which is followed by both continuous on-the-job training from colleagues, and regular in-branch coaching by regional and district managers.

Employee retention and satisfaction

The Group believes its ability to develop a deep pool of experienced local managers and loan officers is due to high levels of employee satisfaction, which Group-wide averaged 78 per cent. and ranged from 66.5 per cent. according to a study conducted in December 2016.

Intellectual Property

The Company holds all title, rights and interest in the intellectual property rights relating to the "ASA International" trademark and trade name, outside Bangladesh, and the AMBS IT platform based thereon, including the right to use the "ASA International" brand and trade name and logo.

Insurance

The Group maintains insurance policies that the Directors believe are customary for microfinance institutions comparable to the Group's microfinance institutions in the countries in which it operates. The Group maintains Directors and officers liability insurance for our Directors and officers and vehicle insurance for inter alia motorbikes it owns.

Properties

The Group's properties mainly consist of its registered office, corporate headquarters, country head offices and its branches. As at 31 December 2017, the Group had a network consisting of 1,387 branches. With the exception of the country head office in the Philippines, the Group's registered office, corporate headquarters, country head offices and all its branches are leased.

PART IX

RISK MANAGEMENT

Overview

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 sections 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, among others, exposed to operational risk, financial risk, legal risk, compliance risk and strategic risk.

The Group's risk management process described below does not include business risks such as changes in demand, technology and industry. The risk presented by such changes is monitored through the Group's strategic planning process.

Risk Management Approach

The Group is one of the world's largest and most profitable international microfinance institutions, with operations in 12 markets across Africa and Asia. Its risk profile differs from many other microfinance institutions due to the nature of its business. While the ASA Model incorporates risk management tools to manage risk, the Group has also adopted the "Three Lines of Defence" model. This model provides guidance on managing risks while supporting the Group's strategy. This model also addresses risk management responsibilities and delegation within the organisation, which constitutes the primary difference between the Group's risk management approach and the approach of many other microfinance institutions.

Risk Management Framework

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 Group's microfinance institutions. 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 interest 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.

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. 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 strives to maintain this balance by considering risk in all of its business decisions.

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 promotes awareness of such risk and encourages a responsible approach to risk management. Risk culture is used to make sure that the Group's long-term survival and reputation is not jeopardised by expanding its market share or geographical footprint.

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 assesses its relationships, products, transactions and other business activities, and bases its business decisions on an understanding of the nature and magnitude of its risk in each area. The Group avoids activities for which it cannot objectively assess and manage associated risks or those that are not consistent with its values and policies. This strategy allows the Group to mitigate its risks through diversification, appropriate pricing and preventive controls and to transfer risks to third parties (e.g., through the use of forward currency contracts and various insurance policies). Using its risk management principles, the Group can focus on client retention and ensure that its products and transactions are suitable for its clients.

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 reviews and discusses potential corrective measures and aims to minimise excessive appetite for risks such as: adverse press or media coverage; litigation; imposition of fines and other regulatory penalties; exceptions, concerns and observations reported by officers, auditors, regulators or external rating agencies; and high levels of staff or client attrition rates.

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.

Risk Control Matrix

To further its risk management framework, the Group frequently assesses its risk appetite and has developed a Risk Control Matrix/Register that it began to implement in February 2018. The purpose of the Risk Control Matrix/Register is to highlight key risks that require action or oversight at the microfinance institution level. For each risk identified, the Risk Control Matrix/Register will record details at various stages of operation and will grade each risk by the likelihood of occurring and seriousness of impact. It will also identify controls in place, establish initial plans for mitigating each high-level risk, and assess the costs and responsibilities associated with the prescribed mitigation strategies and subsequent results.

Risk is measured through regular reporting from all the Group's microfinance institutions to the Group's corporate headquarters in Dhaka and Amsterdam. The second line of defence at each microfinance institution is responsible for reporting and updating the Risk Control Matrix/Register quarterly. The Risk Control

Matrix/Register is expected to be fully operational at each of the Group's microfinance institutions by the end of the third quarter in 2018.

Three Lines of Defence

First line of defence

The first line of defence is the team, personal or department that is responsible for risk assessment and owns most of the business risk. For example, the operation team at the Group level (comprised of the Executive Director (Operations) and the Chief Coordinating Officer with support from the managing director of each microfinance institution) is responsible for designing and developing proper credit policies for each of the Group's microfinance institutions. But this is not the only first line of defence at the Group level, as an example, the accounts and finance team is responsible for implementing and ensuring proper recordkeeping in accordance with IFRS or local requirements and therefore, the finance and accounts team is the first line of defence in financial information management, compliance and transparency.

Branch, area, regional and district managers are important 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. This process includes identifying and assessing significant risks or changes in those risks, implementing control activities, highlighting any inefficiencies, addressing control malfunctions and communicating with key stakeholders. The operation team at each microfinance institution is closest to the Group's clients and is most familiar with the market environment in which the relevant microfinance institution operates and local market developments.

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 first line of defence users of the products/services of the first line of defence (e.g., users of the IT systems also act as the second line of defence). 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 RMT is a two-person team headed by the Director – Investment, Treasury and Risk Management in Dhaka, and reports to the Audit and Risk Committee of the Board through the Risk Management Committee ("RMC"). The RMU is a designated team or individual who reports to the MFI Board and the RMT through the Risk Management Coordination Committee ("RMCC"). See "*—Board of Directors, RMC and RMCC*".

The primary functions 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 their respective operation team to provide expertise in risk, define risk implementation strategy, implement risk management policies and procedures, and collect information to create an enterprise-wide view of risk and control. In addition to working with the operation team at the Group-level, the RMT provides support and guidelines to RMUs, coordinates activities with Internal Audit to provide a holistic view of risks and collaborates with the information technology department to provide relevant automated credit reports and other information.

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; assisting management in designing and developing processes and controls to measure risk; implementing tools for risk management; monitoring the adequacy and effectiveness of such tools and controls; escalating critical issues, emerging risks and outliers; providing risk management frameworks and suggesting changes in the risk frameworks when needed; providing guidance and training related to risk management and control processes; and performing risk monitoring and reporting. The RMT and each of the RMUs collect data and prepare risk reports in accordance with the Group's risk management policies and, in the case of the RMT, submits any reports to the senior management at the Group's corporate headquarters (generally the RMC) and in the case of the RMUs, submit any reports to senior management of each microfinance institution.

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 performing regularly 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.

Unlike the second line of defence, the Internal Audit department plays an assurance role rather than a management function. 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. Although the Internal Audit department still reports its observations to the Board of Directors, Internal Auditors are best positioned for providing reliable and objective recommendations due to their organisational independence.

Board of Directors, RMC and RMCC

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. Although the Board of Directors is not considered to be a part of the "Three Lines of Defence", it ensures the Group has effective risk management policies by: ensuring management is equipped with the necessary expertise and knowledge to accomplish the Group's risk management functions; ensuring the Group has detailed policies and procedures for risk exposure, management and recovery; reviewing and approving risk management strategies, policies and procedures, including procedures related to regulatory requirements; overseeing the implementation of methodologies to facilitate the identification, measurements, monitoring and control of risks; ensuring the RMC takes the necessary steps to identify risks and report outcomes; ensuring management maintains appropriate internal controls and reviewing the effectiveness of those controls; reviewing and approving any changes to the Group's risk management framework; and ensuring the Group's risk strategy reflects its risk appetite.

RMC assists the Board of Directors in the oversight of the Group's risk management. The RMC consists of the Chief Executive Officer, the Executive Director (Operations), the Chief Operating Officer, the Chief Financial Officer, the General Counsel, the Group Internal Auditor and the Director – Investment, Treasury and Risk Management and is based in the Group's corporate headquarters. The RMC oversees the Group's overall risk management system and establishes and maintains an effective risk management environment within the Group. The RMC achieves this by: identifying and evaluating key risk areas in operation, activities, and structure; prioritising risks that are likely to occur; developing practical operation strategies and plans to address

and manage risks; implementing risk management plans and control procedures; reviewing monthly risk management reports and assessing risks including loan portfolio performance; and reporting regularly to the Board of Directors on overall risk exposures and ways to mitigate such exposure.

At the microfinance institution level, each RMCC assists its respective MFI Board in the oversight of risk management and is comprised of different department heads who are responsible for policy and procedure formulation in coordination with speciality expertise groups such as operations, finance and accounts, investment and treasury, human resources and information and technology at the respective microfinance institutions. Each RMCC is based in the respective country head office, but also reports to Dhaka and Amsterdam. The responsibilities of each RMCC are broadly similar to the responsibilities of the RMC as described above.

Key Risk Areas and Mitigation

The Group's key risk management areas are operational risk, financial risk, legal and compliance risk and strategic risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems from external events. The Group considers its operational risk to include growth risk, fraud and misappropriation, information and technology, human resources, transaction risk, social and environmental risk, as well as risks related to the disclosure of confidential or sensitive information. With an operational risk, the Group may experience a financial impact that arises as a result of the occurrence of an operational risk event. The Group's operational risk policy, guidelines and circulars have been developed based on its staff's years of experience in the microfinance industry and training from ASA NGO Bangladesh. The Group uses its Three Lines of Defence risk management framework to enforce its operational risk policy across its countries.

Growth risk

Growth risk includes all risk and challenges associated in the Group's operational expansion. In considering its growth risk, the Group evaluates the microfinance industry and market maturity of each country it considers operating in, as well as the presence of any competitors in the market and the potential scope of growth for the Group. The Group also considers the availability of inputs for growth in each operating area such as funding, human resources and banking infrastructure. In addition to these factors, the Group evaluates the regulatory and legal requirements of each potential operating area. When selecting clients in potential operating areas, the Group considers the population density and economic status of the potential operating area as well as the indebtedness of clients and economic opportunity for clients in the area. The Group further conducts a portfolio at risk analysis, an analysis of monthly Internal Audit reports, and an analysis of monthly management information systems and financial information systems along with other observations to consider the risk associated with growth in potential operating areas.

Fraud and integrity risk

Operational risk can be substantial where small amounts of cash are distributed to, and collected from, a large group of clients through extensive branch networks. 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 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/misappropriation through the review and investigation of any suspicious branch activities or client allegations of fraud/misappropriation.

Information and technology risk

Information and technology risk 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 and ensures that it has data security policies in place.

Human resource risk

Human resource risk is the likelihood 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.

Transaction risk

Transaction risk arises from human or system errors within the Group's daily product delivery and services. These risks exist throughout the Group. The Group evaluates its transaction risk by considering international and national rules and regulations, its transaction processes, any security risks, and analysing monthly reports from its various departments. To mitigate this risk, the Group has adopted an anti-money laundering policy and where possible, has cash-in-transit and/or cash-in-vault insurance 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.

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.

Financial risk

The Group experiences financial risks such as credit risk, liquidity risk, exchange rate/currency risk and interest rate risk. Credit risk is the most frequently addressed risk the Group encounters and impacts the Group's earnings and capital due to a client's late or non-payment of loan obligations. With credit risk, liquidity risk and market risk, the Group faces the possibility of realising losses to its loan portfolio due to an economic downturn, hyperinflation or other externally generated cause. For each of its financial risk, the Group has a policy in place, based on principles developed under its risk management framework.

Credit risk

Credit risk is the risk that the Group will incur a loss because its clients or counterparties fail 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.

Despite the fact that most loans provided by the Group's microfinance institutions are unsecured, and clients (predominantly new clients) have a limited credit history, the credit risk is spread over a large number of clients, and therefore the risk of material harm to the Group by an individual default is low. Strict adherence to the microfinance operating procedures and methodology set forth in the operational manual mitigates this individual default risk further, as it emphasises customer screening prior to any loan disbursement. Every loan disbursed by the Group is preceded by a complete credit evaluation process by the loan officer and the branch managers. This loan application must then be approved by the branch manager (or an area manager if the amount exceeds a specified threshold) before disbursement, ensuring a "double-sign off" on all loans disbursed. A strict adherence to this procedure ensures a strong credit quality of the loan portfolios in all micro-finance operations.

Credit risk is further mitigated by weekly monitoring of all loans disbursed through the Group's microfinance institutions, and continual group "social" pressure to repay on a timely basis. See Part VIII: *"Information on the Group—Products—Loans"* for more detail. Furthermore, all clients must have an additional guarantor, given that collateral and other typical credit instruments are not being used. As such, credit risk at the individual microfinance institution level due to defaults of individual clients is limited as evidenced by the high long-term repayment rates on loans and the proven experience of ASA NGO Bangladesh.

The maximum credit exposure is equal to the carrying amounts of the financial instruments on the Group's statement of financial position. As mentioned above, the Group reduces its concentration risk by ensuring a widely diverse portfolio, distributed among various countries and continents. At the date of this Prospectus, the Group has microfinance institutions in 12 countries in its four segments: South Asia (India, Pakistan and Sri Lanka), South East Asia (the Philippines and Myanmar), East Africa (Tanzania, Uganda, Kenya and Rwanda) and West Africa (Nigeria, Ghana and Sierra Leone), each of which engages in direct lending to clients. In addition, the Group accepts savings in Ghana, Nigeria, Myanmar (mandatory only) and Rwanda where its microfinance institutions have a deposit taking licences.

The table below sets forth the Group's maximum credit exposure as at 31 December 2015, 2016 and 2017.

	As at 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S. dollars)</i>		
Cash and cash equivalents (excluding cash in hand)	35,291	38,987	93,190
Loans and advances to customers	147,893	202,984	297,781
IDFC business correspondent model portfolio	—	65	1,527
Due from banks.....	3,152	6,361	15,284
Other assets ⁽¹⁾	1,426	2,351	3,829
Maximum credit exposure.....	187,762	250,748	411,611

Note:

- (1) Other assets are comprised of receivables from related parties, employee advances, security deposits, fair value of forward contracts, receivables under BC models (ASA India), other items and interest receivable on due from banks.

The table below sets forth the Group's maximum credit exposure by segment as at 31 December 2015.

	As at 31 December 2015				
	Cash and cash equivalent (excluding cash in hand)	Loans and advance to clients	Due from banks	Other assets ⁽¹⁾	IDFC business correspondent model portfolio
	<i>(audited, in thousands of U.S. dollars)</i>				
South Asia.....	2,595	57,063	2,800	423	—
South East Asia.....	14,811	41,893	—	525	—
East Africa.....	2,255	7,202	—	29	—
West Africa.....	6,090	41,735	352	146	—
Non-operating entities.....	9,539	—	—	302	—
Maximum credit exposure.....	35,291	147,893	3,152	1,426	—

Note:

- (1) Other assets are comprised of receivables from related parties, employee advances, security deposits, fair value of forward contracts, receivables under BC models (ASA India), other items and interest receivable on due from banks.

The table below sets forth the Group's maximum credit exposure by segment as at 31 December 2016.

As at 31 December 2016						
	Cash and cash equivalent (excluding cash in hand)	Loans and advance to clients	Due from banks	Other assets ⁽¹⁾	IDFC business correspondent model portfolio	Total
	<i>(audited, in thousands of U.S. dollars)</i>					
South Asia.....	3,913	91,900	4,584	736	65	101,197
South East Asia.....	19,194	53,483	144	1,161	—	73,982
East Africa.....	1,374	12,323	718	30	—	14,446
West Africa.....	4,299	45,278	915	243	—	50,735
Non-operating entities.....	10,207	—	—	181	—	10,388
Maximum credit exposure.....	38,987	202,984	6,361	2,351	65	250,748

Note:

- (1) Other assets are comprised of receivables from related parties, employee advances, security deposits, fair value of forward contracts, receivables under BC models (ASA India), other items and interest receivable on due from banks.

The table below sets forth the Group's maximum credit exposure by segment as at 31 December 2017.

As at 31 December 2017						
	Cash and cash equivalent (excluding cash in hand)	Loans and advance to clients	Due from banks	Other assets ⁽¹⁾	IDFC business correspondent model portfolio	Total
	<i>(audited, in thousands of U.S. dollars)</i>					
South Asia.....	26,924	167,358	13,291	2,090	1,527	211,189
South East Asia.....	26,257	53,340	—	1,055	—	80,652
East Africa.....	1,896	20,089	1,841	75	—	23,901
West Africa.....	13,880	56,994	153	375	—	71,402
Non-operating entities.....	24,233	—	—	234	—	24,468
Maximum credit exposure.....	93,190	297,781	15,284	3,829	1,527	411,611

Note:

- (1) Other assets are comprised of receivables from related parties, employee advances, security deposits, fair value of forward contracts, receivables under BC models (ASA India), other items and interest receivable on due from banks.

For a discussion of the Group's loan provision policy, see Part XII: "Operating and Financial Review—Critical Accounting Judgements and Key Sources of Estimation Uncertainty—Provision for credit loss".

The table below sets forth the composition of the Group's loan portfolio by type of loan as well as total direct lending by non-performing category as at 31 December 2015.

	Total direct lending								Per cent. provision of portfolio
	Due from banks ⁽¹⁾	Total direct lending	Total lending	Neither passed due nor impaired	<30	30<180	>180	Provision	
					overdue				
					(audited, in U.S. dollars)				
South Asia.....	2,799,984	57,081,754	59,881,738	56,862,111	48,468	106,507	64,668	492,196	2.85%
South East Asia.....	—	27,957,539	27,957,539	27,909,481	1,148	26,371	20,539	145,831	1.10%
East Africa.....	—	7,280,450	7,280,450	7,212,367	20,579	35,352	12,152	53,570	2.26%
West Africa.....	351,946	42,308,067	42,660,013	42,265,528	4,902	28,732	8,905	230,633	1.03%
Non-operating entities.....	—	13,995,504	13,995,504	13,482,224	239,111	144,249	129,920	244,482	1.75%
Total.....	3,151,930	148,623,314	151,775,244	147,731,711	314,208	341,211	236,184	1,166,712	0.79%

Note:

- (1) Amounts due from banks are neither passed due nor impaired.

The table below sets forth the composition of the Group's loan portfolio by type of loan as well as total direct lending by non-performing category as at 31 December 2016.

	Total direct lending								
	Due from banks ⁽¹⁾	Total direct lending	Total lending	Neither passed due nor impaired	<30 overdue	30<180	>180	Provision	Per cent. provision of portfolio
(audited, in U.S. dollars)									
South Asia	4,583,850	92,614,751	97,198,601	85,871,564	1,023,954	5,598,788	120,445	1,318,992	1.42%
South East Asia.....	144,094	53,780,914	53,925,008	52,951,267	329,470	258,115	242,062	481,532	0.90%
East Africa.....	718,488	12,583,913	13,302,401	12,283,376	24,578	107,947	168,012	159,635	1.27%
West Africa.....	914,601	45,621,309	46,535,910	45,555,591	15,222	12,795	37,701	199,928	0.44%
Total.....	6,361,033	204,600,887	210,961,920	196,661,798	1,393,224	5,977,645	568,220	2,160,087	1.06%

Note:

- (1) Amounts due from banks are neither passed due nor impaired.

The table below sets forth the composition of the Group's loan portfolio by type of loan as well as total direct lending by non-performing category by segment as at 31 December 2017.

	Total direct lending								
	Due from banks ⁽¹⁾	Total direct lending	Total lending	Neither past due nor impaired	<30 days past due	>30 days but <180 days past due	>180 days past due	Provision s	Per cent. provision of portfolio
(audited, in U.S. dollars)									
South Asia.....	13,291,042	167,443,848	180,734,890	165,729,900	225,485	1,246,352	242,111	912,990	0.55%
South East Asia.....	—	53,232,133	53,232,133	53,128,153	9,240	56,099	38,641	70,349	0.13%
East Africa.....	1,840,551	20,591,456	22,432,007	20,336,659	13,357	54,990	186,450	222,666	1.08%
West Africa.....	152,795	58,174,384	58,327,179	58,053,229	14,285	46,588	60,282	115,089	0.20%
Total.....	15,284,388	299,441,821	314,726,209	297,247,941	262,367	1,404,029	527,484	1,321,094	0.44%

Note:

- (1) Amounts due from banks are neither passed due nor impaired.

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. Liquidity risk may result from overly aggressive lending strategies, low levels of on-time payments, seasonal variations of demand or unanticipated expenses. The Group requires adequate liquidity and funding sources due to its expanding operations and to meet its credit obligations. The main credit obligations of the Group are described in Part XII: “*Operating and Financial Review—Financial Liabilities and Contractual Obligations—Indebtedness*”.

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 Directors believe the Group's liquidity risk is mitigated by the following factors:

- the main class of assets are loans to clients, which due to the nature of the microfinance industry, have short-term maturities, therefore, the Group has in the past experienced a relatively constant stream of repayments, which has been beneficial to the Group's cash flow; and
- as at 31 December 2017, the Group had a cash balance of U.S.\$93.3 million compared to U.S.\$39.0 million and U.S.\$35.4 million as at 31 December 2016 and 2015, respectively.

When analysing market risk, the Group considers the general market and macroeconomic conditions in which it operates to determine its assessment and management of risks.

Interest rate risk

Interest rate risk is the risk that the Group's profitability or results of operations will be 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. See Part XVI: "*Regulatory Framework*".

The credit methodology of the Group's microfinance institutions determines that loans to clients have short-term maturities of less than one year and are offered at fixed interest rates. Third-party loans to the Group's microfinance institutions, sourced from both local and international financial institutions, mostly have relatively short terms, approximately one to three years on average. Less than 30 per cent. of the Group's consolidated debt has variable interest rates. Depending on the extent of the exposure and hedging possibilities with regards to availability of hedging instrument and related pricing, the Group may 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 short tenor of the loans provided to its clients diminishes the effect of interest rate fluctuations.

Currency exchange 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 its microfinance institutions and its clients are in local currency in countries where currency depreciation against the U.S. dollar is often unpredictable. The Group manages currency risk mainly through natural hedging, i.e. by matching the relevant microfinance subsidiary's local currency assets consisting of the its loan portfolio, with local currency liabilities, i.e. by obtaining funding denominated in local currency. 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. To mitigate the foreign exchange risk on U.S. dollar-denominated loans, the Group's microfinance institutions in Pakistan and the Philippines entered into forward agreements in 2016 and its microfinance institutions in Myanmar and Tanzania entered into forward agreements in 2017. The Group applies hedge accounting to the U.S. dollar-denominated loans and related forward contracts. See Part XV: "*Historical Financial Information*" note 2.2 "*Accounting Policies—Summary of significant accounting policies—Forward contracts and hedge accounting*" and note 31.2 "*Hedge Accounting*" for more detail.

While the Group faces significant translation exposure on its equity investments in its local microfinance institutions, (as the functional currency of the Group is the U.S. dollar), the policy is not to hedge equity investments since the currency translation gain and loss on the latter does 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; and
- the Group endeavours to ensure that its microfinance institutions secure local currency loans (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

Simulation: foreign currency translation reserve

The tables below set forth a simulation of the impact of a 10 per cent. downward movement of the local foreign exchange rates against the U.S. dollar on the Group's foreign exchange translation reserve as at December 2015, 2016 and 2017.

As at 31 December 2015			
	FX translation reserve Actual	FX translation reserve after - 10% rate	Movement
	<i>(audited, in U.S. dollars)</i>		
South Asia	(5,475,781)	(7,679,924)	(2,204,143)
South East Asia.....	(594,473)	(1,589,883)	(995,410)
East Africa	(363,791)	(672,140)	(308,349)
West Africa.....	(10,403,885)	(11,771,999)	(1,368,114)
Non-operating entities.....	130,223	122,770	(7,454)
Total.....	(16,707,707)	(21,591,176)	(4,883,470)

As at 31 December 2016			
	FX translation reserve Actual	FX translation reserve after - 10% rate	Movement
	<i>(audited, in U.S. dollars)</i>		
South Asia.....	(5,819,339)	(8,143,046)	(2,323,707)
South East Asia.....	(1,378,033)	(2,435,203)	(1,057,169)
East Africa	(553,493)	(1,040,841)	(487,348)
West Africa.....	(14,498,945)	(16,240,124)	(1,741,179)
Non-operating entities.....	132,096	125,157	(6,940)
Total.....	(22,117,714)	(27,734,057)	(5,616,343)

As at 31 December 2017			
	FX translation reserve Actual	FX translation reserve after - 10% rate	Movement
	<i>(audited, in U.S. dollars)</i>		
South Asia.....	(6,698,571)	(10,236,063)	(3,537,492)
South East Asia.....	(1,398,232)	(2,817,487)	(1,419,255)
East Africa	(610,870)	(1,205,075)	(594,205)
West Africa.....	(17,234,539)	(19,432,705)	(2,198,166)
Non-operating entities.....	110,839	101,421	(9,418)
Total.....	(25,831,373)	(33,589,909)	(7,758,536)

As at 31 December 2017, a 10 per cent. downward movement of local foreign exchange rates against the U.S. dollar would have had a negative impact on the translation reserve of U.S.\$7.8 million, compared to U.S.\$5.6 million as at 31 December 2016 and U.S.\$4.9 million as at 31 December 2015. Analysis of the actual exchange rate fluctuations against the U.S. dollar for the period 2010-2017 shows different trends for the seven main currencies. The annual fluctuations are between 0 per cent. and 39 per cent., but most moved within negative 5 per cent. For the simulation of foreign currency effects, the Group has therefore assumed a maximum 10 per cent. movement year on year in these currencies as compared to the U.S. dollar.

Simulation: foreign exchange profit and loss

The following tables show the actual foreign currency exchange results by country for the years ended 31 December 2015, 2016 and 2017 as well as the simulation of the impact of a 10 per cent. downward movement of the local foreign currency exchange rates on the foreign exchange results.

Year ended 31 December 2015			
	Foreign exchange profit and loss Actual	Foreign exchange profit and loss after -10% rate	Movement
	(audited, in U.S. dollars)		
South Asia.....	(575,754)	(2,136,351)	(1,560,597)
South East Asia.....	(45,083)	(113,265)	(68,182)
East Africa.....	(46,189)	(173,462)	(127,273)
West Africa.....	(134,815)	(180,270)	(45,455)
Non-operating entities.....	(777,968)	(1,572,762)	(794,793)
Total.....	(1,579,809)	(4,176,110)	(2,596,300)

As at 31 December 2015, a 10 per cent. downward movement of local foreign currency exchange rates against the U.S. dollar would have had a negative impact on the foreign currency exchange result of U.S.\$2.6 million.

Year ended 31 December 2016			
	Foreign exchange profit and loss Actual	Foreign exchange profit and loss after -10% rate	Movement
	(audited, in U.S. dollars)		
South Asia.....	(47,301)	(138,210)	(90,909)
South East Asia.....	(266,660)	(721,205)	(454,545)
East Africa.....	(13,190)	(185,917)	(172,727)
West Africa.....	(42,408)	(87,863)	(45,455)
Non-operating entities.....	(1,600,851)	(2,118,298)	(523,847)
Total.....	(1,970,410)	(3,251,493)	(1,287,483)

As at 31 December 2016, a 10 per cent. downward movement of local foreign currency exchange rates against the U.S. dollar would have had a negative impact on the foreign currency exchange result of U.S.\$1.3 million (2015: U.S.\$2.6 million). The reduced impact on the Group's results is due to the new forward foreign exchange hedging contracts entered into in 2016 to mitigate this risk.

Year ended 31 December 2017			
	Foreign exchange profit and loss Actual	Foreign exchange profit and loss after -10% rate	Movement
	(audited, in U.S. dollars)		
South Asia.....	(826,715)	(865,374)	(38,659)
South East Asia.....	65,579	(344,284)	(409,863)
East Africa.....	(104,082)	(364,543)	(260,461)
West Africa.....	(89,271)	(304,088)	(214,817)
Non-operating entities.....	(274,723)	(779,979)	(505,256)
Total.....	(1,229,212)	(2,658,268)	(1,429,056)

As at 31 December 2017, a 10 per cent. downward movement of local foreign currency exchange rates against the U.S. dollar would have had a negative impact on the foreign currency exchange result of U.S.\$1.4 million (2016: U.S.\$1.3 million).

Legal and compliance risk

Legal and compliance risk encompasses financial and other losses the Group may suffer as a result of negligence or failure to comply with applicable laws and regulations. These risks include local regulations, changes in policy and product transparency. Investing in Asia and Africa involves risks inherent to investments in emerging markets, including nationalisation, expropriation or confiscatory taxation, political instability and diplomatic developments which could affect investments in such countries. To evaluate legal and compliance risks, the Group considers local regulations such as licensing or approval requirements to operate in the microfinance industry, reporting and supervision requirements of regulatory authorities and issues of exposure such as tax. The Group also evaluates changes in policy as it may have an impact on its operations. Furthermore, it may be complex to administer investments abroad and to comply with a wide variety of local laws and the local code of conduct. The investments may be subject to capital controls that could prevent or impede the Group from repatriating earnings, interest, royalties, fees or invested capital. See Part II: “*Risk Factors—Because the Company is a holding company and substantially all of its operations are conducted through its wholly- or majority-owned microfinance institutions, its ability to pay dividends on the Shares depends on its ability to obtain cash dividends or other cash payments from its microfinance institutions*” for more detail.

Legal and compliance risks in the countries in which the Group's microfinance institutions operate are mitigated through the continuous monitoring of regulatory and legal environment by local corporate secretaries and external local law firms. In most countries, the relevant microfinance subsidiary also maintains direct relationships with the regulator, including the relevant central bank. 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. Product transparency is also key to the Group's strategy in mitigating its legal and compliance risk. Because the education and knowledge level of the Group's target clients is low, the Group aims to be transparent in its products and prices.

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.

In line with the Group's risk management framework, each of the Group's microfinance institutions is tasked with achieving growth while maintaining low costs. The Group does this by considering growth at a vertical and horizontal level, evaluating its return on assets and return on equity, evaluating the cost of funding for growth, analysing current staff and organisational capacity and observing the balance between quality service and cost of service. Furthermore, the Group has operation manuals and circulars in place to guide its microfinance institutions in evaluating cost reduction and growth.

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. The Group also encourages its first line of defence to communicate regularly with clients and local leaders to ensure its closeness to clients. Through its competition and reputational risk management policies, the Group can identify any challenges and define its ambitions.

PART X

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The following table lists the names, ages and positions of the Directors.

Name	Age	Position	Date appointed
Md. Shafiquel Haque Choudhury	69	Non-Executive Chairman	6 April 2007
Dirk Brouwer	55	Chief Executive Officer	6 April 2007
Aminur Rashid	54	Executive Director	6 September 2011
Praful Patel	72	Independent Non-Executive Director	22 January 2013
Gavin Laws	60	Independent Non-Executive Director	22 January 2013
Guy Dawson	65	Senior Independent Non-Executive Director	22 January 2013
Johanna Kemna	57	Independent Non-Executive Director	8 May 2018

The business address of each of the Directors is 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ, United Kingdom.

The management expertise and experience of each of the Directors is set out below:

Md. Shafiquel Haque Choudhury – *Non-Executive Chairman*

Md. Shafiquel Haque Choudhury is the co-founder of the Group and has been its Chairman since 2007, the Founder and President of ASA NGO Bangladesh since 1978 and a director of CMI and founder and managing director of Catalyst Microfinance Investment Company since 2006. He has also been a Director of SAMIC Limited since 2007. Mr Choudhury has over 38 years of experience in the microfinance industry and has held several senior advisory positions including Advisor Ministerial position to the Caretaker Government of Bangladesh in 2007, Member of the Advisory Board at Credit Development Forum in Bangladesh, Treasurer for the Association of Development Agencies in Bangladesh, General Secretary to the Coordinating Council for Human Rights in Bangladesh, Treasurer for the Campaign for Popular Education in Bangladesh, Chairman for South Asian Network for Financial Initiative, Member of the Steering Committee of Micro-finance Network, Member in the Policy Advisory Group of CGAP-World Bank, Member of the Board of International Network of Alternative Financial Institutions, Team Leader of the International Technical Service Provider of UNDP MicroStart Program for the Philippines and Nigeria, Board Member of NGO Foundation in Bangladesh, Member of Housing Loan Trust in Bangladesh, Member of the Social Development Fund Board-World Bank, Technical Advisor of Microfinance Team for Social Fund for Development-World Bank in Yemen, Technical Advisor of Microfinance Team for BINA SWADAYA in Indonesia, Faculty Member of Microfinance Training in Boulder, Colorado and a Visiting Fellow at the Coady Institute of St. Francis Xavier University of Nova Scotia, Canada. Mr Choudhury attended a Fellowship at the Institute for Development Research in Boston, Massachusetts, USA and obtained his Master's Degree in Sociology from Dhaka University.

Mr Choudhury is a member of the Nomination Committee.

Dirk Brouwer – *Chief Executive Officer*

Mr Dirk Brouwer is the co-founder of the Group and has been its Executive Director since 2007, the founder and managing director of Sequoia since 2002 and a director of CMI and founder and managing director of Catalyst Microfinance Investment Company since 2006. Mr Brouwer has over 11 years of experience in the microfinance industry and over 20 years of experience in investment banking where he has held several senior positions. He has been a supervisory board member of CarbonX B.V., a board member of CMI and CMIMC and a Managing Director of CMI Partners, STAK CMI Partners and CarbonX Beheer B.V. Before founding Sequoia in 2002, Mr Brouwer worked for more than seven years at Merrill Lynch in London from 1995 to 2002, where he was the Managing Director and Head of Benelux Investment Banking. Prior to this, Mr Brouwer worked for more than seven years in mergers & acquisitions, leveraged buyouts, and private equity at PaineWebber in London and New York. He was the Co-Head of Consumer Products Investment Banking Europe and First Vice President at PaineWebber. Mr Brouwer has also worked at McKinsey & Company in Amsterdam. Mr Brouwer holds an M.B.A. from Stanford University in California and a M.Sc. in Business Economics from the Erasmus University of Rotterdam.

Aminur Rashid – *Executive Director, Operations*

Mr Aminur Rashid has worked with the Group since 2011 and has been Executive Director, Operations since 2017. His other positions included Chief Coordinating Officer, Director (Program) and Director of several microfinance institutions within the Group. Before joining the Group, Mr Rashid served as a Director (Operations) of ASA NGO Bangladesh before joining the Group in a different capacity from 1992 to 2011, where he was closely associated with the micro-finance program at ASA NGO Bangladesh. Prior to working with ASA NGO Bangladesh, Mr Rashid worked with Grameen Bank from 1989 to 1991. Mr Rashid has over 28 years of microfinance experience and has served in various senior positions within the industry. Mr Rashid has microfinance experience in various countries including Cambodia, Tajikistan, Laos, India, Indonesia, Nigeria, Mexico, the Philippines, China, Indonesia, Nepal, Tanzania, Liberia, Sierra Leone and Myanmar. Mr Rashid obtained his Masters of Science from Dhaka University in Bangladesh and has been awarded a certificate in training and development from the Institute of Personnel and Development in the United Kingdom by completing the “Training of Trainers” course under the DANIDA Fellowship Program in Denmark. Mr Rashid is an author of “How ASA Operates Profitably Serving the Poor” and a co-author of “Introduction to ASA Innovative and Sustainable Microfinance Model”.

Praful Patel – *Independent Non-Executive Director*

Mr Praful Patel has been a Non-Executive Director of the Group since 2013. He is an Associate at the Centennial Group where he served as the President of the Centennial Group’s African and Middle East Wing and a Non-Executive board member of IMAGO Global Grassroots. Mr Patel also serves as an independent Non-Executive director of CMI and a member of the Investment Committee of the CMI board. Prior to this, he served as a board member of the Africa Capacity Building Program, the African Center for Economic Transformation and as Chairman of the Appeals Board of the Global Fund (Geneva). From 2010 to 2012, Mr Patel was appointed by the African Development Bank as the Leader of Panel of Experts for the Program of Infrastructure Development for Africa. From 1974 to 2008, Mr Patel held various senior corporate leadership roles within the World Bank where he worked in sectors including infrastructure, environment, the private sector, the financial sector and macro-economic management. While at the World Bank, Mr Patel served as the Team Leader of Infrastructure Projects, as Sector Manager and Director of Infrastructure in the World Bank’s Africa Region and as Vice President of the World Bank’s South Asia Region. He also helped to develop and implement the ACBF. In his final assignment with the World Bank, Mr Patel served a five-year tenure as the Regional Vice President of South Asia from 2003 to 2008. Mr Patel obtained his Bachelor’s Degree in Architecture from the University of Nairobi in 1971, with a final year program at Royal Academy of Fine Arts in Copenhagen,

Denmark, he earned his MA in Advanced Studies from the Massachusetts Institute of Technology in 1973, and his TGM from Harvard Business School in 1996.

Mr Patel is a member of the Nomination Committee and chairman of the Remuneration Committee.

Gavin Laws – *Independent Non-Executive Director*

Mr Gavin Laws has been a Non-Executive Director of the Group since 2013. He is also the Non-Executive Chair of Union Bank UK plc, the Non-Executive Chair of Berkhamsted Schools Group, the Non-Executive Chair of Liverpool FC's Foundation and a Non-Executive Director of Travelex Holdings Limited. Prior to holding these positions, Mr Laws served as the Director of Nidebsa Limited and as a Trustee of Trans Antarctic Winter Traverse. Mr Laws worked for Standard Chartered Bank for over 30 years, where he served in a number of senior assignments and executive roles both in London and overseas until his retirement in 2012. While at Standard Chartered Bank, Mr Laws served as Head of Governance Africa, MEPA, Europe and Americas, as Group Head of Corporate Affairs, as Regional Head of Consumer Banking, Africa, Northern Gulf & Levant and as the Director of The Standard Chartered Bank Ghana Limited.

Mr Laws is the chairman of the Audit and Risk Committee and is a member of the Remuneration Committee.

Guy Dawson – *Senior Independent Non-Executive Director*

Mr Guy Dawson has been a Non-Executive Director of the Group since 2013. He is also a Non-Executive Director of Egerton Capital Limited, a Non-Executive Director of Citywire Holdings Limited and a Non-Executive Director of Ridgeway Partners Holdings Limited. Prior to this, Mr Dawson served as a Non-Executive Director of The BOC Group plc from 2004 to 2006 and a Non-Executive Director of Alliance Boots Holdings plc from 2003 to 2007. In addition to Mr Dawson's extensive experience as a Non-Executive Director, he was a Vice Chairman of Investment Banking EMEA and Chairman of the Financial Institution Group EMEA at Nomura International plc, he is the co-founder of Tricorn Partners LLP, he was the Co-Head of EMEA Investment Banking and the Chairman of EMEA Investment Banking at Merrill Lynch International and he was the Head of Corporate Finance and Co-Head of Investment Banking at Morgan Grenfell and Deutsche Morgan Grenfell. Mr Dawson obtained his law degree from Trinity College, Oxford in 1974. Mr Dawson became a Barrister-at-Law in 1976.

Mr Dawson is a member of the Audit and Risk Committee and chairman of the Nomination Committee.

Johanna Kemna – *Independent Non-Executive Director*

Ms Johanna Kemna has been a Non-Executive Director of the Group since 2018. She is a Non-Executive Director of BinckBank N.V. where she also serves as the Chair of the Remuneration Committee and a member of Risk and Product Committee. Ms Kemna is also the Chair of the Audit Committee at Menzis, the Chair of the Audit Committee at the National ICT Institute for Healthcare in the Netherlands, a member of the Audit Committee at the Dutch Finance Department and a member of the Audit Committee at the Dutch Department of Justice and Security. Ms Kemna worked for Ernst & Young for 22 years and she is one of Ernst & Young's former Global Lead Partner of Operations and IT audit. Ms Kemna also has experience working with Aegon N.V., the European Central Bank, the Bank for International Settlements, UBS AG and various smaller Dutch banks.

Ms Kemna is a member of the Audit and Risk Committee and the Remuneration Committee.

Senior Management Team

The Group's current Senior Management is as follows:

Name	Age	Position
Md. Enamul Haque	63	Chief Operating Officer
Mohammed Azim Hossain	55	Director Investments, Treasury and Risk Management
Tanwir Rahman	46	Chief Financial Officer
Martijn Bollen	47	General Counsel
Mischa Assink	44	Chief Accountant

The business address of each of the Company's current Senior Management is 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ, United Kingdom.

The management expertise and experience of each of the Senior Management team is set out below:

Md. Enamul Haque – *Chief Operating Officer*

Md. Enamul Haque is the founder and ex-Chairman of Credit and Development Forum and has been the Chief Operating Officer of the Group since 2008. Mr Haque has over 39 years of experience in the microfinance industry. Between 1987 and 2008, Mr Haque served in various leadership positions within ASA NGO Bangladesh including Associate Coordinator, General Manager and Executive Vice President. He also led the ASA NGO Bangladesh partnership program where he provided technical services to 32 NGOs or microfinance institutions in Bangladesh. Prior to working with ASA NGO Bangladesh, Mr Haque served as a Field Coordinator for nine years at Proshika Human Development Centre from 1978 to 1987. Mr Haque has also worked as a consultant in various organisations such as Save the Children (USA)-Jordan, UNDP-Bangladesh, CARITAS-Bangladesh, Plan International-Bangladesh, UNDP MicroStart Program-Philippines, Life Bank Foundation Inc-Philippines, Bank of Khyber-Pakistan, Facet BV-Netherlands, CORDAID-Bangladesh, SFD-Yemen, Kashf Foundation-Pakistan, UNDP-Nigeria, Bandhan-India, MISFA-Afghanistan, MBK-Indonesia, World Bank-Eritrea and many other local non-governmental organisations. Mr Haque is currently a Board member of 7 of the Group's microfinance institutions and a governing body member of ASA NGO Bangladesh.

Mohammed Azim Hossain – *Director Investments, Treasury and Risk Management*

Mr Azim Hossain has served as the Director of Investment, Treasury and Risk Management at the Group since 2005. Mr Hossain has over 34 years of experience in the microfinance industry and worked at ASA NGO Bangladesh from 1984 to 2005 where he has held several positions including Director of Finance & MIS and Senior Finance Professional. While at ASA NGO Bangladesh, Mr Hossain was in charge of its NGO Partnership Programme, whereby local NGO microfinance institutions received technical and financial support from ASA NGO Bangladesh. Mr Hossain also established ASA NGO Bangladesh's finance and MIS systems and was involved in the design, development and implementation of products such as small and medium-sized enterprise loans, savings and insurance. Mr Hossain was actively involved in the development and design of AMMS at ASA NGO Bangladesh. He has also assisted in the establishment of risk management frameworks and provided training on financial management and information systems at ASA NGO Bangladesh. He has provided technical support in the microfinance industry to various microfinance institutions in countries including Ethiopia, India, Nigeria, the Philippines, Yemen, Sri Lanka, Afghanistan, Cambodia and Indonesia. He has also worked with the UNDP MicroStart program in the Philippines and Nigeria where he was responsible for development,

product and services, financial management, performance analysis and business planning. Mr Hossain received his Master of Commerce in Accounting from the University of Dhaka in 1984 and served as a DANIDA fellow on “Project Management” at the Aarhus Technical College in Denmark.

Tanwir Rahman – Chief Financial Officer

Mr Tanwir Rahman has served as the Chief Financial Officer of the Group since 2017. He has over 8 years of experience in the microfinance industry. Prior to his experience with the Group, he served as the Director of many companies within BRAC and has held several leadership positions including the Chief Financial Officer of the Unique Group, the Finance Director of BRAC and BRAC International, the Senior Accountant for AECOM, the Divisional Controller for HBG Constructors, the Assistant Controller for Mitchell Engineering, the Senior Accounting Manager for Bovis Lend Lease, the Controller for Allied Container Systems and the Senior Accountant at URS Corporation. Mr Rahman obtained his Bachelor’s Degree in Business Administration and Accounting from Boise State University in 1995. He is a licensed Certified Public Accountant and member of the American Institute of Certified Public Accountants.

Martijn Bollen – General Counsel

Mr Martijn Bollen has been the General Counsel of the Group since 2007. Mr Bollen has over 11 years of experience in the microfinance industry and has worked with Sequoia since 2005 and also serves as the General Counsel of CMI. Prior to this experience, Mr Bollen worked *inter alia* as an Attorney-at-Law at Loyens & Loeff from April 2000 to June 2004 where he was a member of the banking and finance department and was primarily involved in structured finance transactions and mergers and acquisitions. From 2004 to 2005, he worked *inter alia* as an In-House Counsel to DSM Dyneema. Mr Bollen holds a Master’s degree in Law from the University of Maastricht in the Netherlands and a Bachelor of Laws from the Victoria University of Wellington in New Zealand.

Mischa Assink – Chief Accountant

Mr Mischa Assink has been the Chief Accountant of the Group since 2011. He has over 7 years of experience in the microfinance industry. He also acts as Financial Controller at CarbonX B.V. and Senior Accountant at Sequoia. He held several positions including Financial Controller at NOTS Impact Enterprises, and Senior Manager in the Transaction Advisory Services team at Ernst & Young from 2005 to 2010 and worked in the audit department of Ernst & Young from 1992 to 2005. Mr Assink obtained his degree in Accountancy and Auditing from Nivra Nyenrode in 2005 and his VWO from Prisma College (OSG Hendrik vd Vlist) Utrecht in 1992. Mr Assink is a Chartered Auditor and a member of the Institute of Chartered Auditors in the Netherlands.

Corporate Governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. As of the date of this Prospectus, and on and following Admission, the Board complies and intends to continue to comply with the requirements of the UK Corporate Governance Code, save that Md. Shafiqul Haque Choudhury, the Chairman, does not meet the independence criteria set out in the UK Corporate Governance Code. However, given the benefits for the Company of his long standing experience with the Group, and in the microfinance industry more generally, the Board believe that Mr. Choudhury should continue as Chairman after Admission. The Company will report to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

As envisaged by the UK Corporate Governance 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 Independent Directors’ Committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise 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 director's judgement. As of the date of this Prospectus, the Board consists of five Non-Executive Directors (including the Non-Executive Chairman). The Company regards all of the Non-Executive Directors, other than the Non-Executive Chairman, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the CEO has failed to resolve or for which such contact is inappropriate. Guy Dawson has been appointed Senior Independent Director.

The UK Corporate Governance Code further recommends that directors should be subject to annual re-election. The Company intends to comply with these recommendations.

Audit and Risk Committee

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

The UK Corporate Governance Code recommends that an audit and risk committee comprise at least three members who are independent non-executive directors and includes one member with recent and relevant financial experience. The Audit and Risk Committee is chaired by Gavin Laws, and its other members are Johanna Kemna and Guy Dawson. The Audit and Risk Committee will meet not less than four times a year.

Nomination Committee

The Nomination Committee assists the Board on 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 UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Nomination Committee is chaired by Guy Dawson, and its other members are Md. Shafiqul Haque Choudhury and Praful Patel. The Nomination Committee will meet not less than twice a year.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, including setting the over-arching 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 UK Corporate Governance Code in relation to remuneration.

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). The Remuneration

Committee will be chaired by Praful Patel, and its other members are Gavin Laws and Johanna Kemna. The Remuneration Committee will meet not less than three times a year.

Independent Directors' Committee

The Independent Directors' Committee is comprised of all of the independent Non-Executive Directors, being Praful Patel, Gavin Laws, Guy Dawson and Johanna Kemna. It is chaired by Guy Dawson. The Independent Directors' Committee will meet at least twice a year and at such times as shall be necessary or appropriate, as determined by the Chair of the Independent Directors' Committee or the Chief Executive Officer.

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).

Share dealing

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares in compliance with applicable regulation. The code adopted will apply to the Directors and other relevant employees of the Company.

Relationship agreement with the Controlling Shareholder Group

The Company, the Selling Shareholder, Continuity and the Founders have entered into a relationship agreement (the “**Relationship Agreement**”), 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 and that all transactions and relationships between the Company and the Controlling Shareholder Group are at arm's length and on a normal commercial basis. See paragraph 15.2 of Part XIX: *Additional Information—Relationship Agreement*” for a more detailed description of the terms of the Relationship Agreement.

For so long as the Company 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 Company 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 Company wishes the FCA to cancel the listing of the Shares on the premium segment of the Official List or transfer the Shares to the standard listing segment of the Official List, the Company must obtain at a general meeting the prior approval of (y) a majority of not less than 75 per cent. of the votes attaching to the Shares voted on the resolution and (z) 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 the Selling Shareholder and Continuity has, and will have, the same voting rights attached to the Shares as all other Shareholders.

Conflicts of interest

Save for their capacities as persons legally and beneficially interested in, or with control rights over, Shares as set out in paragraph 8 of Part XIX: *Additional Information—Interests of the Directors and Senior Management*” and save for the appointment of Md. Shafiqul Haque Choudhury as a representative of the Selling Shareholder and Continuity pursuant to the terms of the Relationship Agreement (see paragraph 15.2 of Part XIX: *Additional Information—Material contracts—Relationship Agreement*”) there are:

- (i) no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties; and
- (ii) no arrangement or understanding with the Selling Shareholder, any other major shareholders, customers, suppliers or others pursuant to which any Director or Senior Manager was selected.

PART XI
SELECTED FINANCIAL AND OPERATING INFORMATION

The tables below present selected historical financial and operating information relating to the Group. Unless otherwise indicated, the selected historical financial information has been extracted, without material adjustment, from Part XV: “Historical Financial Information”. Investors should read the whole of this Prospectus before making an investment decision and not rely solely on the summarised information in this Part XI: “Selected Financial and Operating Information”.

Consolidated Income Statement

	For the year ended 31 December		
	2015	2016	2017
	<i>(audited, U.S.\$ thousands)</i>		
Interest and similar income	59,442.6	81,256.2	107,176.6
Interest and similar expense	(4,498.3)	(11,174.8)	(21,103.5)
Net interest income	54,944.3	70,081.4	86,073.1
Other operating income	4,501.5	5,536.8	6,852.8
Total operating income	59,445.8	75,618.2	92,925.9
Credit loss expense	(668.0)	(1,841.1)	(41.0)
Net operating income	58,777.8	73,777.1	92,884.9
Personnel expenses	(19,216.8)	(25,328.4)	(28,327.6)
Depreciation of property and equipment	(606.9)	(661.6)	(942.3)
Other operating expenses	(13,588.7)	(19,361.0)	(19,009.6)
Exchange rate differences	(1,579.7)	(1,970.4)	(1,229.2)
Total operating expenses	(34,992.0)	(47,321.4)	(49,508.8)
Profit before tax	23,785.8	26,455.7	43,376.1
Income tax expense	(7,438.5)	(9,730.9)	(12,819.8)
Withholding tax expense	(1,210.2)	(1,384.0)	(1,252.3)
Profit for the year	15,137.1	15,340.9	29,304.0
Profit for the year attributable to:			
Equity holders of the parent	14,940.4	15,203.2	29,000.9
Non-controlling interest	196.7	137.7	303.2
	15,137.1	15,340.9	29,304.0

Consolidated Balance Sheet

	As at 31 December		
	2015	2016	2017
	<i>(audited, U.S.\$ thousands)</i>		
Assets			
Cash at bank and in hand	35,391.7	39,037.1	93,252.0
Loans and advances to customers	147,893.5	202,983.6	297,781.0
Due from banks	3,151.9	6,361.0	15,284.4
Financial instruments held to maturity	19.2	19.2	—
Available for sale investment	—	—	200
Property and equipment	3,141.9	3,298.5	3,882.2
Deferred tax assets	1,077.5	1,354.0	1,527.4
Other assets	3,593.1	4,931.9	7,389.7
Goodwill	126.9	125.1	39.8
Total assets	194,395.5	258,110.5	419,356.5
Equity			
Issued capital	36,273.5	36,273.5	36,273.5
Retained earnings	40,161.7	50,765.5	71,321.3
Revaluation reserve	77.7	77.7	—
Foreign currency translation reserve	(16,707.7)	(22,117.7)	(25,831.4)
Total equity attributable to equity holders of the parent	59,805.1	64,999.0	81,763.4
Non-controlling interest	2,670.8	2,454.0	1,218.9
Total equity	62,476.0	67,453.0	82,982.4
Liabilities			
Debt issued and other borrowed funds	87,235.8	136,710.2	270,464.2
Due to customers	33,835.8	40,071.9	53,230.8
Retirement benefit liability	796.7	1,074.4	943.3
Current tax liability	4,480.2	3,437.1	3,841.3
Deferred tax liability	40.9	32.9	60.4
Other liabilities	4,871.8	7,075.2	6,616.1
Provisions	658.3	2,255.8	1,217.9
Total liabilities	131,919.6	190,657.5	336,374.1
Total equity and liabilities	194,395.5	258,110.5	419,356.5

Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2015	2016	2017
	<i>(audited U.S.\$ thousands)</i>		
Net cash flows used in operating activities	(24,537.4)	(45,355.8)	(83,693.7)
Net cash flow (used in)/from investing activities.....	3,925.1	(615.8)	(3,742.3)
Net cash flow from financing activities	37,004.1	49,575.2	140,585.3
Cash and cash equivalents as at 1 January	10,455.6	25,941.7	27,685.0
Net increase/(decrease) in cash and cash equivalents	16,392.4	3,603.6	53,149.4
Net foreign exchange difference	(906.3)	(1,860.4)	(1,002.8)
Cash and cash equivalents as at 31 December	25,941.7	27,685.0	79,831.5

Other Financial and Operating Data

The Directors consider the following metrics to be the Non-IFRS Financial Measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors believe the following Non-IFRS Financial Measures are useful in evaluating the Group's operating performance:

- Net interest margin
- Gross yield
- Cost of funding
- Revenue-assets ratio
- Cost-assets ratio
- Cost-income ratio
- Adjusted profit for the year
- Cost of risk
- Return on average assets
- Return on average equity
- Loan-assets ratio
- PAR>30
- Write-off ratio
- Debt-loans ratio
- Equity-assets ratio
- Number of branches
- Number of clients
- Number of clients/branch
- Gross loans/branch
- Gross loans/client

in each case, as described more fully below. See also Part III: "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*". The Non-IFRS Financial Measures do not form part of the Group's audited historical financial information.

	As at and for the year ended 31 December		
	2015	2016	2017
	<i>(per cent., except where indicated)</i>		
Net interest margin ⁽¹⁾	35.1%	32.2%	26.3%
Gross yield ⁽²⁾	37.9%	37.4%	32.7%
Cost of funding ⁽³⁾	4.7%	7.5%	8.4%
Revenue-assets ratio ⁽⁴⁾	35.6%	33.4%	27.4%
Costs-assets ratio ⁽⁵⁾	20.0%	20.0%	14.3%
Cost-income ratio ⁽⁶⁾	56.2%	60.0%	52.0%
Adjusted profit for the year (U.S.\$, in thousands) ⁽⁷⁾	14,201	18,775	27,257
Cost of risk ⁽⁸⁾	0.5%	1.0%	0.02%
Return on average assets ⁽⁹⁾	9.1%	6.8%	8.7%
Return on average equity ⁽¹⁰⁾	24.7%	23.6%	39.0%
Loan-assets ratio ⁽¹¹⁾	76.2%	78.6%	71.0%
PAR>30 ⁽¹²⁾	0.4%	0.5%	0.6%
Write-off ratio ⁽¹³⁾	0.06%	0.06%	0.06%
Debt-loan ratio ⁽¹⁴⁾	58.6%	67.3%	90.8%
Equity-assets ratio ⁽¹⁵⁾	32.0%	26.1%	19.8%
Number of branches	947	1,177	1,387
Number of clients (in thousands)	1,053.2	1,323.8	1,791.7
Clients per branch	1,112	1,125	1,292
Gross loans per branch (U.S.\$, in thousands)	156.9	173.8	215.9
Gross loans per client (U.S.\$)	141	155	167

Notes:

- (1) Net interest margin is calculated as net interest income divided by average interest earning assets.

	As at and for the year ended 31 December		
	2015	2016	2017
	<i>(in U.S.\$ thousands)</i>		
Net interest income	54,944	70,081	86,073
Average interest earning assets	156,671	217,409	327,350
Net interest margin	35.1%	32.2%	26.3%

- (2) Gross yield is calculated as interest and similar income divided by average interest earning assets. 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.

As at and for the year ended 31 December			
	2015	2016	2017
	(in U.S.\$ thousands)		
Average cash at bank and in hand.....	26,809	37,214	66,145
Average due from banks	2,206	4,756	10,823
Average loans and advances from customers.....	127,656	175,439	250,328
Average interest earning assets.....	156,671	217,409	327,350

- (3) Cost of funding is calculated as interest and similar expense divided by average interest bearing liabilities.
- (4) Revenue-assets ratio is calculated as total operating income divided by average assets.
- (5) Costs-assets ratio is calculated as total operating expenses (excluding exchange rate differences) divided by average assets.
- (6) Cost-income ratio is calculated as dividing total operating expenses, excluding exchange rate differences, by total operating income.
- (7) Adjusted profit for the year is calculated as profit for the year adjusted for one-off or exceptional items, primarily related to the release of provisions.

As at and for the year ended 31 December			
	2015	2016	2017
	(in U.S.\$ thousands)		
Profit before tax	23,786	26,456	43,376
Provisions/allocations for VAT expenses in the Philippines.....	(587)	1,226	—
Impairment on receivables and software.....	71	270	—
Incidental credit loss items.....	—	687	(1,087)
Foreign exchange loss in Nigeria.....	—	1,400	—
Provision for fees charged in Nigeria	—	—	757
Reversal for worker welfare fund provision in Pakistan	171	207	(645)
Transfer of Cambodia and other	(570)	10	(3)
Tax adjustments previous years	—	388	(1,164)
Total adjustments	915	4,188	(2,142)
Adjusted profit before tax	22,871	30,644	41,234
Tax.....	(8,649)	(11,115)	(14,072)
Tax impact of adjustments.....	(22)	(754)	96
Adjusted profit for the year	14,201	18,775	27,257

- (8) Cost of risk is calculated as credit loss expense divided by average gross loans.

- (9) Return on average assets is calculated as profit for the year divided by average assets.

	As at and for the year ended 31 December		
	2015	2016	2017
	(in U.S.\$ thousands)		
Profit for the year	15,137	15,341	29,304
Average assets	167,066	226,253	338,733
Return on average assets	9.1%	6.8%	8.7%

- (10) Return on average equity is calculated as profit for the year divided by average equity.

	As at and for the year ended 31 December		
	2015	2016	2017
	(in U.S.\$ thousands)		
Profit for the year	15,137	15,341	29,304
Average equity	61,273	64,964	75,218
Return on average equity	24.7%	23.6%	39.0%

- (11) Loan-assets ratio is calculated as loan and advances to customers divided by total assets.

- (12) PAR>30 is defined as portfolio at risk more than 30 days past due and is measured as loans where one payment has been overdue more than 30 days. Adjusted in 2016 to exclude impact of de-monetisation in India. Including the impact of demonetisation, PAR>30 in 2016 was 3.2 per cent.

- (13) Write-off ratio is calculated as total write-offs divided by loan disbursed during the year.

	As at and for the year ended 31 December		
	2015	2016	2017
	(in U.S.\$ thousands)		
Total write-offs (U.S.\$, in thousands)	(220)	(276)	(456)
Loans disbursed during the year (U.S.\$, in thousands)	348,892	494,337	703,926
Write-off ratio	0.06%	0.06%	0.06%

- (14) Debt-loan ratio is calculated as debt issued and other borrowed funds divided by loans and advances to customers

- (15) Equity-assets ratio is calculated as total equity divided by total assets.

South Asia

	As at and for the year ended 31 December		
	2015	2016	2017
Net interest margin.....	32.9%	30.0%	21.9%
Gross yield	37.1%	35.1%	30.3%
Cost of funding.....	10.8%	13.7%	13.2%
Cost-income ratio	41.3%	43.0%	37.4%
Cost of risk	0.7%	1.9%	(0.2)%
Return on average assets	11.6%	9.8%	9.8%
Return on average equity	27.7%	32.7%	47.8%
PAR>30	0.3%	6.2%	0.9%
Number of branches	340	404	521
Number of clients (in thousands)	433.8	524.7	835.1
Gross loans (U.S.\$, in millions)	57.1	92.6	167.4
Gross loans per branch (U.S.\$, in thousands)	167.9	229.2	321.4
Gross loans per client (U.S.\$)	132	177	201
Net interest income (U.S.\$, in thousands)	16,892.0	23,509.0	32,691.4

South East Asia

	As at and for the year ended 31 December		
	2015	2016	2017
Net interest margin.....	28.2%	27.7%	23.3%
Gross yield	32.3%	31.7%	26.7%
Cost of funding.....	4.8%	6.2%	5.1%
Cost-income ratio	71.0%	82.5%	72.1%
Cost of risk	0.4%	0.8%	(0.3)%
Return on average assets	6.3%	2.0%	4.6%
Return on average equity	27.5%	10.6%	23.3%
PAR>30	0.7%	0.9%	1.2%
Number of branches	257	303	325
Number of clients (in thousands)	270.6	345.3	405.9
Gross loans (U.S.\$, in millions)	42.0	53.8	53.2
Gross loans per branch (U.S.\$, in thousands)	163.2	177.5	163.8
Gross loans per client (U.S.\$)	168	156	131
Net interest income (U.S.\$, in thousands)	15,276.1	18,459.2	17,204.9

East Africa

	As at and for the year ended 31 December		
	2015	2016	2017
Net interest margin.....	28.7%	43.3%	44.3%
Gross yield	37.0%	43.9%	45.7%
Cost of funding.....	1.5%	2.8%	4.6%
Cost-income ratio	103.6%	83.7%	77.8%
Cost of risk	1.1%	1.6%	1.0%
Return on average assets	(2.8)%	4.3%	5.0%
Return on average equity	(8.6)%	12.2%	16.8%
PAR>30	0.6%	2.2%	0.9%
Number of branches	87	132	183
Number of clients (in thousands)	64.4	104.6	160.7
Gross loans (U.S.\$, in millions)	7.3	12.6	20.6
Gross loans per branch (U.S.\$, in thousands)	83.7	95.3	112.5
Gross loans per client (U.S.\$)	113	120	128
Net interest income (U.S.\$, in thousands)	1,764.5	4,260.9	7,311.4

West Africa

	As at and for the year ended 31 December		
	2015	2016	2017
Net interest margin.....	44.7%	47.8%	46.7%
Gross yield	47.5%	51.9%	50.5%
Cost of funding.....	2.9%	8.1%	7.3%
Cost-income ratio	48.6%	48.9%	43.2%
Cost of risk	0.3%	0.4%	(0.2)%
Return on average assets	15.9%	16.2%	18.3%
Return on average equity	45.7%	48.2%	51.6%
PAR>30	0.1%	0.1%	0.2%
Number of branches	267	338	358
Number of clients (in thousands)	288.8	349.1	390.0
Gross loans (U.S.\$, in millions)	42.3	45.6	58.2
Gross loans per branch (U.S.\$, in thousands)	158.5	135.0	162.5
Gross loans per client (U.S.\$)	147	131	149
Net interest income (U.S.\$, in thousands)	19,206.6	22,943.7	28,071.9

PART XII

OPERATING AND FINANCIAL REVIEW

The following discussion summarises the significant factors and events affecting results of operations and the financial condition of the Group for the years ended 2015, 2016 and 2017 and should be read in conjunction with the consolidated financial information of the Group reported in accordance with IFRS as adopted for use in the EU set out under Part XV: “Historical Financial Information” and the other financial information contained elsewhere in this Prospectus, including under Part III: “Presentation of Financial and Other Information” and Part XI: “Selected Financial and Operating Information”.

The following discussion of the Group’s results of operations and financial condition contains forward-looking statements that reflect the current view of the Group’s management. The Group’s actual results could differ materially from those anticipated in any forward-looking statements as a result of the factors discussed below and elsewhere in this Prospectus, particularly under Part II: “Risk Factors”. Investors should carefully consider the following information, together with the other information contained in this Prospectus, before investing in the Offer Shares.

Overview

The Group is one of the world’s largest and most profitable international microfinance institutions, providing small loans (average local currency equivalent loan size of approximately U.S.\$300 at disbursement) to 1.8 million low-income, financially underserved female micro-entrepreneurs, as well as small business owners, in 12 countries across Africa and Asia. The Group’s business is focused on countries that it believes have high demand potential for microfinance loans and a large population of low-income, female micro-entrepreneurs who do not have access to credit from traditional banks to start or grow their businesses in their communities.

The Group was established in 2007 by its founding promoters, the Company’s Non-Executive Chairman, Md. Shafiqul Haque Choudhury, and the Company’s Chief Executive Officer, Dirk Brouwer, with the support of ASA NGO Bangladesh, one of the world’s leading microfinance institutions by number of active borrowers. Founded in 1978 by Mr Choudhury with the “vision of creating an enabling environment to establish a just society”, ASA NGO Bangladesh began developing its pioneering microfinance lending model in 1992, which is widely acclaimed as one of the world’s most efficient models of microfinance. ASA NGO Bangladesh was ranked as the world’s top microfinance institution by Forbes Magazine in 2007, and was the winner of the “Banking at the Bottom of the Pyramid” award at the Financial Times/International Finance Corporation Sustainable Banking Awards in 2008. The mission of Mr Choudhury, Mr Brouwer and ASA NGO Bangladesh was to adapt this scalable, standardised and low-cost model across Asia and Africa to fit the diverse cultures and environments in which the Group’s microfinance institutions would operate. Today, the Group’s model of microfinance (the “**ASA Model**”) is characterised by the following key features:

- lending predominantly to low-income, female micro-entrepreneurs;
- the disbursement of loans exclusively for income generating activities;
- small average loan sizes (predominantly ranging from the local currency equivalent of U.S.\$120 to U.S.\$500);
- “high touch” client interaction through weekly, bi-weekly or monthly loan collections;
- the benefits of client groups (e.g., collection efficiency of the relatively small loan repayment instalments and social “peer pressure”, which encourages clients to repay on time) without client group liability;
- repeat loan cycles within limits on loan size and tenor specified in the Group’s localised operations manual;

- full repayment of existing loans prior to extending any new loan;
- ongoing assessments of client needs, benefits and satisfaction; and

no monetary incentives provided to the Group's staff for increasing the number of clients (except a nominal allowance in the case of Nigeria) or the size or quality of their microfinance institution's loan portfolio.

Key Factors Affecting the Group's Financial Condition and Results of Operations

The Group's results of operations and financial condition are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Group's results in the period under review and which it expects may affect its financial results in the future. Factors other than those set forth below could also have a significant impact on the Group's results of operations and financial condition.

Loan portfolio and branch growth

The growth in the Group's net interest income and profitability over the last three years has been primarily from growth in the Group's loan portfolio, driven by increases in the number of clients and in average loan size. The number of clients has grown at a CAGR of 30.4 per cent. between 2015 and 2017, primarily due to growth in the Group's branch networks both into new countries and into new regions. The number of branches in the Group increased from 947 to 1,387 between 2015 and 2017.

Historically, a significant proportion of the Group's profitability has been generated by a limited number of its microfinance institutions. For the year ended 31 December 2017, these microfinance institutions generated 67.3 per cent. of the Group's profit for the year and 87.4 per cent. of the dividends paid by the Group's microfinance institutions. Furthermore, five of the Group's microfinance institutions (India, Pakistan, the Philippines, Nigeria and Ghana) accounted for 99 per cent. of the dividends paid by the Group's microfinance institutions and 93 per cent. of the Group's profits for the year ended 31 December 2017.

The Group has also been able to increase average loan size from U.S.\$141 in 2015 to U.S.\$167 in 2017, through the 'high-touch' ASA Model, which builds long-term client relationships and encourages repeat business. Nearly half of the Group's clients are on their second or later loan cycle, with approximately 20 per cent. on their second loan cycle and 9 per cent. on their sixth loan cycle or above.

The Group's ability to maintain and expand its branch network, while increasing the average number of clients per branch, is dependent on its ability to hire and train loan officers, branch and area managers and field staff.

Availability of funding

The Group relies on bank and other third-party financing, equity and deposits to fund the growth of its business. The Group's total funding increased by U.S.\$48.9 million, or by 56.5 per cent., from U.S.\$182.8 million as at 31 December 2015 to U.S.\$242.8 million as at 31 December 2016 and further increased by U.S.\$161.3 million, or by 66.4 per cent., to U.S.\$404.1 million as at 31 December 2017.

The Group primarily relies on bank and other third-party financing, which represented 91.8 per cent., 92.7 per cent. and 96.2 per cent. of the Group's total funding as at 31 December 2015, 2016 and 2017, respectively. Debt issued and other borrowed funds increased by U.S.\$49.5 million, or by 56.7 per cent., from U.S.\$87.2 million as at 31 December 2015 to U.S.\$136.7 million as at 31 December 2016, and further increased by U.S.\$133.7 million, or by 97.8 per cent. to U.S.\$270.5 million as at 31 December 2017. The Group obtains financing both at the Group-level and at the local microfinance institution level and uses shareholder loans to down-stream Group-level funding to its more recently established microfinance institutions as well as using paid-up capital. Group-level financing represented 46.4 per cent., 39.6 per cent. and 25.0 per cent. of total consolidated debt issued and other borrowed funds as at 31 December 2015, 2016 and 2017, respectively.

The amount and percentage of Group-level financing has gradually decreased as its microfinance institutions mature and are able to obtain local funding and/or utilise deposits. Local financing across the group increased by U.S.\$35.2 million, or by 76.6 per cent., from U.S.\$46.0 million as at 31 December 2015 to U.S.\$81.1 million as at 31 December 2016 and further increased by U.S.\$119.3 million, or by 147.0 per cent., to U.S.\$200.4 million as at 31 December 2017. For example, in 2016, ASA Tanzania and ASA Kenya obtained local funding for the first time and in 2017, ASA Myanmar and ASA Uganda obtained local funding for the first time.

In addition, ASA India has historically benefitted from regulations that incentivised commercial banks to lend to the microfinance industry at preferential interest rates, which has allowed ASA India to increase its bank financing by U.S.\$88.6 million, or by 842.3 per cent., from U.S.\$10.5 million as at 31 December 2015 to U.S.\$99.1 million as at 31 December 2017. In addition, ASA Myanmar has benefitted from a UNDP grant for the last two years, which was targeted for initial start-up costs, however, the grant has now expired, and the Group does not expect to receive future grants from UNDP in Myanmar.

The average tenor of nearly all of the Group's loans to its clients is six to twelve months at issuance, whereas over half of the Group's debt funding has a remaining maturity of typically up to 5 years. This facilitates the Group's disciplined asset liability management. As part of its asset-liability management, the Group seeks to diversify its funding profile to minimise any currency mismatch in third party funding, by maximising local funding where available, to naturally hedge its exposure to currency fluctuations. Approximately 90 per cent. of the Group's debt funding is in local currency and/or is fully hedged. The Group's microfinance institutions in Pakistan, the Philippines, Myanmar and Tanzania have entered into foreign currency exchange forward contracts.

The Group's microfinance institutions have also increasingly benefitted from deposits (including deposits held as security collateral) as a source of funding. Deposits increased by U.S.\$6.2 million, or by 18.4 per cent. from U.S.\$33.8 million as at 31 December 2015 to U.S.\$40.1 million as at 31 December 2016 and further increased by U.S.\$13.2 million, or by 32.8 per cent., to U.S.\$53.2 million as at 31 December 2017. Deposits accounted for 15.8 per cent. of the Group's total liabilities as at 31 December 2017, and the Group expects that deposits will account for an increasing proportion of its total funding over time as its microfinance institutions in Ghana, Nigeria, Rwanda and Myanmar build their deposit-base and more of its microfinance institutions apply for and receive deposit-taking licences. For example, ASA Myanmar is in the process of meeting the criteria to collect voluntary savings from its clients and ASA Pakistan and Lak Jaya have applied for deposit-taking licences.

Ability to manage net interest margin

The Group's results of operations are significantly dependent upon the level of net interest income (the difference between interest and similar income and interest and similar expense). The Group's average yield on interest-earning assets for the years ended 31 December 2015, 2016 and 2017 was 38.8 per cent., 37.2 per cent. and 34.5 per cent., respectively. The Group's cost of interest-bearing liabilities for the years ended 31 December 2015, 2016 and 2017 was 5.4 per cent., 7.7 per cent. and 9.3 per cent., respectively. See Part XIII: "*Selected Statistical Information*".

Interest and similar income, which is primarily comprised of interest income from loans and advances due to customers, is the largest component of the Group's total operating income, and represented 101.0 per cent., 110.0 per cent. and 115.0 per cent. of the Group's total operating income for the years ended 31 December 2015, 2016 and 2017, respectively. Similarly, finance costs represent a significant majority of the Group's expenses and in the years ended 31 December 2015, 2016 and 2017, interest and similar expense represented 7.6 per cent., 15.1 per cent. and 22.7 per cent., respectively, of the Group's total operating income. The Group's net interest income is impacted by interest and similar expense, which is dependent on the interest rates on the Group's borrowings, as the majority of the Group's funding is comprised of bank and third-party borrowings.

Consequently, an increase in the Group's cost of funds beyond its ability to compensate with a corresponding increase in interest rates on loans to clients could reduce the Group's net interest income.

The Group's net interest income is also subject to competitive pressure, particularly in countries where it competes against other microfinance institutions that hold deposit-taking licences (such as India) and may have access to lower cost capital through public deposits or where there are regulatory limits on interest rates or net interest margin. In particular, ASA India is subject to a maximum interest rate of 23 per cent. and a maximum net interest margin (calculated as interest income plus fees less interest expense) of 10 per cent. and ASA Myanmar is subject to a maximum interest rate of 30 per cent. Further, the ability of the Group's microfinance institutions to adjust interest rates depends, to an extent, on the willingness of clients to pay increased rates during periods of relatively higher interest rates.

Credit quality, provisions and write-offs

The Group's results of operations are directly impacted by the level of risk of losses from loan impairment, and the credit quality of the Group's loan portfolio is therefore a vital factor. The Group believes that the risk management features embedded within the ASA Model, in particular key features such as 'high-touch' client interaction, income generating loans only and ongoing assessment of client needs and satisfaction have enabled it to maintain a historically low average PAR₃₀ of 0.5 per cent. between 2013 and 2017 (including the adjustment for the year ended 31 December 2016 to exclude the impact of demonetisation in India) and an average write-off ratio of 0.2 per cent. over the same period. Since inception of operations in 2007, the Group has written off loans totalling U.S.\$8.2 million, out of a consolidated U.S.\$2.2 billion of loans extended (converted to U.S. dollars using the relevant local currency to U.S. dollar exchange rate on 31 December 2017). The Group has maintained relatively low PAR₃₀, which helps the Group to obtain lower cost funding from banks and other third-parties as it improves the overall quality of the Group's financial position.

Ability to manage operating expenses

The Group's results of operations are affected by its ability to manage operating expenses. For the years ended 31 December 2015, 2016 and 2017, the Group's total operating expenses were U.S.\$35.0 million, U.S.\$47.1 million and U.S.\$49.5 million, respectively. Excluding exchange rate differences, the Group's total operating expenses for the years ended 31 December 2015, 2016 and 2017, were U.S.\$33.4 million, U.S.\$48.3 million and U.S.\$49.5 million, respectively. The Group's cost-income ratio (excluding exchange rate differences) was 56.2 per cent., 59.6 per cent. and 51.2 per cent., respectively. The Group's cost-asset ratio was 18.0 per cent., 18.2 per cent. and 11.8 per cent., as at 31 December 2015, 2016 and 2017, respectively. The decrease in the cost-income ratio and the expense ratio between 2015 and 2017 reflected the ongoing maturation of the Group's branch networks which has delivered increased operating leverage. The increase in 2016 in the cost-income ratio was primarily due to a one-off VAT surcharge in the Philippines. See "*Results of Operations—Other operating expenses*".

A significant component of the Group's total operating costs is personnel expenses, which amounted to 54.9 per cent., 53.8 per cent. and 57.2 per cent., respectively, of total operating expenses for the years ended 31 December 2015, 2016 and 2017. In order to effectively manage its personnel expenses, the Group focuses on the low-cost and innovative recruitment of young college graduates who are interested in working with low-income communities and who are generally from rural or semi-urban backgrounds. For locally hired staff, the Group offers salaries that are benchmarked locally. This allows the Group to effectively manage its personnel expenses, while at the same time developing a qualified and well-trained pool of staff who will become increasingly experience over time and can be redeployed throughout the country or even to another country, depending on the Group's needs. Further, the Group historically has relied on personnel, particularly in the Dhaka corporate headquarters, who were seconded from ASA NGO Bangladesh and the expense related to this was included in the technical service fee payable to ASA NGO Bangladesh and reflected in other operating

expenses. However, the number of personnel seconded from ASA NGO Bangladesh has declined over time, as more of these personnel have been transferred to the Group's payroll, with all seconded personnel transferred as at 1 January 2018.

Going forward, the Group expects to have higher operating costs as a result of being a listed company. In addition, certain costs, such as directors, legal and audit fees were previously borne by the Selling Shareholder but going forward will be borne by the Group.

The decentralised nature of the ASA Model, with the branch at its heart, also contributes to the Group's generally low operating costs. Infrastructure costs (rent, office expenses, gas, water and electricity and telecommunications and internet expenses) comprised 13.2 per cent., 12.3 per cent. and 13.4 per cent., respectively, of total operating expenses for the years ended 31 December 2015, 2016 and 2017.

Changes in laws and regulations governing the microfinance industry

The Group operates in a complex regulatory environment across 12 countries in Asia and Africa and changes in the regulatory environment may have a significant impact on the Group's operations. See Part II: *“Risk Factors—Risks relating to the Group's business and the microfinance industry—The Group's microfinance institutions operate in emerging markets and are subject to extensive legal, regulatory and licensing requirements relating to the lending industry, and the Group does not currently hold all relevant licences required in certain countries in which it operates. Changes to these requirements or the inability to obtain the relevant licences, as well as the manner in which they are enforced, could adversely affect the Group's operations, financial condition, results of operations and prospects”*.

For example, in 2016, a change in interpretation by the taxation authorities in the Philippines resulted in a one-off value-added tax surcharge affecting previous years and resulted in higher tax charges in 2017. In addition, the demonetisation of certain banknotes in India in late 2016 resulted in a significant increase in the PAR>30 for the South Asia segment, to 6.2 per cent. (3.2 per cent. for the Group as a whole) as at 31 December 2016, as clients in India were unable to use the invalidated bank notes to pay their instalments, resulting in an increase in overdue loans. In 2017, as the demonetisation crisis ebbed following rescheduling of overdue loans approved by the RBI, South Asia's PAR>30 decreased substantially to 0.9 per cent. (0.6 per cent. for the Group) as at 31 December 2017.

Furthermore, in 2017, the Central Bank of Nigeria imposed a maximum limit on loan application fees of 1 per cent., which is lower than the rate historically charged by ASHA Nigeria. However, it is unclear whether this limit applies to microfinance institutions. ASHA Nigeria has adjusted the fees it charges clients and has recorded a provision for the period after the regulation became effective but before ASHA Nigeria adjusted client fee rates.

In addition, certain of the Group's microfinance institutions are subject to capital adequacy requirements, under the terms of their respective licences. See Part XVI *“Regulatory Framework”*. In 2017, as part of its deposit-taking licence application, ASA Pakistan committed to the State Bank of Pakistan to increase the share capital of ASA Pakistan from PKR 372.6 million (U.S.\$3.4 million) to PKR 1.5 billion (U.S.\$13.7 million). In the fourth quarter of 2017, ASA Pakistan has increased its share capital to PKR 745.2 million (U.S.\$6.8 million), with the remaining share capital increase to be completed using existing cash resources within the Group, following approval of ASA Pakistan's deposit-taking licence application.

As part of the nation-wide banking licence in Nigeria, the Group injected an additional U.S.\$3.1 million into ASHA Nigeria in December 2017, and converted a further U.S.\$1.0 million of shareholder loans to equity in February 2018 to meet the minimum capital requirements. Approval of the nation-wide banking licence was received in March 2018.

Macroeconomic factors

The Group's results of operations and financial condition may be impacted by macroeconomic conditions in the countries in which its microfinance institutions operate, including GDP growth rate, level of inflation, unemployment rate, monetary policies and exchange rates. Demand for the Group's loans may decline if GDP growth rates slow or contract in any of the countries in which it operates, although management believes that the economic prospects and credit demand of the low-income segment that they target, and which typically comprises of individuals working in the informal sector, are less correlated with overall macroeconomic trends such as GDP growth rates. In particular, monetary policy in the countries in which the Group operates are heavily influenced by macro-economic conditions in each country and changes in monetary policy affect the interest rates of the Group's loans and deposits. For example, in India, the Reserve Bank of India's decrease in policy rates have largely been responsible for driving a decreasing interest rate environment in India since 2015.

In addition, in 2017, better than expected performance of the Myanmar kyat resulted in lower than expected foreign exchange losses for ASA Myanmar and in Nigeria the depreciation of the naira against the U.S. dollar resulted in a shortage of U.S. dollars within Nigeria and payments on shareholder loans to ASA Nigeria were delayed.

Description of Key Line Items

The following is a description of the key line items comprising the Group's consolidated statement of profit or loss and other comprehensive income.

Interest and similar income

Interest and similar income consists of interest income on microfinance loans to clients, on loans to clients, which is the main component, as well as interest income of the Group's business correspondent agreements with Reliance Capital, IDBI Bank Limited and MAS Financial Services (see Part VIII): "*Information on the Group—Geographical Presence—South Asia—India*", and interest income on short-term deposits.

Interest and similar expense

Interest and similar expense consists of interest payable on the Group's debt, and also includes interest payable on customer deposit accounts as well as amortised amounts in relation to the Group's foreign currency forward contracts.

Other operating income

Other operating income includes fees from a variety of services charged to customers, including: loan processing fees, members admission fees, service and processing fees resulting from the Group's business correspondent agreement with IDFC, income on death and multipurpose risk funds, document fees, proceeds from the sale of pass books, distribution fees from the Group's Mutual Benefit Association in the Philippines (see Part VIII): "*Information on the Group—Geographical Presence—South East Asia—The Philippines*") and government grants.

Credit loss expense

Credit loss expense includes credit loss expenses on customer loans and on the Group's Business Correspondent operations.

Personnel expenses

Personnel expenses include total base salary expenses and employee benefit plans.

Other operating expenses

Other operating expenses include administrative expenses, professional fees and international travel costs. Administrative expenses are primarily comprised of transport and representation expenses, value-added and

service taxes, rent, office expenses, utility expenses, bank charges and IT expenses. Professional fees are primarily comprised of technical assistance fees historically paid to ASA NGO Bangladesh, legal services fees and audit fees.

Exchange rate differences

Exchange rate differences include losses on monetary assets denominated in currencies other than the U.S. dollar.

Income tax expense

Income tax expense comprises the expected tax payable on the taxable income for the year, any adjustments in respect of previous years and any changes in respect of deferred income tax.

Withholding tax expense

Withholding tax expense consists of withholding tax applicable to interest income, dividends, royalties and services fees in certain countries. The applicable withholding tax rates vary per country and per type of income.

Current Trading and Prospects

The Group has continued to trade in line with management's expectations since 31 December 2017. As at 31 March 2018, the Group had a total of 1,496 branches and over 1.9 million clients. Overall, management continues to remain confident of the Group's prospects of the year ended 31 December 2018 and beyond. It is anticipated that the Group's next trading update will be its interim results for the six months ended 30 June 2018, which are expected to be published in August 2018. The Group declared a dividend in the amount of U.S.\$8.7 million for the year ended 31 December 2017, which will be paid by the end of June 2018.

As set out below, the Group has established certain financial targets as measures of its performance which are based on the Group's business plan and a number of assumptions which the Directors believe are appropriate, but which may turn out to be incorrect or different than expected. The targets are forward-looking statements and the Group's ability to achieve them will depend on a number of factors, many of which are outside of its control, including significant business, economic and competitive uncertainties and contingencies and risks including those described in Part II: "*Risk Factors*". As a result, the Group's actual results may vary from the targets and those variations may be material. Except as specifically set out below, the Company has not defined by reference to specific periods the term "medium term", and the financial targets are not intended to be in respect of any particular financial year. See Part III: "*Presentation of Financial and Other Information—Information regarding forward-looking statements*".

The Group's business plan for the year ending 31 December 2018 anticipates that its branch network will expand to approximately 1,610 branches, with the South Asia segment expanding approximately 630 branches, the South East Asia segment expanding to approximately 360 branches, the East Africa segment expanding to approximately 230 branches and the West Africa segment expanding to 390 branches.

In the medium term, on an operational basis, the Group's business plan targets branch growth at a CAGR of approximately 12 per cent., to a total of approximately 2,400 branches, with higher growth targeted in earlier years to gain greater operational scale. In particular, India, Myanmar and the East Africa segment are anticipated to be key contributors. Over the next three years, above average growth is anticipated in Sierra Leone and Rwanda. Over the medium term, the Group targets that approximately 40 per cent. of its branches will be located in South Asia, approximately 20 per cent. in South East Asia, approximately 25 per cent. in West Africa and approximately 15 per cent. in East Africa. The Group's business plan targets growth in the number of clients per branch to approximately 1,600 over the medium-term, driven by additional client acquisition in the existing branch network. In particular, the Group targets growth through the maturation of the 42 per cent. of branches that are less than three years old, which currently average approximately 1,000 clients per branch. Management

anticipates that South Asia and East Africa will be key contributors, with certain countries, such as India, Pakistan and Myanmar, targeted to achieve greater than 2,000 clients per branch. Gross loans per client is targeted to average an annual increase of approximately 8 per cent. in U.S. dollars over the medium term and reach approximately U.S.\$250 by the end 2022, driven by the progression of increased loan amounts for repeat clients and underlying economic growth in the Group's countries of operation, in particular in South Asia.

In relation to financial position, over the medium-term the Group's business plan targets a debt to loan portfolio ratio of approximately 70 per cent. over the medium term, declining over time across all segments, but in particular in South Asia and South East Asia, driven by growth in deposits. Group-level funding is also anticipated to decline, as additional local funding is raised, with an ultimate target of all debt to be at the microfinance institutional level. The deposit-loan ratio is expected to remain stable over the medium-term, with growth in deposits driven by new licences in Sri Lanka, Pakistan, the Philippines and Myanmar, offset by targeted strong loan growth in India, where the Company does not intend to apply for a deposit-taking licence. The Group is also targeting a stable equity-assets ratio of approximately 20 per cent. over the medium term, to maintain a broadly consistent level of capitalisation, while also targeting a dividend payout of 30 per cent. of prior year net income. Asset quality, as measured by PAR>30, is continued to be targeted in line with the historical track record, with a slight increase anticipated in South Asia and East Africa versus South East Asia and West Africa. Management targets a cost of risk ratio of approximately 0.5 to 0.7 per cent. over the medium term.

Over the medium-term, the Group's business plan targets broadly stable gross yields across segments, with potential decreases in Ghana and Pakistan, along with a moderate increase in cost of funding to approximately 10-12 per cent, driven by balance sheet and deposit growth, particularly in certain markets such as Myanmar, Nigeria and Sierra Leone. Altogether, this which is anticipated to drive a net interest margin of greater than 20 per cent. over the medium-term. The Group anticipates that the cost-income ratio will trend towards the mid-40s in percentage terms, driven by scalable growth to deliver enhanced operating leverage. Annual costs are anticipated to increase driven by increased branch growth, staff costs and inflation. The Group's business plan targets an average annual increase in operating expenses of approximately 20 per cent. to 25 per cent. across the Group in local currency terms, offset by lower costs in certain markets, such as the Philippines and West Africa, compared to higher increases in operating expenses in other markets, such as India and East Africa.

Over the medium-term, the Group's business plan targets earnings growth in U.S. dollar terms of approximately 20 to 25 per cent. on average per annum. The Group targets a return on average assets and a return on average equity of greater than 7 per cent. and greater than 30 per cent., respectively, driven by key improvements in returns anticipated in India and across South East Asia and East Africa.

In preparing the business plan, management's assumptions on currency movements have been based on historical local currency trends against the U.S. dollar and generally assume depreciation of each local currency in each of its respective markets of operation against the U.S. dollar. For each of 2018 and 2019, management assumes that the level of annual depreciation against the U.S. dollar will be broadly in line with the average depreciation against the U.S. dollar over the preceding five years, except in relation to Ghana and Nigeria, where depreciation against the U.S. dollar is anticipated to be at lower levels than in recent years (given the recent devaluation in Nigeria), and in the Philippines, where depreciation against the U.S. dollar is anticipated to be at a higher rate than the historical trend.

Results of Operations

The following discussion and analysis of the Group's results of operations for the years ended 31 December 2015, 2016 and 2017 is based on the Historical Financial Information included elsewhere in this Prospectus.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
Interest and similar income	59,442.6	81,256.2	107,176.6
Interest and similar expense	(4,498.3)	(11,174.8)	(21,103.5)
Net interest income	54,944.3	70,081.4	86,073.1
Other operating income	4,501.5	5,536.8	6,852.8
Total operating income	59,445.8	75,618.2	92,925.9
Credit loss expense	(668.0)	(1,841.1)	(41.0)
Net operating income	58,777.8	73,777.1	92,884.9
Personnel expenses	(19,216.8)	(25,328.4)	(28,327.6)
Depreciation of property and equipment	(606.9)	(661.6)	(942.3)
Other operating expenses	(13,588.7)	(19,361.0)	(19,009.6)
Exchange rate differences	(1,579.7)	(1,970.4)	(1,229.2)
Total operating expenses	(34,992.0)	(47,321.4)	(49,508.8)
Profit before tax	23,785.8	26,455.7	43,376.1
Income tax expense	(7,438.5)	(9,730.9)	(12,819.8)
Withholding tax expenses	(1,210.2)	(1,384.0)	(1,252.3)
Profit for the year	15,137.1	15,340.9	29,304.0

Interest and similar income

Interest and similar income increased by U.S.\$21.8 million, or 36.7 per cent., from 59.4 million in the year ended 31 December 2015 to U.S.\$81.3 million in the year ended 31 December 2016, and further increased by U.S.\$25.9 million, or 31.9 per cent., to U.S.\$107.2 million in the year ended 31 December 2017.

The growth in interest and similar income in the years ended 31 December 2016 and 2017 was primarily attributable to interest income on loans and advances to customers as well as interest income from clients relating to the Group's business correspondent agreements. Ongoing maturation of the Group's branch network across its microfinance institutions, also contributed as the average number of clients per branch and average gross loan portfolio both increased.

The growth in interest and similar income was largely due to volume growth in loans and advances to customers, which grew by U.S.\$149.9 million, or 101.4 per cent. from U.S.\$147.9 million as at 31 December 2015 to U.S.\$297.8 million as at 31 December 2017. The growth in loans and advances to customers more than offset the decrease in net interest margin from 35.1 per cent. in the year ended 31 December 2015 to 26.3 per cent. in the year ended 31 December 2017. The decline in average interest margin was largely due to growth of the loan portfolio in India as more fully discussed below.

The growth in 2016 was broadly based in the South Asia, South East Asia and West Africa segments, and in 2017 was primarily due to the South Asia segment, as shown in the table below.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	19,079.0	28,593.2	46,775.7
South East Asia	17,518.3	21,600.9	20,397.9
East Africa.....	2,273.7	5,302.5	8,913.9
West Africa.....	20,424.2	25,758.3	31,084.1
Non-operating entities.....	147.5	1.2	5.0
Interest and similar income	59,442.6	81,256.2	107,176.6

- South Asia: The South Asia segment continued to grow in 2016 and 2017, as reflected in the growth of the number of clients and branches, which grew at CAGRs of 59.1 per cent. and 29.0 per cent., respectively, and an increase in gross loan portfolio per client to U.S.\$200. Further, between 2016 and 2017 branch productivity increased from 1,299 to 1,603 clients per branch in South Asia as the branch network matured. The increases in 2016 and 2017 were also due to the commencement in 2016, and further expansion in 2017, of ASA India's business correspondent relationships and partnerships. The growth in volume was partially offset by a declining interest rate environment in India, due to changes in monetary policy by the Reserve Bank of India.
- South East Asia: The South East Asia segment experienced growth in 2016, as reflected in the growth of the number of clients and branches, which grew at by 27.6 per cent. and 17.9 per cent., respectively between 2015 and 2016, and an increase in the gross loan portfolio per client to U.S.\$132. In addition, branch productivity increased from 1,053 clients per branch in 2015 to 1,249 in 2017. The decrease in interest and similar income in South East Asia between 2016 and 2017 was primarily due to the transfer, by way of a dividend in specie, to Catalyst Microfinance Investors of the entire share capital of the intermediate holding company through which the Group held its microfinance institution in Cambodia, Samic plc ("Samic"). Samic had a loan portfolio of U.S.\$14.1 million as at 31 December 2016, therefore as a result of the transfer, the outstanding loan portfolio in South East Asia decreased following the transfer of Samic, and accordingly, the amount of interest and similar income decreased. However, the decrease was partially offset by growth in the loan portfolio in the Philippines and Myanmar between 2016 and 2017.
- East Africa: East Africa continued to grow through 2017, as reflected in the growth of the number of clients and branches, which grew at CAGRs of 58.0 per cent. and 45.0 per cent., respectively from 2015 to 2017, and an increase in gross loan portfolio per client to U.S.\$128. In addition, branch productivity increased from 792 clients per branch in 2016 to 878 in 2017.
- West Africa: The West Africa segment continued to grow through 2017, as reflected in the growth of the number of clients and branches, which grew at CAGRs of 16.2 per cent. and 15.8 per cent., respectively from 2015 to 2017, and an increase in gross loan portfolio per client to U.S.\$149. In addition, branch productivity increased from 1,033 clients per branch in 2016 to 1,089 in 2017.

Interest and similar expense

Interest and similar expense increased by U.S.\$6.7 million, or 148.4 per cent. from U.S.\$4.5 million for the year ended 31 December 2015 to U.S.\$11.2 million for the year ended 31 December 2016, and further increased by U.S.\$9.9 million, or by 88.8 per cent., to U.S.\$21.1 million in the year ended 31 December 2017.

The increase in 2016 and 2017 was primarily attributable to an increase in interest expense on loans to the Group's microfinance institutions and to intermediate holding companies, reflecting increased borrowing to fund the growth in the Group's loan portfolio.

The increase in interest and similar expense in the years ended 31 December 2016 and 2017 was primarily attributable to the South Asia segment, as shown in the table below.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	707.2	4,116.9	12,927.5
South East Asia	694.5	2,778.9	2,636.9
East Africa.....	16.7	73.5	275.3
West Africa.....	601.6	2,050.5	2,342.7
Non-operating entities.....	852.6	2,154.9	2,921.2
Interest and similar expense.....	4,498.3	11,174.8	21,103.5

- South Asia: The increase in 2016 and 2017 was primarily due to additional financing by ASA India, to fund its own loan portfolio as well as the growth in its business correspondent agreements, along with increases in the cost of funds in Pakistan.
- South East Asia: The increase in 2016 was primarily due to an increase in funding raised by PPLCI and Samic. The decrease in 2017 was primarily due to the transfer of Samic in 2017 which had outstanding debt of U.S.\$10.7 million as at 31 December 2016 and decreases in interest rates on funding in the Philippines, partially offset by additional financing raised by PPLCI as well as ASA Myanmar accessing local funding for the first time.
- East Africa: The increase in 2016 was primarily due to ASA Tanzania and ASA Kenya accessing local funding for the first time and in 2017, ASA Uganda accessing local funding for the first time.
- West Africa: The increase was primarily due to additional financing by ASA S&L Ghana and a slight increase in the interest rates on funding in Ghana.
- Non-operating entities: In 2016, the increase was primarily due to new loans from Symbiotics-managed funds signed in November 2015, Oikocredit signed in July 2015, Incofin CVBA signed in June 2016 and Overseas Private Investment Corporation (“**OPIC**”) signed in March 2016. In 2017, the increase was largely due to the full year effect of loans taken in 2016 as well as drawdowns in late 2016 and during 2017 under existing facilities, in particular, OPIC. See “—*Financial Liabilities and Contractual Obligations*” for more details on these loans.

Net interest income

For the reasons discussed above, net interest income increased by U.S.\$15.2 million, or 27.7 per cent. from U.S.\$54.9 million for the year ended 31 December 2015 to U.S.\$70.1 million for the year ended 31 December 2016, and further increased by U.S.\$16 million, or 22.8 per cent., to U.S.\$86.1 million in the year 31 December 2017.

Other operating income

Other operating income increased by U.S.\$1.0 million, or 22.2 per cent., from U.S.\$4.5 million for the year ended 31 December 2015 to U.S.\$5.5 million for the year ended 31 December 2016, and further increased by U.S.\$1.4 million, or 25.5 per cent., to U.S.\$6.9 million in the year 31 December 2017.

The increase in 2016 and 2017 were primarily attributable to (i) an increase in the number of clients resulting in higher membership admission fees, document fees and loan processing fees, (ii) higher amortisation of the loan insurance funds, (iii) service fee income from the commencement of ASA India's business correspondence agreements, which were offset by a reduction in government grants.

The increase in other operating income in the years ended 31 December 2016 and 2017 was primarily attributable to the South Asia segment, as shown in the table below.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	330.5	599.8	1,123.2
South East Asia	2,514.9	2,765.0	3,053.5
East Africa.....	400.2	699.0	914.0
West Africa.....	1,159.8	1,473.1	1,728.0
Non-operating entities.....	249.0	—	45.2
Eliminations	(152.9)	—	—
Other operating income.....	4,501.5	5,536.8	6,852.8

- South Asia: The increase in 2016 and 2017 was primarily due to the business correspondent agreement with IDFC and an increase in the number of clients, leading to higher amortisation of fees received in relation to death and multipurpose risk funds particularly in the Philippines.
- South East Asia: The increase in 2016 and 2017 was primarily due to an increase in the number of clients in the Philippines and Myanmar resulting in higher membership admission fees, document fees and loan processing fees, which was partially offset by the transfer of Samic.
- East Africa: The increase in 2016 and 2017 was primarily due to an increase in the number of clients resulting in higher membership admission fees, document fees and loan processing fees.
- West Africa: The increase in 2016 and 2017 was primarily due to an increase in the number of clients resulting in higher membership admission fees, document fees and loan processing fees as well as higher amortisation of fees received in relation to death and multipurpose risk funds, particularly in Ghana.

- **Non-operating entities:** The amounts in 2015 were primarily due to training and consultancy fees and in 2017 were primarily due to a gain on investment relating to the divestment of a subsidiary as well as training and consultancy income.

Total operating income

Total operating income increased by U.S.\$16.2 million, or 27.2 per cent. from U.S.\$59.4 million for the year ended 31 December 2015 to U.S.\$75.6 million for the year ended 31 December 2016, and further increased by U.S.\$17.3 million, or 22.9 per cent., to U.S.\$92.9 million in the year 31 December 2017.

Credit loss expense

Credit loss expense increased by U.S.\$1.2 million, or 175.6 per cent., from U.S.\$0.7 million for the year ended 31 December 2015 to U.S.\$1.8 million for the year ended 31 December 2016, and decreased by U.S.\$1.8 million, or 102.2 per cent., to U.S.\$ 41.0 thousand in the year 31 December 2017.

The increase in 2016 was primarily attributable to an increase in overdue loans in the South Asia segment resulting from the demonetisation in India announced in November 2016 as clients were unable to use their existing bank notes to repay their loans, which subsequently improved in 2017, resulting in the release of provisions taken in 2016.

Net operating income

As a result of the above, net operating income increased by U.S.\$15.0 million, or 25.5 per cent. from U.S.\$58.8 million for the year ended 31 December 2015 to U.S.\$73.8 million for the year ended 31 December 2016, and further increased by U.S.\$19.1 million, or 25.9 per cent., to U.S.\$92.9 million in the year 31 December 2017.

Personnel expenses

Personnel expenses increased by U.S.\$6.1 million, or 31.8 per cent. from U.S.\$19.2 million for the year ended 31 December 2015 to U.S.\$25.3 million for the year ended 31 December 2016, and further increased by U.S.\$3.0 million, or 11.8 per cent., to U.S.\$28.3 million in the year 31 December 2017.

The increase in personnel expenses in the years ended 31 December 2016 and 2017 was primarily attributable to the East Africa segment, as shown in the table below.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	4,826.3	7,168.8	8,099.9
South East Asia	6,574.8	7,791.1	7,213.7
East Africa.....	1,430.1	2,703.6	4,139.7
West Africa.....	5,613.7	6,843.5	7,7889.0
Non-operating entities.....	771.8	821.4	1,085.4
Personnel expenses	19,216.8	25,328.4	28,327.6

- **South Asia:** The increase between 2015 and 2017 was primarily due to an increase in the number of staff from 2,058 in 2015 to 3,221 in 2017, reflecting growth in the branch network in South Asia.

- South East Asia: The increase in 2016 was primarily due to an increase in the number of staff from 1,486 in 2015 to 1,941 in 2016, reflecting growth in the branch network in South East Asia and the decrease in 2017, reflects the disposal of Samic, which was partially offset by an increase in the number of staff in the Philippines and Myanmar from 1,941 to 2,291 in 2017.
- East Africa: The increase between 2015 and 2017 was primarily due to an increase in the number of staff from 509 in 2015 to 1,175 in 2017, reflecting growth in the branch network in East Africa as well as increases in salaries resulting from regular two-year salary reviews.
- West Africa: The increase between 2015 and 2017 was primarily due to an increase in the number of staff from 1,791 in 2015 to 2,256 in 2017, reflecting growth in the branch network in West Africa as well as increases in salaries resulting from regular two-year salary reviews.
- Non-operating entities: The increase between 2015 and 2017 was primarily due to the transfer of certain personnel in the Dhaka corporate headquarters to the Group's payroll, who had previously been seconded from ASA NGO Bangladesh. In prior years, the expense related to these personnel was included in the technical assistance fee paid to ASA NGO Bangladesh and reflected in other operating expenses.

Other operating expenses

Other operating expenses increased by U.S.\$5.8 million, or 42.6 per cent., from U.S.\$13.6 million for the year ended 31 December 2015 to U.S.\$19.2 million for the year ended 31 December 2016, and decreased by U.S.\$0.4 million, or 2.1 per cent., to U.S.\$19.0 million in the year 31 December 2017.

The increase in other operating expenses in the years ended 31 December 2016 and 2017 largely resulted from growth in the number of branches as well as a one-off cost in South East Asia. The table below presents a segmental breakdown of other operating expenses.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	2,292.0	3,189.9	4,514.4
South East Asia	4,879.6	8,201.6	6,015.0
East Africa.....	812.4	1,446.5	2,261.0
West Africa.....	4,276.4	5,106.2	5,079.5
Non-operating entities.....	2,005.6	2,089.2	2,093.1
Eliminations	70.3	10.8	11.1
Other operating expenses	13,588.7	19,361.0	19,009.6

- South Asia: The increase in 2016 and 2017 was primarily due to an increase in the number of branches from 340 in 2015 to 521 in 2017.
- South East Asia: The increase in 2016 was primarily due to a one-off VAT surcharge in the Philippines of U.S.\$1.2 million relating to VAT in 2014 and 2015, resulting from a change in regulatory interpretation. The decrease in 2017 was primarily attributable to the non-reoccurrence of the VAT

surcharge in the Philippines, as well as the transfer of Samic, both of which were partially offset by an increase in the number of branches in the Philippines and Myanmar from 286 in 2016 to 325 in 2017.

- East Africa: The increase in 2016 and 2017 was primarily due to an increase in the number of branches from 87 in 2015 to 183 in 2017.
- West Africa: The increase in 2016 and 2017 was primarily due to an increase in the number of branches from 267 in 2015 to 358 in 2017.
- Non-operating entities: Other operating expenses for the non-operating entities segment primarily is comprised of technical service fees paid to ASA NGO Bangladesh, audit and profession service fees and other administrative expenses for ASAIH and an intermediate holding company in the Netherlands.

Exchange rate differences

Exchange rate differences increased by U.S.\$0.4 million, or 24.7 per cent. from U.S.\$1.6 million in the year ended 31 December 2015 to U.S.\$2.0 million for the year ended 31 December 2016, and decreased by U.S.\$0.7 million, or 37.6 per cent., to U.S.\$1.2 million in the year 31 December 2017.

The increase in exchange rate differences in the year ended 31 December 2016 and 2017 was primarily attributable to the non-operating entities segment, as shown in the table below.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	(575.4)	(47.2)	(826.7)
South East Asia	(38.2)	(268.0)	65.6
East Africa.....	(53.2)	(13.2)	(104.1)
West Africa.....	(129.7)	(9.7)	(78.0)
Non-operating entities.....	(783.1)	(1,632.4)	(286.0)
Exchange rate differences	<u>(1,579.7)</u>	<u>(1,970.4)</u>	<u>(1,229.2)</u>

- South Asia: Exchange rate losses in South Asia were primarily due to depreciation of the Pakistani rupee against the U.S. dollar in 2015 and 2017.
- South East Asia: Exchange rate losses in South East Asia were primarily due to the depreciation of the Myanmar kyat against the U.S. dollar in 2015 and 2016. In 2016, the Myanmar kyat were partially offset by gains related to the Philippine peso and the Cambodian riel. In 2017, exchange rate gains related to the Myanmar kyat were partially offset by losses related to the Philippine peso.
- East Africa: Exchange rate losses in East Africa were primarily due to the depreciation of the Tanzanian shilling against the U.S. dollar in 2015 and 2016, partially offset by the exchange rate gains related to the Ugandan shilling. In 2017, exchange rate losses were primarily due to the depreciation of the Tanzanian shilling and the Kenyan shilling, in each case, against the U.S. dollar.
- West Africa: Exchange rate losses in 2015 were primarily due to the depreciation of the Ghanaian cedi against the U.S. dollar and in 2016 were primarily due to the depreciation of the Nigerian naira and the Ghanaian cedi, in each case against the U.S. dollar. In 2017, exchange rate losses were primarily due to the depreciation of the Nigerian naira and the Sierra Leone.

- **Non-operating entities:** Exchange rate differences in the non-operating entities segment primarily relate to movements of the various operating currencies of the Group's microfinance institutions against the U.S. dollar in connection with shareholder loans. Exchange rate losses in 2015 were primarily due to the depreciation of the Philippine peso, the Nigerian naira, the Ugandan shilling, and the Kenyan shilling, in each case against the U.S. dollar. In 2016, exchange rate losses were primarily due to the depreciation of the Nigerian naira and the Ugandan shilling against the U.S. dollar. In 2017, exchange rate losses were primarily due to the depreciation of the Nigerian naira (but at a lower rate than in 2016) and the Philippine peso, partially offset by exchange rate gains related to the Ghanaian cedi, in each case, against the U.S. dollar.

Total operating expenses

As a result of the above, total operating expenses increased by U.S.\$12.3 million, or 35.1 per cent., from U.S.\$35.0 million for the year ended 31 December 2015 to U.S.\$47.3 million for the year ended 31 December 2016, and further increased by U.S.\$2.2 million, or 4.7 per cent., to U.S.\$49.5 million in the year 31 December 2017.

Profit before tax

For the reasons discussed above, profit before tax increased by U.S.\$2.7 million, or 11.2 per cent., from U.S.\$23.8 million for the year ended 31 December 2015 to U.S.\$26.5 million for the year ended 31 December 2016, and further increased by U.S.\$16.9 million, or 64.0 per cent., to U.S.\$43.4 million in the year 31 December 2017.

Tax expense

Income tax expense

Income tax expense increased by U.S.\$2.3 million, or 30.8 per cent. from U.S.\$7.4 million in the year ended 31 December 2015 to U.S.\$9.7 million for the year ended 31 December 2016, and further increased by U.S.\$3.1 million, or 31.7 per cent., to U.S.\$12.8 million in the year 31 December 2017.

The increase in 2016 and 2017 were primarily attributable to higher taxable income, leading to higher amounts of tax as well as an increase in the tax rate in Pakistan from 32 per cent. to 34 per cent. The Group's consolidated effective tax rate was 31 per cent. in 2015, 37 per cent. in 2016, and 30 per cent. in 2017. The increase in the effective tax rate in 2016 was primarily due to one-off VAT expenses in the Philippines which were non-deductible.

Withholding tax expense

Withholding tax expense increased by U.S.\$0.2 million, or 14.4 per cent. from U.S.\$1.2 million in the year ended 31 December 2015 to U.S.\$1.4 million for the year ended 31 December 2016, and decreased by U.S.\$0.1 million, or 9.5 per cent., to U.S.\$1.3 million in the year 31 December 2017.

On a segmental basis, the Group presents withholding tax expense and income tax expense together. The increase in tax expenses in 2016 and 2017 was primarily attributable to the South Asia and West Africa segments resulting from higher taxable income, as shown in the table below.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South Asia	3,029.0	4,039.1	4,970.0

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
South East Asia	1,014.7	1,334.8	1,706.2
East Africa.....	—	102.6	554.1
West Africa.....	3,106.2	3,978.6	5,368.5
Non-operating entities.....	1,498.8	1,659.8	1,473.3
Tax expenses	8,648.8	11,114.8	14,072.1

Profit for the Year

For the reasons discussed above, profit for the year increased by U.S.\$0.2 million, or 1.3 per cent., from U.S.\$15.1 million for the year ended 31 December 2015 to U.S.\$15.3 million for the year ended 31 December 2016, and further increased by U.S.\$14.0 million, or 91.0 per cent., to U.S.\$29.3 million in the year 31 December 2017.

A number of items that are of a one-off or non-recurring nature impacted profit for the year in 2015, 2016 and 2017. These items included, but were not limited to credit loss provision due to demonetisation in India, devaluation of the Nigeria naira, release of credit loss provisions, VAT expenses in the Philippines and release of tax provisions and Worker Welfare Fund provisions in Pakistan. The Group estimates that the total amount of adjustments, on an after tax basis, amount to an approximately U.S.\$0.9 million negative adjustment to profit for the year in 2015, an approximately U.S.\$4.2 million negative adjustment to profit for the year in 2016, and an approximately U.S.\$2.1 million negative adjustment in 2017.

Therefore, after adjusting for these one-off or non-recurring items, profit for the year would have increased by U.S.\$4.6 million, or by 32.2 per cent., from U.S.\$14.2 million for the year ended 31 December 2015 to U.S.\$18.8 million for the year ended 31 December 2016, and would have further increased by U.S.\$8.5 million, or by 45.2 per cent, to U.S.\$27.3 million for the year ending 31 December 2017.

Liquidity and Capital Resources

Liquidity

The Group has historically funded its operations, capital expenditure and working capital needs principally through a combination of cash flows from operations and bank or third-party financing. The Group's cash in bank and in hand as at 31 December 2017 were U.S.\$93.3 million, compared to cash in bank and in hand of U.S.\$39.0 million and U.S.\$35.4 million as at 31 December 2016 and 2015, respectively. Going forward, the Group expects to fund its operations, capital expenditure and working capital needs principally through a combination of cash flows from operations and bank or third-party financing. See “—*Financial Liabilities and Contractual Obligations*”.

Cash flows

The table below sets forth certain information regarding the Group's cash flow statements for the periods indicated.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
Net cash flow used in operating activities.....	(24,537.4)	(45,355.8)	(83,693.7)
Net cash flow (used in)/from investing activities.....	3,925.1	(615.8)	(3,742.3)
Net cash flow from financing activities	37,004.1	49,575.2	140,585.3
Net (decrease)/increase in cash and cash equivalents	16,392.4	3,603.6	53,149.4
Net foreign exchange difference	(906.3)	(1,860.4)	(1,002.8)
Cash and cash equivalents at end of period ⁽¹⁾	<u>25,941.7</u>	<u>27,685.0</u>	<u>79,831.5</u>

Note:

- (1) See Part XV: "Historical Financial Information" note 24.4 for a reconciliation of cash and cash equivalents at the end of the period to cash at bank and in hand.

Net cash used in operating activities

Net cash used in operating activities increased by U.S.\$20.1 million, or by 82.0 per cent., from U.S.\$24.5 million for the year ended 31 December 2015 to U.S.\$45.4 million in the year ended 31 December 2016. This increase was attributable due to an increase in the number of loans extended in 2016 compared to 2015.

Net cash used in operating activities increased by U.S.\$38.3 million, or by 184.5 per cent., from U.S.\$45.4 million for the year ended 31 December 2016 to U.S.\$83.7 million in the year ended 31 December 2017. This increase was primarily due to an increase in the number of loans extended in 2017 compared to 2016.

Net cash (used in)/from investing activities

Net cash from investing activities was U.S.\$3.9 million for the year ended 31 December 2015 compared to net cash used in investing activities of U.S.\$0.6 million in the year ended 31 December 2016. The result in 2015 was largely due to the repayment of loan made to the Group's shareholder in 2015, and in 2016 was attributable to a capital increase at Samic plc.

Net cash used in investing activities increased by U.S.\$3.1 million from U.S.\$0.6 million for the year ended 31 December 2016 to U.S.\$3.7 million in the year ended 31 December 2017. This increase was primarily due to the purchase of property, plant and equipment related to the roll-out of tablets and other handheld devices within the branches.

Net cash from financing activities

Net cash from financing activities increased by U.S.\$12.6 million, or by 34.1 per cent., from U.S.\$37.0 million for the year ended 31 December 2015 to U.S.\$49.6 million in the year ended 31 December 2016. This increase was attributable due to an increase borrowed funds.

Net cash from financing activities increased by U.S.\$91.0 million, or by 283.6 per cent., from U.S.\$49.6 million for the year ended 31 December 2016 to U.S.\$140.6 million in the year ended 31 December 2017. This increase was primarily due an increase in borrowed funds.

Financial Liabilities and Contractual Obligations

Indebtedness

The table below sets out the Group's outstanding financial liabilities and contractual obligations as at 31 December 2015, 2016 and 2017.

	Year ended 31 December		
	2015	2016	2017
	<i>(audited, in thousands of U.S.\$)</i>		
Debt issued and other borrowed funds – South Asia.....	18,353.9	41,450.9	154,110.7
Debt issued and other borrowed funds – South East Asia	25,768.6	35,446.4	37,780.4
Debt issued and other borrowed funds – East Africa	—	310.7	2,972.3
Debt issued and other borrowed funds – West Africa	1,833.7	3,937.6	5,537.2
Debt issued and other borrowed funds – ASAIH.....	40,500.0	54,166.7	67,500.0
Interest payable on third party loans	779.7	1,397.8	2,563.6
Debt issued and other borrowed funds	87,235.9	136,710.2	270,464.2

The Group's material borrowings as at 31 December 2017 comprised:

ASA International Holding

In November 2007, ASAIH entered into a U.S.\$20 million subordinated loan agreement with the Bill and Melinda Gates Foundation (the “**Gates Loan**”). The Gates Loan matures on the later of a) the date CMI distributes the IPO or sale proceeds to its investors and is wound up or b) 31 December 2019 and bears interest at 2.0 per cent. per annum. The Gates Loan is to be used only for local currency loans to the Group's microfinance institutions. As at 31 December 2017, U.S.\$20.0 million is outstanding.

The Gates Loan provides that the amount due on maturity may be offset by foreign currency losses realised by the Group due to movements in the value of the local currencies. Foreign currency losses are calculated as the difference between (i) the value of the loan at disbursement and (ii) the value of the loan at maturity in the local currency using the official exchange rate at disbursement and at maturity, with any foreign currency gains accruing to the Group. This sum of foreign currency losses may then be offset against the amount due at maturity, however foreign currency losses are also adjusted depending on the internal rate of return achieved by the Selling Shareholder, with the amount of offset available, declining as the rate of return increases.

Subject to a number of important exceptions and qualifications, the Gates Loan contains customary covenants that limit, among other things, the ability of ASAIH to distribute dividends if:

- (a) on the last day of any fiscal quarter, the net asset value of ASAIH is less than 100 per cent. of the outstanding principal balance of the Gates Loan, dividends distributed by ASAIH can be no greater than 60 per cent. of the increase in net asset value during such quarter;
- (b) ASAIH has a debt to EBITDA (defined as earnings before interest, taxation, depreciation and amortisation) of more than 8:1 for the prior annual period, then ASAIH may not distribute any dividends.

The Gates Loan contains customary events of defaults, including, among others, failure to pay principal or interest on the Gates Loan, failure to comply with certain covenants and failure to use the loan proceeds as specified in the agreement.

In April 2015, May 2015 and June 2015, ASAIH entered into three participation agreements with Microfinance Initiative for Asia Debt Fund SA, SICAV-SIF (“**MIFA**”), a fund managed by Blue Orchard, pursuant to which ASAIH sold and assigned the interest in its shareholder loans to ASA Pakistan for a total amount of U.S.\$10.0 million (the “**Participation Agreements**”). Under the Participation Agreements, interest and repayments under the shareholder loans between ASAIH and ASA Pakistan are payable to MIFA. The amount under the Participation Agreements bears interest at a rate equal to the relevant LIBOR plus 4.5 per cent. One of the Participation Agreements matured in May 2018 (U.S.\$4.5 million) and the other two Participation Agreements mature in April and May 2020 with principal repayments due in April 2020 (U.S.\$3.5 million in aggregate) and May 2020 (U.S.\$1.5 million in aggregate), respectively.

In November 2015, ASAIH entered into loan agreements with four investment funds managed by Symbiotics SA for a total amount of U.S.\$8.0 million (the “**Symbiotics loans**”), which bear interest at 3.0 per cent. per annum and mature in November 2018. Under these loan agreements, ASAIH agreed to a negative pledge in respect of any future unsubordinated obligations ranking at least *pari passu* with the Symbiotics loans. As at 31 December 2017, U.S.\$8.0 million is outstanding.

In July 2015, ASAIH entered into loan agreement with Oikocredit, Ecumenical Development Co-Operative Society U.A. (“**Oikocredit**”) for a loan in the amount of U.S.\$7.5 million and a credit line of U.S.\$2.5 million, both of which mature in July 2020 and bear interest at a rate of either 3.5 per cent. or 6-month LIBOR plus 3.0 per cent. per annum., whichever is higher. As at 31 December 2017, U.S.\$5.0 million is outstanding.

In June 2016, ASAIH entered into a senior loan agreement with Incofin CVBA for U.S.\$5.0 million, which bears interest at 6.5 per cent. per annum and matures in June 2019. As at 31 December 2017, U.S.\$5.0 million of this senior loan is outstanding.

In March 2016, ASAIH entered into a loan agreement with Overseas Private Investment Corporation (“**OPIC**”) for U.S.\$20.0 million (the “**OPIC Loan**”), which bears interest at the U.S. Treasury Constant Maturity Yield plus 4.25 per cent. per annum. The OPIC Loan is to be used only for local currency loans to the Group’s microfinance institutions. Amounts under this loan mature five years from the closing date of each disbursement. As at 31 December 2017, U.S.\$20.0 million is outstanding.

Subject to a number of important exceptions and qualifications, the OPIC Loan contains customary covenants that limit, among other things, the ability of ASAIH to:

- (a) create, assume or permit to exist any liens (except tax, mechanic’s worker’s or other similar liens) against any of its assets;
- (b) incur, assume, guarantee or permit to exist, or otherwise become liable for indebtedness except (i) indebtedness that is *pari passu* with the OPIC Loan or is subordinated to the OPIC Loan and (ii) forward foreign currency contracts solely for the purpose of protecting against the risk of currency devaluation and not for speculative purposes; provided, however, in each case that ASAIH’s indebtedness will not exceed the certain specified financial ratios;
- (c) sell or otherwise dispose of any of its microfinance institutions individually or in the aggregate if, (i) the total assets of such microfinance institutions at the time of such sale or disposal constitutes 20 per cent. of more of ASAIH’s total assets on a consolidated basis; and/or (ii) as a result of such sale or disposal in any given year, ASAIH’s loan portfolio on a consolidated basis would be less than a specified amount;
- (d) make or incur any obligation to make payments to the Selling Shareholder (whether as dividends, repayments of shareholder loans or otherwise), if after giving effect to each such payment, (i) no default or event of default shall have occurred and be continuing or will occur as a result of such payment, and (ii) ASAIH shall be in compliance with certain specified financial ratios.

The OPIC Loan contains customary events of defaults, including, among others, failure to pay principal or interest on the Gates Loan, and failure to comply with certain covenants.

The Group's microfinance institutions

The table below summarises key terms of the material borrowings of the Group's microfinance institutions as at 31 December 2017.

Microfinance Institution	Type of Loan	Lender/Trustee	CUR	Nominal Amount	Agreement Date	Maturity Date	Interest Rate
ASA India	Facility Agreement	Capital First Limited	INR	250 Million	August 2016	36 months from disbursement	15.5%
ASA India	Facility Agreement	IFMR Capital Finance Private Limited	INR	500 million	February 2017	August 2018	14.85%
ASA India	Term Loan	Reliance Commercial Finance Limited	INR	240 million	February 2017	12 months from first disbursement	14.5% per annum
ASA India	Non-convertible Debenture	Hinduja Leyland Finance Pricing	INR	200 million	March 2017	March 2020	12.64%
ASA India	Facility Agreement	Capital First Limited	INR	250 million	May 2017	May 2020	14.25%
ASA India	Term Loan	IDFC	INR	2.1 billion	June 2017	IDFC Bank 18 months from disbursement	MCLR + 3.5% or 12.10%
ASA India	Facility Agreement	IFMR Capital Finance Private Limited	INR	200 million	June 2017	12 months from first disbursement	14.6% per annum
ASA India	Facility Agreement	IFMR Capital Finance Private Limited	INR	300 million	September 2017	24 months from the first disbursement	14.5% per annum
ASA India	Term Loan	IDFC	INR	375 million	October 2017	IDFC Bank 12 months from disbursement	MCLR + 3.5% or 12.90%
ASA India	Term Loan	Reliance Commercial Finance Limited	INR	240 million	October 2017	12 months from first disbursement	14.25% per annum
ASA India	Facility Agreement	State Bank of India	INR	200 Million	November 2017	2 years	MCLR (1 year) + 3.75% or 11.7%
ASA India	Term Loan	Mahindra and Mahindra Financial Services Limited	INR	300 million	December 2017	December 2019	13.75%
ASA India	Securitization	Altair IFMR	INR	295 million	December 2017	June 2019	11% per annum
ASA India	Non-convertible Debenture	Blue Orchard Microfinance	INR	280 million	December 2017	December 2022 ⁽³⁾	13.85% per annum ⁽⁴⁾
ASA India	Non-convertible Debenture	Developing World Markets Pricing	INR	320 Million	October 2017	November 2020	14%
ASA Myanmar	Facility Agreement	Blue Orchard Microfinance ⁽²⁾	U.S.\$	3 million	June 2017	June 2019	13%

Microfinance Institution	Type of Loan	Lender/Trustee	CUR	Nominal Amount	Agreement Date	Maturity Date	Interest Rate
ASA Pakistan	Term Loan	United Bank Limited	PKR	475 million	June 2016	June 2019	6m Kibor + 2%
ASA Pakistan	Term Loan	Blue Orchard Microfinance ⁽²⁾	U.S.\$	2 million	January 2017	January 2020	LIBOR +5.85%
ASA Pakistan	Term Loan	Blue Orchard Microfinance ⁽²⁾	U.S.\$	2 million	January 2017	January 2020	3m LIBOR +5.85%
ASA Pakistan	Term Loan	Actiam Institutional Microfinance Fund III	U.S.\$	3.33 million	June 2017	December 2019	3-month LIBOR + 5.85%
ASA Pakistan	Secured Term Facility	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	U.S.\$	7.5 million	June 2017	May 2020	ICE LIBOR + 4.5%
ASA Pakistan	Syndicated Term Finance Agreement	United Bank Limited	PKR	1.5 billion	July 2017	November 2018- August 2020	3m KIBOR + 1.9%
ASA Pakistan	Term Loan Facility	Pakistan Microfinance Investment Company Limited	PKR	1 billion	August 2017	January 2019 – September 2020	6m KIBOR + 3%
ASA Pakistan	Loan	Symbiotics ⁽¹⁾	U.S.\$	7 million	October 2017	October 2019	U.S.\$ 6-month LIBOR + 5.8%
PPLCI	Loan	Blue Orchard ⁽²⁾	U.S.\$	5 million	December 2015	January 2019	7.5% ⁽⁵⁾
PPLCI	Revolving Promissory Note Line	Bank of the Philippine Islands	PHP	290 & 80 million	July 2015	May 2018 ⁶	Prevailing market rates repriced quarterly
PPLCI	Facility Agreement	BDO Unibank Inc	PHP	250 million	May 2017	March 2018 ⁶	Prevailing market rates
PPLCI	Revolving Credit Line	PNB	PHP	350 million	June 2017	June 2018	Prevailing market rates

Notes:

- (1) Lender is a fund managed by Symbiotics.
- (2) Lender is a fund managed by Blue Orchard.
- (3) Subject to an early redemption option on 28 December 2020, exercisable by either ASA India or the trustee on behalf of the holders.
- (4) Adjusted to include withholding tax rate of 5.4075 per cent.
- (5) Adjusted to include a withholding tax rate of 6 per cent.
- (6) Company is in negotiations with the lender to renew these facilities.

Maturity profile of the Group's borrowings

The table below summarises the maturity profile of the Group's liabilities as at 31 December 2017 based on contractual maturities and then-current market interest rates.

As at 31 December 2017

	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
	(audited, in thousands of U.S. dollars)								
Due to customers.....	18,070.5	8,370.7	26,744.2	53,185.5	45.4	—	45.4	—	53,230.8
Debt and other borrowed funds	643.3	20,285.0	108,222.2	129,150.5	140,847.8	466.0	141,313.7	—	270,464.2
Future interest payable on debt.....	—	5,193.6	11,725.5	16,919.1	22,684.7	37.3	22,722.0	—	39,641.1
Security deposits	445.6	218.7	222.7	887.0	130.4	15.4	145.8	—	1,032.8
Other deposits	328.1	161.0	164.0	653.1	96.0	11.3	107.3	—	760.4
Deferred income.....	156.1	76.6	78.0	310.7	51.1	—	51.1	—	361.8
Accrued expenses.....	317.5	155.8	169.6	643.0	92.9	—	92.9	—	735.9
Accrued audit fees.....	187.2	91.8	100.0	379.0	54.8	—	54.8	—	433.8
Amount due to employees	477.3	234.2	238.5	950.0	139.7	16.5	156.2	—	1,106.2
Amount due to related parties.....	64.2	31.5	34.3	129.9	18.8	—	18.8	—	148.7
Liabilities under business correspondent model.....	32.3	15.8	17.2	65.3	9.4	—	9.4	—	74.8
Fair value of forward contracts.....	48.1	23.6	25.7	97.4	14.1	—	14.1	—	111.5
Other liabilities	30.0	284.6	76.7	391.3	—	—	—	5.1	396.4
Provisions.....	341.4	0.2	0.3	341.9	0.1	—	0.1	—	342.0
Total liabilities.....	21,141.6	35,143.1	147,819.0	204,103.7	164,185.2	546.4	164,731.6	5.1	368,840.4

Capital expenditure and other commitments

Capital expenditure

As at 31 December 2017, the Group has no contractually committed capital expenditure, but expects to have approximately U.S.\$1.4 million in capital expenditure over the next one to two years, on upgrades to its IT infrastructure. These commitments reflect amounts which the Group is contractually committed to spend in future years.

Capital expenditures were U.S.\$0.8 million, U.S.\$1.0 million and U.S.\$2.4 million, respectively, in the years ended 31 December 2015, 2016 and 2017. The amount in 2015 primarily related to furniture and fixture expenses as well as office equipment and IT assets. The amount in 2016 primarily related to the purchase of the country head office in the Philippines and in 2017, the amount primarily related to the purchase of tablets and other handheld devices for the Group's branches.

Commitments and contingent liabilities

As at 31 December 2016 and 2017, the Group had commitments under ASA India's business correspondent agreements (See Part VIII: "Information on the Group—Geographical Presence—South Asia—India"), including demand promissory notes issued by ASA India. The total amount of these commitments was U.S.\$64.8 thousand and U.S.\$1.5 million as at 31 December 2016 and 2017, respectively.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The discussion and analysis of the Group's results of operations and financial condition are based upon the Group's financial information, which has been prepared in accordance with IFRS. The preparation of this financial information requires management to make estimates and judgements that affect the reported amounts of income, expenses, assets and liabilities and the related disclosure of contingent assets and liabilities. Estimates are based on available information and experience. Actual results could differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the Group's financial statements are described in Part XV:

“Historical Financial Information” note 2.4 “Significant accounting judgments and estimates”. Key sources of estimation uncertainty which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year include the items presented below.

Provision for credit loss

The Group reviews its non-performing loans at each reporting date to assess the adequacy of the allowance for credit loss as recorded in the statement of comprehensive income. In particular, judgment by management of the Company 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 clients, types of loan, maturity of the loans, aging 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 business, the loan portfolio consists of a very high number of individual clients with a relatively low number of individual outstanding exposures.

These loan portfolio characteristics lead the Company to use a provisioning methodology based on a collective assessment of similar loans. The Company records a provision for credit loss based on a percentage of outstanding loans with percentages increasing as loans are outstanding for a longer period of time. The amount of collateral or security deposits received from the respective borrowers are deducted from the outstanding loan before applying the percentage of provision. The Company’s management reviews the percentages applied to calculate the provision on a regular basis and makes adjustments as deemed necessary based on market circumstances.

The percentages applied at 31 December 2017 and 2016 are shown in the table below.

Loan Classification	Days of Arrears	Year ended 31 December		
		2015	2016	2017
Standard	Current (no past due)	0.75%	0.55%	0.15%
Watch list	1-30	5.0%	5.0%	5.0%
Substandard	31-180	20.0%	20.0%	20.0%
Doubtful	181-365	75.0%	75.0%	75.0%
Loss	Above 365	100.0%	100.0%	100.0%

The Company determined the loan loss provisioning for standard loans at 0.15 per cent. in 2017 on no past due loans for each of its microfinance institutions for the following reasons:

- PAR>30 remained on comparable levels in all of the Group’s microfinance institutions over the past year. Based on historical write-offs of loans, management has determined the provision rate for standard loans at 0.15 per cent. The loan loss provision was further evaluated in 2018 in combination with the adoption of IFRS 9 (see “Changes in Accounting Policies”) and, as a result, from 1 January 2018, current loans will be provisioned at a rate of 0.22 per cent., loans that are 31-90 days past due will be provisioned at a rate of 20 per cent., loans that are 91-180 days past due will be provisioned at a rate of 50 per cent., and loans that are over 180 days past due will be provisioned at a rate of 100 per cent.
- The Group has performed a thorough assessment of the actual portfolio at risk in each of the countries it invests in, and assessed a standard of 0.15 per cent. as reasonable.
- A small percentage of the loans that are not yet overdue based on aging but are in fact doubtful loans. Reasons for this are death cases, natural disasters, sickness or job loss, all resulting in the loss of

income and inability to repay the loan. The Company assesses a 0.15 per cent. provision on this part of the loan portfolio necessary to account for these credit losses.

- Back-testing procedures are being applied to reassess the provision rates which calculate historical write-offs compared to total disbursements made, and to fully write-off any outstanding loans overdue for more than 180 days.
- Having commenced operations in Asia and Africa since 2008, staff of the Group's microfinance institutions have gained knowledge and experience of their local operating markets.

In case of regulatory announcements from government bodies regarding incidental circumstances like rescheduling due to the impact of demonetisation or natural disasters, the loan loss provision will be calculated initially on the basis of normal aging as explained above. Thereafter the loan loss provision can be adjusted on the basis of probable loss events or subsequent improvement in aging while considering management's judgment.

Business Correspondence and Partnership Models

The portion of ASA India's loan portfolio under the business correspondent agreements and partnership agreement are recognised on the statement of financial position when the agreed exposure to credit risk on this portfolio 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. Based on this analysis the portfolios for MAS, Reliance and IDBI are recognised on the statement of financial position, while the portfolio for IDFC is not recognised on the balance sheet due to a limited credit risk.

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has access to resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Changes in Accounting Policies

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them:

New or revised standards	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

Where the standards and interpretations may have an impact at a future date, they have been discussed below.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (the “IASB”) issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group’s equity at 1 January 2018 is approximately U.S.\$0.3 million, representing:

- an increase of approximately U.S.\$0.4 million related to impairment requirements (see (ii)); and
- a decrease of approximately U.S.\$0.1 million to deferred tax impacts.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Group to revise its accounting processes and these are not yet complete;
- the Company is refining and finalising its models for ECL calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

For more detail on the changes under IFRS 9, please see Part XV: “*Historical Financial Information*” note 2.3.2 “*Standards issued but not yet effective*”.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Most of the revenue items of the Group are out-of-scope as these are subject to other standards like IFRS 9. Recognition of revenue for the remaining revenue items, which are in scope for IFRS 15, will not change when the five-step model is applied. Based on the Group’s assessment, implementation of this standard is not expected to have an impact on the Group’s financial statements.

IFRS 16 Leases

IFRS 16 specifies how a company will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases to recognise assets and liabilities for most leases with exceptions for leases with a term of 12 months or less or if the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

The Group's corporate headquarters, country head offices and branches (with the exception of the country head office in the Philippines) are leased and these leases are classified as operating leases, which under IFRS 16 will be required to be recognised on the Group's statement of financial position. The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its financial statements. The standard is expected to have an impact on the financial statements. The nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities.

The above assessment is still on going because not all transition work has been finalised. The actual impact of adopting IFRS 16 on 1 January 2019 may change because the Group needs to revise its accounting processes, and these are not yet complete. Further the Company is refining and finalising its models for the calculations for the right of use asset and the lease liability and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

For further information on the risks relating the changes in accounting policies, see Part II: *"Risk Factors—Changes in accounting standards may materially affect reporting of the Group's financial condition and results of operations"*.

PART XIII

SELECTED STATISTICAL INFORMATION

The following tables present certain of the Group's selected statistical information for the periods indicated. The following information should be read in conjunction with the Historical Financial Information, as well as the Operating and Financial Review. The statistical information and discussion and analysis presented below as at and for the years ended 31 December 2015, 2016 and 2017 is presented solely for the convenience of the reader for analytical purposes and on the basis of Industry Guide 3 under the Securities Act (Statistical Disclosure by Bank Holding Companies ("Guide 3"). Limitations in the Group's existing financial reporting system prevent it from generating certain information pursuant to Guide 3. Certain amounts and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein.

Distribution of Assets, Liabilities, Stockholders' Equity, Interest Rates and Interest Differentials

	Closing balances for year ended 31 December											
	2017				2016				2015			
	Closing spot balance	Monthly average balance	Interest income/(expense)	Average yield/rate paid	Closing spot balance	Monthly average balance	Interest income/(expense)	Average yield/rate paid	Closing spot balance	Monthly average balance	Interest income/(expense)	Average yield/rate paid
<i>(in thousands of U.S. dollars, except where indicated)</i>												
Cash at bank and in hand/due from banks ⁽¹⁾	108,536.4	73,168.1	1,676.0	2.29%	45,398.1	50,082.1	810.9	1.62%	38,543.6	29,767.1	579.0	1.95%
Loans and advances to customers ⁽²⁾	299,441.8	237,663.4	105,495.7	44.39%	204,600.9	168,088.6	80,445.3	47.86%	148,623.3	121,604.8	58,722.3	48.29%
Investment in loans	100.0	77.1	4.9	6.35%	—	—	—	—%	—	1,825.0	141.3	7.74%
Total interest earning assets	408,078.2	310,908.6	107,176.6	34.47%	249,999.0	218,170.7	81,256.2	37.24%	187,166.9	153,196.9	59,442.6	38.80%
Debt issued and other borrowed funds	267,900.6	179,535.1	19,513.6	10.90%	135,312.4	109,343.7	10,069.5	9.22%	86,456.2	55,755.0	3,765.7	6.89%
Due to customers.....	53,178.5	46,796.7	1,589.9	3.26%	40,068.9	36,108.4	1,105.3	3.03%	33,834.2	28,393.8	732.6	2.31%
Total interest bearing liabilities.....	321,079.1	226,331.8	21,103.5	9.32%	175,381.3	145,452.1	11,174.8	7.68%	120,290.4	84,148.8	4,498.3	5.35%
Net interest earnings			86,073.1				70,081.4				54,944.3	
Net interest margin				27.68%				32.12%				35.87%

Notes:

- (1) The Group does not separately record interest on cash at bank and in hand from the amount of interest on term deposits (due from banks).
- (2) Loans and advances to customers includes the gross loan portfolio only. Interest receivable on loans to clients, provisions for credit loss and unamortised processing fees are not included.

Interest Differentials

For year ended 31 December

	2017 vs 2016			2016 vs 2015		
	Change in interest income/ (expense)	Changes in volume	Change in rates	Change in interest income/ (expense) ⁽²⁾	Changes in volume	Change in rates
	<i>(in thousands of U.S. dollars)</i>					
Cash at bank and in hand/due from banks ⁽¹⁾	865.0	373.8	491.2	231.9	395.2	(163.3)
Loans and advances to customers	25,050.5	33,297.7	(8,247.2)	21,723.0	22,446.8	(723.8)
Investment in loans	4.9	—	4.9	(141.3)	(141.3)	—
Total interest earning assets	25,915.5	33,671.5	(7,756.0)	21,954.8	22,842.0	(887.1)
Debt issued and other borrowed funds	9,497.4	6,470.5	3,027.0	6,237.1	3,693.2	2,543.9
Due to customers	431.3	324.2	107.1	439.3	178.2	261.2
Total interest bearing liabilities	9,928.7	6,794.6	3,134.1	6,676.5	3,871.4	2,805.1
Net interest earnings	15,986.8			15,278.4		

Note:

- (1) The Group does not separately record interest on cash at bank and in hand from the amount of interest on term deposits (due from banks).

Maturity of liabilities

As at 31 December 2017

	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
	<i>(audited, in thousands of U.S. dollars)</i>								
Due to customers	18,070.5	8,370.7	26,744.2	53,185.5	45.4	—	45.4	—	53,230.8
Debt and other borrowed funds	643.3	20,285.0	108,222.2	129,150.5	140,847.8	466.0	141,313.7	—	270,464.2
Future interest payable on debt	—	5,193.6	11,725.5	16,919.1	22,684.7	37.3	22,722.0	—	39,641.1
Security deposits	445.6	218.7	222.7	887.0	130.4	15.4	145.8	—	1,032.8
Other deposits	328.1	161.0	164.0	653.1	96.0	11.3	107.3	—	760.4
Deferred income	156.1	76.6	78.0	310.7	51.1	—	51.1	—	361.8
Accrued expenses	317.5	155.8	169.6	643.0	92.9	—	92.9	—	735.9
Accrued audit fees	187.2	91.8	100.0	379.0	54.8	—	54.8	—	433.8
Amount due to employees	477.3	234.2	238.5	950.0	139.7	16.5	156.2	—	1,106.2
Amount due to related parties	64.2	31.5	34.3	129.9	18.8	—	18.8	—	148.7
Liabilities under business correspondent model	32.3	15.8	17.2	65.3	9.4	—	9.4	—	74.8
Fair value of forward contracts	48.1	23.6	25.7	97.4	14.1	—	14.1	—	111.5
Other liabilities	30.0	284.6	76.7	391.3	—	—	—	5.1	396.4
Provisions	341.4	0.2	0.3	341.9	0.1	—	0.1	—	342.0
Total liabilities	21,141.6	35,143.1	147,819.0	204,103.7	164,185.2	546.4	164,731.6	5.1	368,840.4

PART XIV

CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table sets out the Group's capitalisation as at 31 December 2017. The capitalisation of the Group has been extracted without material adjustment from the Group's financial information included in Part XV: "Historical Financial Information" as at 31 December 2017.

	As at 31 December 2017
	<i>(U.S.\$ millions)</i>
Total current debt	129.2
Guaranteed	—
Secured.....	73.3
Unguaranteed/unsecured	55.9
Total non-current debt (excluding current portion of long-term debt)	141.3
Guaranteed	—
Secured.....	80.2
Unguaranteed/unsecured	61.1
	As at 31 December 2017
	<i>(U.S.\$ millions)</i>
Shareholders' equity	10.5
Share capital.....	36.3
Share premium	—
Other reserves (excluding retained earnings)	(25.8)

Note:

- (1) Includes U.S.\$10.0 million of restricted cash.

There has been no material change in the Group's capitalisation since 31 December 2017, except an increase of U.S.\$5.3 million in total current debt, a decrease of U.S.\$1.7 million in total non-current debt, and an increase in the foreign translation loss reserve in line with prior year trends, in each case at 31 March 2018.

A3.3.2

The following table sets out the Group's net indebtedness as at 31 March 2018, which has been extracted without material adjustment from the Group's unaudited management accounts.

	As at 31 March 2018
	<i>(U.S.\$ millions)</i>
Cash ⁽¹⁾	0.1
Cash equivalents ⁽²⁾	107.3
Trading Securities	—
Liquidity	107.4
Current financial receivable ⁽³⁾	300.9
Current bank debt	134.5
Other portion of non-current debt	—
Other current financial debt ⁽⁴⁾	53.8
Current financial debt	188.3
Net current financial indebtedness	220.0
Non-current bank loans	139.6
Bonds issued	—
Other non-current financial debt	—
Non-current financial indebtedness	139.6
Net financial indebtedness	80.4

Notes:

- (1) Includes cash in hand.
- (2) Includes U.S. 94.0 million of cash in bank and U.S.\$13.3 million of due from banks (short-term portion). Cash in bank also includes U.S.\$13.3 million of restricted cash (U.S.\$13.3 million of restricted cash includes U.S.\$3.3 million of long term portion).
- (3) Includes U.S.\$300.6 million of loans and advances to customers (short-term portion) and U.S.\$0.4 million of interest receivable on due from banks.
- (4) Includes due to customers.

There has been no material change in the Group's indebtedness since 31 March 2018, except a decrease of approximately U.S.\$4.0 million, due to the repayment of certain facilities.

PART XV
HISTORICAL FINANCIAL INFORMATION



Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Tel: +44 20 7951
Fax: +44 20 7951 1345
ey.com

The Directors

ASA International Group plc
42-50 Hersham Road
Walton-On-Thames
Surrey KT12 1RZ

29 June 2018

Dear Sirs

ASA International Holding

We report on the financial information of ASA International Holding for the years ended 31 December 2015, 2016 and 2017 set out in this Part XV (the "Historical Financial Information"). The Historical Financial Information has been prepared for inclusion in the prospectus dated 29 June 2018 of ASA International Group plc (the "Company") on the basis of the accounting policies set out in note 2. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the prospectus dated 29 June 2018, a true and fair view of the state of affairs of ASA International Holding as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union..



Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Tel: +44 20 7951
Fax: +44 20 7951 1345
ey.com

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

ASA INTERNATIONAL HOLDING
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016, 2015

	Notes	2017 USD	2016 USD	2015 USD
Interest and similar income	4.	107,176,557	81,256,157	59,442,643
Interest and similar expense	5.	(21,103,505)	(11,174,792)	(4,498,319)
Net interest income		86,073,052	70,081,365	54,944,324
Other operating income	6.	6,852,815	5,536,834	4,501,517
Total operating income		92,925,867	75,618,199	59,445,841
Credit loss expense	6.1	(41,007)	(1,841,101)	(668,005)
Net operating income		92,884,860	73,777,098	58,777,836
Personnel expenses	7.	(28,327,649)	(25,328,358)	(19,216,755)
Depreciation of property and equipment	15.	(942,289)	(661,606)	(606,856)
Other operating expenses	8.	(19,009,602)	(19,361,011)	(13,588,682)
Exchange rate differences	9.	(1,229,212)	(1,970,410)	(1,579,708)
Total operating expenses		(49,508,752)	(47,321,385)	(34,992,001)
Profit before tax		43,376,108	26,455,713	23,785,835
Income tax expense	10.	(12,819,778)	(9,730,879)	(7,438,546)
Withholding tax expense	10.5	(1,252,290)	(1,383,961)	(1,210,228)
Profit for the year		29,304,040	15,340,873	15,137,061
Profit for the year attributable to:				
Equity holders of the parent		29,000,883	15,203,204	14,940,357
Non-controlling interest		303,157	137,669	196,704
		29,304,040	15,340,873	15,137,061
Other comprehensive income:				
Foreign currency exchange differences on translation of foreign operations		(3,658,406)	(5,764,479)	(3,961,882)
Movement in hedge accounting reserve		(19,600)	(54,598)	—
Other comprehensive income		77,215	(6,183)	(60,812)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		(3,600,791)	(5,825,260)	(4,022,694)
Actuarial gains and losses on defined benefit liabilities		(12,004)	2,559	32,552
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		(12,004)	2,559	32,552
Total comprehensive income for the year, net of tax		25,691,245	9,518,172	11,146,919
Total comprehensive income attributable to:				
Equity holders of the parent		25,332,835	9,734,974	10,934,046
Non-controlling interest		358,410	(216,802)	212,873
		25,691,245	9,518,172	11,146,919
Earnings per share	32.			
Equity shareholders of the parent for the year:				
Basic earnings per share		8.0	4.2	3.6
Diluted earnings per share		8.0	4.2	3.6

The notes 1 to 32 form an integral part of this Historical Financial Information.

ASA INTERNATIONAL HOLDING
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017, 2016, 2015

	Notes	2017 USD	2016 USD	2015 USD
ASSETS				
Cash at bank and in hand	11.	93,251,993	39,037,103	35,391,674
Loans and advances to customers	12.	297,780,987	202,983,619	147,893,465
Due from banks.....		15,284,388	6,361,033	3,151,930
Financial instruments held to maturity	13.	—	19,220	19,220
Available for sale investment	14.	200,000	—	—
Property and equipment	15.	3,882,197	3,298,486	3,141,866
Deferred tax assets	10.2	1,527,394	1,354,041	1,077,480
Other assets	16.	7,389,684	4,931,856	3,593,057
Goodwill	17.	39,845	125,109	126,850
TOTAL ASSETS		419,356,488	258,110,467	194,395,542
EQUITY AND LIABILITIES				
EQUITY				
Issued capital	18.	36,273,490	36,273,490	36,273,490
Retained earnings.....	19.	71,321,319	50,765,538	40,161,690
Revaluation reserve		—	77,655	77,655
Foreign currency translation reserve.....	20.	(25,831,373)	(22,117,714)	(16,707,706)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		81,763,436	64,998,969	59,805,129
Total equity attributable to non-controlling interest	27.6	1,218,915	2,454,027	2,670,829
TOTAL EQUITY.....		82,982,351	67,452,996	62,475,958
LIABILITIES				
Debt issued and other borrowed funds.....	21.	270,464,195	136,710,227	87,235,849
Due to customers	22.	53,230,815	40,071,949	33,835,832
Retirement benefit liability	7.1	943,302	1,074,355	796,657
Current tax liability	10.1	3,841,338	3,437,066	4,480,214
Deferred tax liability	10.3	60,425	32,884	40,899
Other liabilities	23.1	6,616,145	7,075,222	4,871,813
Provisions	23.2	1,217,917	2,255,768	658,320
TOTAL LIABILITIES.....		336,374,137	190,657,471	131,919,584
TOTAL EQUITY AND LIABILITIES		419,356,488	258,110,467	194,395,542

The notes 1 to 32 form an integral part of this Historical Financial Information.

ASA INTERNATIONAL HOLDING
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016, 2015

Notes	Issued capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Non-controlling interest	Total
	USD	USD	USD	USD	USD	USD
At 1 January 2015	46,273,490	24,860,396	(12,729,654)	77,655	1,588,146	60,070,033
Profit for the year	—	14,940,357	—	—	196,704	15,137,061
<i>Other comprehensive income:</i>						
Actuarial gains and losses on defined benefit liabilities	—	32,552	—	—	—	32,552
Foreign currency translation of assets and liabilities of subsidiaries	—	—	(3,978,052)	—	16,170	(3,961,882)
Other comprehensive income	—	(60,812)	—	—	—	(60,812)
Total comprehensive income for the year	—	14,912,097	(3,978,052)	—	212,874	11,146,919
Buyback of shares	(10,000,000)	—	—	—	—	(10,000,000)
Sale of 11.75% stake in ASAI India to IDFC	—	—	—	—	869,809	869,809
Gain on sale of 11.75% stake in ASAI India to IDFC	—	389,198	—	—	—	389,198
At 31 December 2015	36,273,490	40,161,691	(16,707,706)	77,655	2,670,829	62,475,959
At 1 January 2016	36,273,490	40,161,691	(16,707,706)	77,655	2,670,829	62,475,959
Profit for the year	—	15,203,204	—	—	137,669	15,340,873
<i>Other comprehensive income:</i>						
Actuarial gains and losses on defined benefit liabilities	—	2,559	—	—	—	2,559
Foreign currency translation of assets and liabilities of subsidiaries	—	—	(5,410,008)	—	(354,471)	(5,764,479)
Other comprehensive income	—	(60,781)	—	—	—	(60,781)
Total comprehensive income for the year	—	15,144,982	(5,410,008)	—	(216,802)	9,518,172
Dividend paid	—	(4,541,135)	—	—	—	(4,541,135)
At 31 December 2016	36,273,490	50,765,538	(22,117,714)	77,655	2,454,027	67,452,996
At 1 January 2017	36,273,490	50,765,538	(22,117,714)	77,655	2,454,027	67,452,996
Profit for the year	—	29,000,883	—	—	303,157	29,304,040
<i>Other comprehensive income:</i>						
Actuarial gains and losses on defined benefit liabilities	—	(12,004)	—	—	—	(12,004)
Foreign currency translation of assets and liabilities of subsidiaries	—	—	(3,713,659)	—	55,253	(3,658,406)
Other comprehensive income	—	57,615	—	—	—	57,615
Total comprehensive income for the year	—	29,046,494	(3,713,659)	—	358,410	25,691,245

	Notes	Issued capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Non-controlling interest	Total
		USD	USD	USD	USD	USD	USD
Acquisition of non controlling interest	27.6	—	(155,105)	—	—	(138,367)	(293,472)
Disposal of subsidiaries.....	27.4	—	923,882	—	(77,655)	(1,455,155)	(608,928)
Dividend (USD 5,204,953 paid in cash and USD 4,054,537 in specie).....		—	(9,259,490)	—	—	—	(9,259,490)
At 31 December 2017		36,273,490	71,321,319	(25,831,373)	—	1,218,915	82,982,351

The notes 1 to 32 form an integral part of this Historical Financial Information.

ASA INTERNATIONAL HOLDING
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016, 2015

	Notes	2017 USD	2016 USD	2015 USD
OPERATING ACTIVITIES				
Profit before tax		43,376,108	26,455,713	23,785,835
<i>Adjustment for movement in:</i>				
Operating assets	24.1	(130,755,037)	(77,993,179)	(54,321,900)
Operating liabilities	24.2	14,992,404	13,822,370	9,573,557
Non-cash items	24.3	2,410,174	4,866,409	3,320,373
Payment for employee liabilities		(153,890)	(234,959)	(35,534)
Income tax paid.....		(13,563,418)	(12,272,200)	(6,859,731)
Net cash flows used in operating activities.....		(83,693,659)	(45,355,846)	(24,537,400)
INVESTING ACTIVITIES				
Purchase of PPE.....	15.	(2,408,668)	(985,900)	(822,303)
Proceeds from sale of PPE.....		74,487	370,140	247,439
Net cash outflow from disposal of subsidiaries	27.4	(1,208,073)	—	—
Repayment of loan provided to shareholder (CMI)		—	—	4,500,000
Purchase of new investments	14.	(200,000)	—	—
Net cash flow used in investing activities		(3,742,254)	(615,760)	3,925,136
FINANCING ACTIVITIES				
Proceeds from debt issued and other borrowed funds		238,725,930	99,209,664	68,427,379
Payments of debt issued and other borrowed funds.....		(92,642,194)	(45,093,308)	(22,292,513)
Dividend paid.....		(5,204,953)	(4,541,134)	—
Buyback of shares		—	—	(10,000,000)
Proceeds from sale of 11.75% stake in ASAI India to IDFC.....		—	—	869,809
Acquisition of non controlling interest	27.6	(293,472)	—	—
Net cash flow from financing activities		140,585,311	49,575,222	37,004,675
Cash and cash equivalents as at 1 January		27,684,957	25,941,699	10,455,592
Net increase in cash and cash equivalents		53,149,398	3,603,616	16,392,411
Foreign exchange difference on cash and cash equivalents		(1,002,833)	(1,860,358)	(906,304)
Cash and cash equivalents as at 31 December	24.4	79,831,522	27,684,957	25,941,699
Operational cash flows from interest				
interest received		106,412,244	80,803,874	58,116,930
Interest paid		22,045,752	11,763,278	3,556,072

The notes 1 to 32 form an integral part of this Historical Financial Information.

ASA INTERNATIONAL HOLDING
NOTES TO THE HISTORICAL FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2017, 2016, 2015

1. CORPORATE INFORMATION

ASA International Holding (“ASA International” or the “Company”) is a private company limited by shares incorporated on the 6th day of April 2007 under the laws of Mauritius, holding a Category 1 Global Business Licence issued by the Financial Services Commission in Mauritius. For consolidation purposes, “ASA International” or the “Company” or the “Group” represents ASA International Holding and its subsidiaries.

The consolidated financial statements of the Company are approved on the date stamped as per page 15. The standalone financial statements will be issued and filed with the local authority following approval of the Group’s financial statements in accordance with Section 210 of the Companies Act 2001.

The sole shareholder of the Company is Catalyst Microfinance Investors (“CMI”), a private company limited by shares incorporated on the 13th day of June 2006 under the laws of Mauritius, holding a Category 1 Global Business Licence issued by the Financial Services Commission in Mauritius.

The paid up share capital as per 31 December 2017 amounts to USD 36,273,490 divided into 3,627,349 ordinary shares of USD 10 each.

Investment strategy

ASA International is an international microfinance holding company with operations in various countries throughout Asia and Africa.

Definitions

A1 Nigeria Consultancy Limited
ASA
ASA Consultancy Limited
ASA International Holding
ASA International India Microfinance Private Limited
ASA International Cambodia Holdings
ASA International N.V.
ASA Lanka Private Limited
ASA Limited
ASA Microfinance (Rwanda) Limited
ASA Microfinance (Sierra Leone)
ASA Microfinance (Uganda) Ltd
ASA Microfinance (Tanzania) Ltd
ASA Microfinance Zambia Limited
ASA Microfinance (Myanmar) Ltd
ASA Pakistan Limited
ASA Savings & Loans Limited
ASAB Lanka Finance Limited
ASAI Coöperatief U.A.
ASHA Microfinance Bank Limited
Association for Social Improvement and Economic Advancement
Beijing ASA Consultancy
Bill and Melinda Gates Foundation
C.M.I. Lanka Holding (Private) Limited
Catalyst Microfinance Investment Company
Catalyst Microfinance Investors
CMI International Holding
CMI Ventures Ltd
Lak Jaya Microfinance Limited

Abbreviation

A1 Nigeria
ASA Bangladesh
ASA Consultancy
ASAI
ASAI India
ASAI Cambodia Holdings
ASAI NV
ASA Lanka
ASA Kenya
ASA Rwanda
ASA Sierra Leone
ASA Uganda
ASA Tanzania
ASA Zambia
ASA Myanmar
ASA Pakistan
ASA S&L
ASAB Lanka
ASAI Coop
ASHA Nigeria
ASIEA
Beijing Consultancy
Gates Foundation
CMI Lanka
CMIC
CMI
CMII
CMIV
Lak Jaya

1. CORPORATE INFORMATION (Continued)

Definitions	Abbreviation
Micro Enterprise Trustee Services (Pvt.) Ltd.	METS
Microfinance Institution	MFI
Pagasa Consultancy Limited	Pagasa Consultancy
Pag-asa Ng Masang Pinoy Foundation, Inc.	Pag-asa
PagASA ng Pinoy Mutual Benefit Association, Inc.	MBA Philippines
Pagasa Philippines Lending Company, Inc.	PPLCI
Pinoy Consultancy Limited	Pinoy
Proswift Consultancy Limited	Proswift
PT ASA Microfinance	PT ASA Microfinance
PT PAGASA Consultancy	PT PAGASA Consultancy
Samic Limited	Samic
Seilanithih (Microfinance) Ltd	Seilanithih
Sequoia B.V.	Sequoia

2. ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Statement of compliance

The consolidated historical financial information of the Group for each of the three years of the period ended on 31 December 2017 (the “Consolidated Historical Financial Information”) has been prepared for inclusion in the Prospectus of ASA International Group plc dated 29 June 2018 in accordance with the requirements of Commission Regulation (EC) 809/2004 and the UK Listing Rules and in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (EU). The significant policies have been consistently applied for all years presented.

ASA International Group plc was incorporated and registered in England and Wales as a public company limited by shares on 14 May 2018 which, as a part of a pre-IPO reorganisation will become the new ultimate holding company for the Group.

The Consolidated Historical Financial Information has been prepared on a historical cost basis. The Consolidated Historical Financial Information is presented in USD and all values are rounded to the nearest USD except where otherwise indicated. The statement of financial position presents the assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

Where appropriate, prior year figures have been restated to conform with current year’s.

The preparation of the Consolidated Historical Financial Information in conformity with IFRSs requires management to make judgments, 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.

2.1.2 Basis of consolidation

The Consolidated Historical Financial Information comprises the financial statements of the Company and its subsidiaries as at 31 December for each of the three years. The financial statements of subsidiaries are similarly prepared for the each of the three years in the period ended 31 December 2017 applying similar accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intragroup 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 an investee when it is exposed, or has rights to variable returns from its

2. ACCOUNTING POLICIES (Continued)

2.1.2 Basis of consolidation (Continued)

involvement with the investee and has the ability to affect those returns through its power over the investee. The results of investees acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Company 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 re-measured at its acquisition date fair value and any resulting gain or loss is recognized 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 is the Company's functional and 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. The sole shareholder of the Company, CMI, is a private company structured as an investment fund also has its functional currency in USD.

(1) Transactions and balances - Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'Income from exchange rate differences' or 'Expenses from 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.

(2) Group companies - As at the reporting date, the assets and liabilities of subsidiaries and overseas branches are translated into the Company'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 Company's consolidated statement of financial position as foreign currency translation reserve through other comprehensive income.

2.2.2 Financial instruments - initial recognition and subsequent measurement

(1) Date of recognition

Purchases or sales of financial assets that require 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. ACCOUNTING POLICIES (Continued)

2.2.2 Financial instruments - initial recognition and subsequent measurement (Continued)

(2) Initial recognition of financial instruments

The Company recognizes a financial asset and financial liability in its statement of financial position when and only when, the entity becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable costs of acquisition or issue.

(3) Loans and advances to customers, other loans and receivables, cash and cash equivalents and due from banks

‘Loans and advances to customers’, ‘Other loans and receivables’, ‘Cash and cash equivalents’ and ‘Due from banks’ are financial instruments with fixed or determined payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale; they are not, upon initial recognition, designated at fair value through profit or loss; and are not designated as ‘financial investment – available-for-sale’.

After initial measurement, amounts due from banks, loans and advances to customers and other loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in ‘Interest and similar income’ in the statement of profit and loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in ‘Credit loss expense’.

Cash and cash equivalents comprise of cash in bank and on hand, and is subsequently measured at amortised cost.

(4) Debt issued and other borrowed funds, other liabilities and due to customers

‘Debt issued and other borrowed funds’, ‘other liabilities’ and ‘due to customers’ are financial instruments which are not designated at fair value through profit or loss. These instruments are classified as liabilities where the substance of the contractual arrangement results in the Company 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 borrowings including ‘due to customers’ are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(5) Forward contracts and hedge accounting

The Company applies hedge accounting for USD loans for which forward contracts have been agreed to mitigate the foreign currency risk exposure of its subsidiaries. The Company documents the relationship between the hedged item and the hedging instrument, the risk management objective and the method that will be used to assess effectiveness of the hedging relationship at inception and at each reporting date. The forward method is applied, whereby the forward points are amortised from OCI to interest expenses during the term of the contract. The fair value of the forward contract is recognized on the statement of financial position and the changes in the fair value are reported in OCI. The foreign currency exchange results on the USD loans are reported as exchange rate results and the same opposite amount is recycled from OCI to the same currency exchange results.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. 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.

2. ACCOUNTING POLICIES (Continued)

2.2.2 Financial instruments - initial recognition and subsequent measurement (Continued)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

(6) Available for sale financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.2.3. Derecognition of financial assets and financial liabilities

(1) Financial assets

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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company'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 Company could be required to repay.

(2) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.2.4 Impairment of financial assets

Loans and advances to customers, Other loans and receivables, and Due from banks

For the amounts carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually (for financial assets that are individually significant), or collectively (for financial assets that are not individually significant). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The objective evidence consists of internal management information on the development of relative size of the loan portfolio at risk as well as significant changes to the economic and legal environment in which the MFIs operate, including sector interest rates, development in sectors in which many of our borrowers generate their income and changes in legislation.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. Reference is made to paragraph 2.4 which discusses the provision for credit loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, geographical location, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available for sale financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

2. ACCOUNTING POLICIES (Continued)

2.2.4 Impairment of financial assets (Continued)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.2.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and 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, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2.2.6 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Company 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 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 Company 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.

(2) Dividend income

Revenue is recognised when the Company’s right to receive the payment is established.

(3) Other income

Admission fees, processing fees and other income are recognised on accrual basis in the period to which they relate. Government grants are recognized when there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. The Company acts as an agent to provide insurance products on behalf of MBA Philippines, the related distribution fees are recognised on accrual basis in the period to which they relate.

The Company collects fees for Death Risk Fund or Multipurpose Risk Fund in the Philippines, Ghana and Sri Lanka. These fees 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 recognized upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds.

2. ACCOUNTING POLICIES (Continued)

2.2.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash in hand, current accounts with various commercial banks and amounts due from banks on demand or 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.

2.2.8 Property and equipment

Except for land which is measured at fair value, 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 amortisation period or method, as appropriate, and 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 recommended estimated useful lives are as follows:

1. Furniture & fixtures:	5 years
2. Vehicles:	5 years
3. Office equipment including IT:	5 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. 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. Land has an indefinite useful life thus is not amortised, but is tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Land is measured at fair value less impairment losses at date of revaluation. Valuations are performed frequently (every five years) to ensure that the fair value does not differ materially from its carrying amount. Any revaluation surplus is recorded in OCI and credited to asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss.

2.2.9 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.

(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

2. ACCOUNTING POLICIES (Continued)

2.2.9 Taxes (Continued)

the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: (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.

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.

2.2.10 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 Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that were approved after the reporting date will be disclosed as an event after the reporting date.

2.2.11 Short term employee benefits

Short term benefits typically relate to the payment of salaries, wages and bonuses. The standard requires that these be recorded on an accrual basis, so that at period end, if the employee has provided service to the Company, but has not yet received payment for that service, the Company should record a liability.

2.2.12 Post employment benefits

2.2.12.1 Defined benefit plan

In some subsidiaries of the Company a defined benefit plan exists, which leads to retirement benefit obligations. The defined benefit obligation and the related charge for the year is determined using assumptions required under actuarial valuation techniques. The valuation involves making assumptions about future events. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans exist in Lak Jaya, ASA Pakistan, ASAI India, PPLCI and Samic. The present value of the retirement employee benefits is measured annually using projected unit credit method as discussed in the relevant accounting standard.

This method of measurement is compliant with IAS 19. Actuarial assumptions are used in this valuation technique. This gratuity liability is stated under Retirement Benefit Liability in the statement of financial position. The expenses of the defined benefit plan are incurred by the employers: Lak Jaya, Pakistan, ASAI India, PPLCI and Samic. The employees who have completed 5 year of service in the Company will benefit in accordance with their service years at the time of cessation. At the moment of cessation the amount must be paid out to the employee within 30 days, as a onetime payment. The liability is presented in the statement of

2. ACCOUNTING POLICIES (Continued)

2.2.12 Post employment benefits (Continued)

financial position only. No funds are actually held on an account. The assumptions used in the projected unit credit method are the following:

	2017				2016					2015				
	Lakjaya	Pakistan	ASAI Indi a	PPLCI	Lakjaya	Pakistan	ASAI Indi a	PPLCI	Samic	Lakjaya	Pakistan	ASAI Indi a	PPLCI	Samic
Discount rate.....	13.6%	8.3%	7.9%	4.9%	13.6%	8.0%	7.3%	4.8%	5.5%	11.0%	11.0%	8.0%	5.0%	5.0%
Salary increment....	10.0%	7.3%	9.2%	4.0%	10.0%	7.0%	9.2%	3.0%	11.0%	10.0%	0.0%	9.0%	3.0%	7.0%
Staff turnover.....	27.0%	37.0%	22.0%	5.0%	21.7%	28.2%	22.0%	5.0%	23.0%	23.0%	36.0%	13.0%	4.0%	22.0%
Retirement age....	55 years	60 years	60 years	55- s	60 year	55 years	60 years	65 years	55- s	60 year s	55 year	55- s	60 years	55 year

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts 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.

2.2.12.2 *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.

2.2.13 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 re-assesses 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 Company measures goodwill at cost less any accumulated impairment losses. The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36 Impairment Assets. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generating unit (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. ACCOUNTING POLICIES (Continued)

2.2.14 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 asset's 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

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.

2.2.15 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.

2.2.16 Liability for Death- and Multipurpose Risk Funds

The Company collects 1-2% of disbursed loan amounts for Death Risk Funds or Multipurpose Risk Funds in certain markets. 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 recognized upfront as income and a liability is maintained for the expected claims resulting from these funds.

At the end of each period, management reassesses the adequacy of the liability by applying the following criteria:

- Estimated number of death borrowers among the total number of borrowers by applying the local mortality rates at the end of the period;
- Mortality rates of 0.65% in Sri Lanka, 0.20% in PPLCI and 0.24% in Ghana as at 31 December 2017;

2. ACCOUNTING POLICIES (Continued)

2.2.16 Liability for Death- and Multipurpose Risk Funds (Continued)

- Outstanding loan amount per borrower; and
- Other financial assistance to the family members where applicable.

2.3.1 New and amended standards and interpretations

The accounting policies adopted are consistently applied over the years presented and include the following new standards and amendments, which are effective for annual periods beginning on or after 1 January 2017.

<u>Amendments</u>	<u>Effective accounting period beginning on or after</u>
IAS 7 Disclosure Initiative (Amendments to IAS 7)	1 January 2017

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. We refer to note 25.5 for the additional disclosure made.

2.3.2 Standards issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, and the Company has not early adopted them:

<u>New or revised standards</u>	<u>Effective for accounting period beginning on or after</u>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments	
Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between and investor and its associate or joint venture	Effective date deferred indefinitely

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

Where the standards and interpretations may have an impact at a future date, they have been discussed below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (Continued)

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 is approximately USD 0.3 million, representing:

- an increase of approximately USD 0.4 million related to impairment requirements (see (ii)); and
- decrease of approximately USD 0.1 million to deferred tax impacts.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Group to revise its accounting processes and these are not yet complete;
- the Company is refining and finalising its models for ECL calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (Continued)

A financial asset is classified into one of these categories on initial recognition. The transition requirements relating to classification of financial assets are discussed below.

Business model assessment

The Company will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Most of the Group's microfinance loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Impact assessment

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Loans and advances to customers and due from banks that are classified as loans and receivables and measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.
- Held-to-maturity investment securities measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.

The Company has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes have no impact on the Company's equity.

Impairment – Financial assets

Background

The existing 'incurred loss' model under IAS 39 delays the recognition of credit losses until there is a trigger event which results into mismatch in timing of the recognition of interest income and charge of credit loss of a

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (Continued)

particular financial instrument. IFRS 9 adopts an expected loss model for impairment of financial assets which provide users of financial statements with more useful information about an entity's expected credit losses on financial instruments. The model requires an entity to recognize expected credit losses (ECL) at all times and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of financial instruments.

Measurement of expected credit loss/ loan loss provision

IFRS 9 does not prescribe particular measurement methods. Also, an entity may use various sources of data that may be internal (entity-specific) and external. For the measurement of ECL, IFRS 9 distinguishes between three impairment stages. All loans need to be allocated to one of these stages. Stage 1 loans are loans where since inception no significant increase in credit risk occurred (12M ECL), while stage 2 loans are those loans where since inception credit risk significantly increased (Lifetime ECL). Stage 3 loans are so-called credit-impaired loans, which are generally quite similar to specifically defaulted loans under the current IAS 39 requirements.

Approach taken by the Company

The Company will calculate ECL for its loan portfolios following the below described approach in sections A-C:

A. Calculating ECL for stage 1-2 loans

An entity is generally required to monitor the changes in credit risk in order to allocate the exposure to the correct staging bucket. Given the nature of the Company's loan exposures (generally short term exposures, <12 months) no distinction will be made between stage 1 (12M ECL) and stage 2 loans (Lifetime ECL). As such no staging criteria were developed nor will staging (significant increase in credit risk) be monitored.

For avoiding complexity of calculating separate probability of default and loss given default, the Company uses a 'loss rate approach' for the measurement of ECLs.

Loss rate approach: Not every entity calculates a separate probability of default and a loss given default, but instead uses a 'loss rate approach'. Using this approach, the entity develops loss-rate statistics on the basis of the amount written off over the life of the financial assets. It then must adjust these historical credit loss trends for current conditions and expectations about the future.

Increase in default risk overlay: Under the loss rate approach, an entity would not be able to implement the assessment of significant increases in credit risk that is based on the change in the risk of a default. Therefore, entities using the loss rate approach would need an overlay of measuring and forecasting the level of defaults. This overlay is applied by calculating an incremental trend in write offs in the last 2 years in order to update the historical loss rate for forward looking expectation.

B. Assessing the existence of stage 3 loans

At reporting date, the Company will assess whether or not certain loans, or exposures in certain regions, need to be considered defaulted (stage 3). This could be driven by very specific macro-economic situations (existing at reporting date) or for example natural disasters. Portfolios which are assessed to be in default as at reporting date would be taken out of the calculation in (A) and provided for specifically based on expected recoverable cash flows, taking into account probability weighted scenarios and time value of money.

C. Incorporate forward-looking information on stage 1-2 loans

Note that in section (A), the Company already incorporates some forward-looking element in the ECL by looking at the write-offs trend in the most recent two year period.

In addition, the Company considered which macro-economic factors could have correlation with the level of write-offs (inflation, unemployment, GDP, interest rates, etc). The Company concludes that given the specific

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (Continued)

nature of their micro-loan portfolios no appropriate correlation could be identified with any of such elements (without undue cost or effort).

However, the Company considers significant socio-economic events and natural disasters impacting the historical losses and how this may compare to the expected impact of these and reasonably expected future events on the current portfolio. To reflect this impact, the Company applies a management overlay adjustment per portfolio, which is established at each reporting date.

Impact on the Company

ECLs based on historical default data

For determining ECLs as on 31 December 2017, the Company has calculated credit loss based on historical trend of default and collection efficiency since 2011, which period provides relevant, reasonable and supportable information.

Next 12 months ECLs based on annual change of write off

The Company also considered the average annual changes in write off over the last two years as an estimation of future expectation of default for the next 12 months.

Stage 3 loans and management overlay

All loan overdue for more than 90 days are considered as credit impaired. The expected losses for these loans are calculated as the proportionate percentage of loans overdue for more than 90 days compared to loans overdue for more than 180 days. The loss amount for these loans will therefore be the same as full loss for loans overdue for more than 180 days as per the reporting date of 31-12-2017 amounting to USD 0.7 million.

The assessment for other additional stage 3 loans and management overlay for future events in any specific markets as per 31-12-2017 did not reveal any material loan which should be considered as credit impaired.

Total expected credit loss

Based on the above measurement, total expected credit loss as on 31 December 2017 for the next 12 months amounts to USD 1.7 million after considering stage 3 loans and management overlay for future events. The existing provision under IAS 39 as per 31 December 2017 amounts to USD 1.3 million, which is net of collateral.

It should be noted that since most of the loans are within the maturity of 12 months and expected credit loss is measured for 12 months, the Company ignored the effect of time value of money.

Interest income for stage 3 loans should be calculated based on the net impaired amount. Due to the very low amount of stage 3 loans the impact is not material as per 31-12-2017. Management will assess materiality of stage 3 loans and impact on interest income for every reporting date.

Impairment for Bank accounts and Due from Banks

The requirement for impairment of bank accounts and term deposits at banks is assessed by external credit ratings of the related banks. ASA International will use a matrix like that of S&P showing the default rate per bank based on the credit rating of the bank and a probability of default for one year for bank accounts and for term deposits the tenor of the contract.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented in OCI for the change which is attributable to changes in the entity's own credit risk and the remaining amount in profit or loss. This is not relevant for the Group.

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (Continued)

Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments. However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. The Group expects no impact from adopting these new requirements.

Hedge accounting

When initially applying IFRS 9, the Company may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9.

The Company has elected to continue to apply IAS 39. However, the Company will provide the expanded disclosures on hedge accounting introduced by IFRS 9's amendments to IFRS 7 Financial Instruments: Disclosures because the accounting policy election does not provide an exemption from these new disclosure requirements.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively. However, the Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

- the determination of the business model within which a financial asset is held
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Most of the revenue items of the Company are out-of-scope as these are subject to other standards like IFRS 9. Recognition of revenue for the remaining revenue items, which are in scope for IFRS 15, will not change when the five-step model is applied. Based on the assessment made till date, implementation of this standard has therefore no impact on the Company.

IFRS 16 Leases

IFRS 16 specifies how a company will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases to recognise assets and liabilities for most leases with exceptions for leases with a term of 12 months or less or if the underlying asset has a low value. IFRS 16 is

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (Continued)

effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group's corporate headquarters, country head offices and branches (with the exception of the country head office in the Philippines) are leased and these leases are classified as operating leases, which under IFRS 16 will be required to be recognised on the Group's statement of financial position. The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its financial statements. The standard is expected to have an impact on the financial statements. The nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities.

The above assessment is still on going because not all transition work has been finalised. The actual impact of adopting IFRS 16 on 1 January 2019 may change because the Group needs to revise its accounting processes and these are not yet complete. Further the Company is refining and finalising its models for the calculations for the right of use asset and the lease liability and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

2.4 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has applied judgments and made estimates in determining the amounts recognised in the financial statements. Significant use of judgments and estimates are as follows:

Provision for credit loss

The Group reviews its non performing loans at each reporting date to assess the adequacy of the allowance for credit loss as recorded in the statement of comprehensive income. In particular, judgment by management of the Company 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, aging of the portfolio, economical factors etc. Actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the business, i.e. micro credit to low income clients, the loan portfolio consists of a very high number of individual customers with a relatively low amount of individual outstanding exposures.

These characteristics of the Company's microfinance loan portfolio leads the Company to use a provisioning methodology based on a collective assessment of similar loans. The Company records a provision for credit loss based on a percentage of outstanding loans with percentages increasing as loans are outstanding for a longer period of time. The amount of collateral or security deposits received from the respective borrowers are deducted from the outstanding loan before applying the percentage of provision. The Company's management reviews the percentages applied to calculate the provision on a regular basis and makes adjustments as deemed necessary based on market circumstances.

The percentages applied at 31 December 2017, 2016 and 2015 are shown in the table below.

Loan Classification	Days of Arrears	ASAI Rate of Provisioning 2017	ASAI Rate of Provisioning 2016	ASAI Rate of Provisioning 2015
Standard	Current (No past due)	0.15%	0.55%	0.75%
Watch list.....	1-30	5%	5%	5%
Substandard	31-180	20%	20%	20%
Doubtful.....	181-365	75%	75%	75%
Loss.....	Above 365	100%	100%	100%

2. ACCOUNTING POLICIES (Continued)

2.4 Significant accounting judgments and estimates (Continued)

The Company determined the loan loss provisioning for standard loans at 0.15% in 2017 on no past due loans for each of the MFIs for the following reasons:

- PAR > 30 remained on comparable levels in all operating entities over the past year. Based on historical write-offs of loans, management has determined the provision rate for standard loans at 0.15%. The loan loss provision will be further evaluated in 2018 in combination with the adoption of IFRS 9. We refer to note 2.3.2 for the impact on the Company.
- ASA International has performed a thorough assessment of the actual portfolio at risk in each of the countries it operates in, and assessed a rate for standard loans of 0.15% as reasonable.
- A small percentage of the loans that are not yet overdue based on ageing but are in fact doubtful loans. Reasons for this are death cases, natural disasters, sickness or job loss, all resulting in the loss of income and inability to repay the loan. The Company assesses a 0.15% provision on this part of the loan portfolio necessary to account for these credit losses based on back testing.
- Back testing procedures are being applied to reassess the provisioning rates which calculates historical write-offs compared to total disbursement made and in addition full write-off of any outstanding loans overdue for more than 180 days.
- Having commenced operations in Asia and Africa since 2008, staff of the MFIs owned and controlled by The Company have gained knowledge and experience of their local operating markets.

In case of regulatory announcements from government bodies regarding incidental circumstances like rescheduling due to the impact of demonetization or natural disasters, the loan loss provision will be calculated initially on the basis of normal ageing as explained above. Thereafter the loan loss provision can be adjusted on the basis of probable loss events or subsequent improvement in ageing while considering managements judgment.

The Company also has access to the knowledge and expertise of ASA of Bangladesh, the Company's primary microfinance services provider, which has well over 30 years of experience in the microfinance industry. The credit methodologies and operating procedure developed by ASA are applied in the subsidiaries of the Company adjusted to local circumstances, if necessary, and these MFIs have access to the knowledge and data of ASA Bangladesh, including knowledge and experience on the assessment of the actual portfolio at risk.

Business Correspondence and Partnership Models

The portfolio's under the BC and Partnership models in ASAI India are recognised on the statement of financial position when the agreed exposure to credit risk on these portfolio's exceeds expected credit risk. The Company performs a sensitivity analysis to estimate the expected credit risk considering various adverse situations in India, probability of occurrence for these situations and three scenario's (optimistic, realistic and pessimistic) for the estimated write-offs for each situation. Based on this analysis the portfolio's for MAS, Reliance and IDBI are recognised on the statement of financial position, while the portfolio for IDFC is not recognised on the balance sheet due to a limited credit risk.

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has access to resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.5 Prior year errors

The following items of the cash flow statement have been restated in order to align with the requirement of IAS 7:

- The exchange differences arising from retranslation of foreign operation which were previously disclosed as a cash flow item have been reallocated to their respective cash flow movements such that an amount remains as net exchange difference on cash and cash equivalent.

2. ACCOUNTING POLICIES (Continued)

2.5 Prior year errors (Continued)

- Interest received and interest paid which form part of cash flows from operating activities have been added as an additional disclosure on the statement of cash flows.
- Credit loss arising on BC model which is non cash item has been added back to profit before tax to arrive at the cash flow from operating activities.
- Amounts for due from banks have been classified as operating activities.
- The movement in debts and borrowings have been analysed further between proceeds and payments on borrowings on the face of the cash flow statements.
- In arriving at the cash and cash equivalent figures, restricted balances have been excluded.

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 and Rwanda
- 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.

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 2015, 2016 and 2017.

3. SEGMENT INFORMATION (Continued)

The following tables present operating income and profit information for the Group's operating segments for 2017.

As at 31 December 2017	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Eliminations	Consolidated
External interest and similar income.....	31,084,112	8,913,922	46,775,702	20,397,861	4,960	107,176,557	—	107,176,557
Inter-segment interest income.....	—	—	—	—	3,710,371	3,710,371	(3,710,371)	—
External interest expense	(2,342,667)	(275,259)	(12,927,479)	(2,636,945)	(2,921,155)	(21,103,505)	—	(21,103,505)
Inter-segment interest expense.....	(670,315)	(1,327,270)	(1,156,839)	(555,943)	(4)	(3,710,371)	3,710,371	—
Net interest income	28,071,130	7,311,393	32,691,384	17,204,973	794,172	86,073,052	—	86,073,052
External other operating income.....	1,727,955	914,027	1,123,187	3,053,535	45,199	6,863,903	(11,088)	6,852,815
Inter-segment other operating income	—	—	—	—	14,746,509	14,746,509	(14,746,509)	—
Other inter-segment expense	—	—	(66,251)	(1,912,862)	—	(1,979,113)	1,979,113	—
Total operating income.....	29,799,085	8,225,420	33,748,320	18,345,646	15,585,880	105,704,351	(12,778,484)	92,925,867
Credit loss expense	92,214	(169,517)	215,227	158,968	—	296,892	(337,899)	(41,007)
Net operating income.....	29,891,299	8,055,903	33,963,547	18,504,614	15,585,880	106,001,243	(13,116,383)	92,884,860
Personnel expenses	(7,788,965)	(4,139,661)	(8,099,878)	(7,213,725)	(1,085,420)	(28,327,649)	—	(28,327,649)
Exchange rate differences	(78,047)	(104,082)	(826,674)	65,579	(285,988)	(1,229,212)	—	(1,229,212)
Other operating expenses.....	(5,079,486)	(2,260,975)	(4,514,445)	(6,015,015)	(2,093,058)	(19,962,979)	11,088	(19,951,891)
Tax expenses.....	(5,368,459)	(554,137)	(4,969,969)	(1,706,232)	(1,473,271)	(14,072,068)	—	(14,072,068)
Segment profit.....	11,576,342	997,048	15,552,581	3,635,221	10,648,143	42,409,335	(13,105,295)	29,304,040
Total assets	73,715,921	24,749,930	213,242,930	82,542,942	113,821,423	508,073,146	(88,716,658)	419,356,488
Total liabilities.....	48,104,685	18,224,587	174,139,335	66,811,894	68,733,638	376,014,139	(39,640,002)	336,374,137

Explanation: Segment profit is net profit after tax

3. SEGMENT INFORMATION (Continued)

The following tables present operating income and profit information for the Group's operating segments for 2016.

As at 31 December 2016	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Eliminations	Consolidated
External interest and similar income.....	25,758,329	5,302,543	28,593,154	21,600,924	1,207	81,256,157	—	81,256,157
Inter-segment interest income.....	—	—	—	—	3,060,679	3,060,679	(3,060,679)	—
External interest expense	(2,050,521)	(73,538)	(4,116,938)	(2,778,869)	(2,154,926)	(11,174,792)	—	(11,174,792)
Inter-segment interest expense.....	(764,114)	(968,108)	(967,176)	(362,860)	—	(3,062,258)	3,062,258	—
Net interest income	22,943,694	4,260,897	23,509,040	18,459,195	906,960	70,079,786	1,579	70,081,365
External other operating income.....	1,473,122	698,989	599,767	2,764,956	—	5,536,834	—	5,536,834
Inter-segment other operating income	—	—	—	—	13,422,934	13,422,934	(13,422,934)	—
Other inter-segment expense	—	—	(37,871)	(1,843,605)	—	(1,881,476)	1,881,476	—
Total operating income.....	24,416,816	4,959,886	24,070,936	19,380,546	14,329,894	87,158,078	(11,539,879)	75,618,199
Credit loss expense	(191,174)	(159,781)	(1,438,458)	(389,588)	—	(2,179,001)	337,900	(1,841,101)
Net operating income.....	24,225,642	4,800,105	22,632,478	18,990,958	14,329,894	84,979,077	(11,201,979)	73,777,098
Personnel expenses	(6,843,476)	(2,703,636)	(7,168,770)	(7,791,050)	(821,426)	(25,328,358)	—	(25,328,358)
Exchange rate differences	(9,731)	(13,190)	(47,159)	(267,958)	(1,632,372)	(1,970,410)	—	(1,970,410)
Other operating expenses.....	(5,106,171)	(1,446,509)	(3,189,886)	(8,201,614)	(2,089,247)	(20,033,427)	10,810	(20,022,617)
Tax expenses.....	(3,978,556)	(102,631)	(4,039,052)	(1,334,816)	(1,659,785)	(11,114,840)	—	(11,114,840)
Segment profit.....	8,287,708	534,139	8,187,611	1,395,520	8,127,064	26,532,042	(11,191,169)	15,340,873
Total assets	52,637,462	14,825,219	102,840,149	76,565,426	98,033,002	344,901,258	(86,790,791)	258,110,467
Total liabilities.....	33,378,711	9,464,403	76,850,906	61,120,851	55,389,788	236,204,659	(45,547,188)	190,657,471

Explanation: Segment profit is net profit after tax

3. SEGMENT INFORMATION (Continued)

The following tables present operating income and profit information for the Group's operating segments for 2015.

As at 31 December 2015	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Eliminations	Consolidated
External interest and similar income....	20,424,172	2,273,669	19,079,024	17,518,257	147,521	59,442,643	—	59,442,643
Inter-segment interest income.....	—	—	—	—	2,505,597	2,505,597	(2,505,597)	—
External interest expense	(601,567)	(16,702)	(1,479,765)	(1,547,665)	(852,620)	(4,498,319)	—	(4,498,319)
Inter-segment interest expense.....	(616,051)	(492,459)	(707,223)	(694,527)	4,663	(2,505,597)	2,505,597	—
Net interest income	19,206,554	1,764,508	16,892,036	15,276,065	1,805,161	54,944,324	—	54,944,324
External other operating income	1,159,783	400,179	330,544	2,514,881	249,028	4,654,415	(152,898)	4,501,517
Inter-segment other operating income .	—	—	—	—	13,334,508	13,334,508	(13,334,508)	—
Other inter-segment expense	—	—	—	(1,655,400)	2	(1,655,398)	1,655,398	—
Total operating income.....	20,366,337	2,164,687	17,222,580	16,135,546	15,388,699	71,277,849	(11,832,008)	59,445,841
Credit loss expense	(125,531)	(52,680)	(311,879)	(177,915)	—	(668,005)	—	(668,005)
Net operating income	20,240,806	2,112,007	16,910,701	15,957,631	15,388,699	70,609,844	(11,832,008)	58,777,836
Personnel expenses	(5,613,665)	(1,430,142)	(4,826,262)	(6,574,840)	(771,846)	(19,216,755)	—	(19,216,755)
Exchange rate differences	(129,704)	(53,197)	(575,441)	(38,232)	(783,134)	(1,579,708)	—	(1,579,708)
Other operating expenses.....	(4,276,391)	(812,386)	(2,291,973)	(4,879,577)	(2,005,550)	(14,265,877)	70,339	(14,195,538)
Tax expenses.....	(3,106,221)	—	(3,029,034)	(1,014,713)	(1,498,806)	(8,648,774)	—	(8,648,774)
Segment profit.....	7,114,825	(183,718)	6,187,991	3,450,269	10,329,363	26,898,730	(11,761,669)	15,137,061
Total assets	49,969,465	9,740,430	64,338,951	59,815,562	80,409,242	264,273,650	(69,878,108)	194,395,542
Total liabilities.....	34,814,070	6,354,051	40,221,094	44,500,855	41,813,043	167,703,113	(35,783,527)	131,919,586

Explanation: Segment profit is net profit after tax

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	2017 USD	2016 USD	2015 USD
Interest income on loans and advances to customers.....		98,999,329	76,808,276	56,667,967
Interest income from clients from BC Model (ASAI India)		3,554,151	1,045,963	—
Interest income on short term deposits		1,673,318	808,943	578,037
Amortization of loan processing fees		2,942,213	2,590,997	2,054,285
Other interest income.....		7,546	1,978	142,354
		107,176,557	81,256,157	59,442,643

5. INTEREST AND SIMILAR EXPENSE

Included in interest and similar expense are accruals for interest payments to customers and other charges from banks.

	Notes	2017 USD	2016 USD	2015 USD
Interest expenses on loans.....		(18,392,180)	(9,560,066)	(3,765,754)
Interest expense on security deposits & others		(1,589,852)	(1,105,291)	(732,565)
Commitment- and processing fees.....		(29,131)	(150,828)	—
Amortisation forward points of forward contracts.....	31.2	(1,092,342)	(358,607)	—
		(21,103,505)	(11,174,792)	(4,498,319)

6. OTHER OPERATING INCOME

	Notes	2017 USD	2016 USD	2015 USD
Members admission fees.....		1,257,883	1,139,677	1,035,578
Document fees		661,555	225,243	119,731
Proceeds from sale of pass books		173,124	184,309	99,925
Income on Death and Multipurpose risk funds		3,126,763	2,449,577	1,630,486
Service fees income from BC Model (ASAI India).....	12.	663,113	234,173	—
Distribution fee MBA Philippines		353,977	314,241	292,405
Government grants.....		49,872	456,224	998,078
Other		566,528	533,390	325,314
		6,852,815	5,536,834	4,501,517

The government grant relates to a total grant agreement of USD 2.0 million with UNCDF for the set-up of a greenfield microfinance institution in Myanmar. Out of this grant agreement, the last portion of USD 49,872 was received in 2017 (2016: USD 456,224, 2015: USD 998,078) and the related milestones were achieved.

Other includes several small items that are smaller than USD 50,000 on an individual basis.

6. OTHER OPERATING INCOME (Continued)

6.1 Credit Loss Expense

	Notes	2017	2016	2015
		USD	USD	USD
Customer credit loss recovered/(expense)	12.1	12,711	(1,241,158)	(572,459)
Credit loss (recovered)/expensed on BC model.....	12.2	(228)	114,327	—
Other credit loss expense		<u>(53,490)</u>	<u>(714,270)</u>	<u>(95,546)</u>
		<u>(41,007)</u>	<u>(1,841,101)</u>	<u>(668,005)</u>

Other credit loss includes provision against interest receivable from customers and BC portfolio which are off book. And in some cases expenses for early settlement of customers loan.

7. PERSONNEL EXPENSES

Personnel expenses include total base salary expenses and employee benefit plans:

	Notes	2017	2016	2015
		USD	USD	USD
Personnel expenses		(26,813,660)	(23,106,835)	(17,644,269)
Defined contribution plans.....		(1,307,621)	(1,787,593)	(1,326,615)
Defined benefit plans	7.2	<u>(206,368)</u>	<u>(433,930)</u>	<u>(245,871)</u>
		<u>(28,327,649)</u>	<u>(25,328,358)</u>	<u>(19,216,755)</u>

7.1 Retirement benefit liability

		2017	2016	2015
		USD	USD	USD
Retirement benefit liability beginning of the period		1,074,355	796,657	717,137
Payments made during the year		(153,890)	(234,959)	(35,534)
Charge for the year	7.2	206,368	433,930	245,871
Actuarial gains and losses on defined benefit liabilities PPLCI and ASAI India (OCI).....		12,004	(2,559)	(32,552)
Disposal of subsidiaries	27.4	(192,209)	—	—
Foreign exchange differences		<u>(3,326)</u>	<u>81,286</u>	<u>(98,265)</u>
Retirement benefit liability end of the period		<u>943,302</u>	<u>1,074,355</u>	<u>796,657</u>

ASAI India, ASA Pakistan, Lak Jaya and PPLCI 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, PPLCI and Lak Jaya are maintained by the entity itself and no plan assets have been established separately. The funds for the plan of ASAI India is being maintained with Life Insurance Corporation of India and the entity's obligation is determined by actuarial valuation. The assumptions considered for the valuations are disclosed in note 2.2.12.1. There are no other post retirement benefit plans available to the employee of the Group.

The expected contributions to the defined benefit plans for 2018 amount to USD 431,497 (2017: USD 283,801, 2016: USD 381,770).

7. PERSONNEL EXPENSES (Continued)

7.2 Charge for the year for retirement benefit liability

	2017	2016	2015
	USD	USD	USD
Current service cost for the year	117,995	396,815	205,797
Interest cost for the year	76,594	50,149	40,074
Impact from change in assumptions (see note 2.2.12)	11,779	(13,034)	—
	206,368	433,930	245,871

7.3 Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017, 2016, 2015 is shown below.

Assumptions Sensitivity level	Discount rate		Future salary increase	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
Impact on defined benefit obligation				
2017	(92,789)	106,637	107,322	(94,720)
2016	(66,720)	35,619	78,475	(74,660)
2015	(27,240)	32,335	45,642	(41,029)

8. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	Notes	2017	2016	2015
		USD	USD	USD
Administrative expenses	8.1	(15,865,208)	(16,520,293)	(10,943,963)
Professional fees	8.2	(2,619,397)	(2,267,843)	(2,350,283)
Impairment loss	8.3	(25,252)	(269,994)	—
Miscellaneous		(242,673)	(199,454)	(225,623)
International travel		(257,072)	(103,427)	(68,813)
		(19,009,602)	(19,361,011)	(13,588,682)

8.1 Administrative expenses

	2017	2016	2015
	USD	USD	USD
Rent	(2,840,772)	(2,482,991)	(1,982,363)
Office expenses	(2,276,982)	(2,089,277)	(1,711,883)
Transport and representation expenses	(4,582,657)	(4,268,185)	(3,247,959)
Gas, water and electricity	(904,278)	(751,913)	(559,331)
Telecommunications and internet expenses	(620,841)	(499,436)	(364,839)
VAT/ Output tax/ Service tax	(1,237,839)	(3,430,087)	(786,805)
Bank charges	(512,870)	(426,511)	(332,354)
Other administrative expenses	(2,888,969)	(2,571,893)	(1,958,429)
	(15,865,208)	(16,520,293)	(10,943,963)

8. OTHER OPERATING EXPENSES (Continued)

8.1 Administrative expenses (Continued)

Other administrative expenses include several small items that are smaller than USD 200,000 on an individual basis.

8.2 Professional fees

	2017	2016	2015
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Technical assistance fees to ASA (TSP)	(1,182,187)	(1,135,783)	(1,117,567)
Legal services fees	(253,799)	(235,274)	(165,572)
Audit fees	(504,034)	(358,633)	(362,448)
Others	(679,377)	(538,153)	(704,696)
	<u>(2,619,397)</u>	<u>(2,267,843)</u>	<u>(2,350,283)</u>

8.3 Impairment loss

	2017	2016	2015
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Impairment of Hyperion Enterprise consolidation software	—	(137,917)	—
Impairment of dividend receivable Seilanithih	—	(132,077)	—
Impairment of receivable from related parties	(25,252)	—	—
	<u>(25,252)</u>	<u>(269,994)</u>	<u>—</u>

9. EXCHANGE RATE DIFFERENCES

The Company incurred certain foreign exchange losses on monetary assets denominated in currencies other than the Company's functional currency.

	2017	2016	2015
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Foreign currency losses	(2,003,447)	(3,010,969)	(2,933,361)
Foreign currency gains	774,235	1,040,559	1,353,653
	<u>(1,229,212)</u>	<u>(1,970,410)</u>	<u>(1,579,708)</u>

10. INCOME TAX AND WITHOLDING TAX EXPENSE

	2017	2016	2015
	<u>USD</u>	<u>USD</u>	<u>USD</u>
INCOME TAX EXPENSE			
Current income tax	(14,170,024)	(9,615,039)	(7,453,908)
Income tax for previous years	1,164,023	(388,321)	(636,532)
Changes in deferred income tax	186,223	272,481	651,894
	<u>(12,819,778)</u>	<u>(9,730,879)</u>	<u>(7,438,546)</u>

10. INCOME TAX AND WITHHOLDING TAX EXPENSE (Continued)

10.1 Current tax liability

	2017	2016	2015
	USD	USD	USD
Balance as at beginning of period	3,437,066	4,480,214	3,907,638
Tax charge during the year	13,006,001	10,003,361	7,438,546
Tax paid	(12,057,395)	(10,536,644)	(7,245,204)
Disposal of subsidiaries 27.4	(156,231)	—	—
Foreign exchange adjustment	(388,103)	(509,865)	(320,332)
Balance as at end of period	<u>3,841,338</u>	<u>3,437,066</u>	<u>4,480,214</u>

10.2 Deferred tax assets

	Notes	2017	2016	2015
		USD	USD	USD
Balance as at beginning of period		1,354,041	1,077,480	340,716
Charge during the year		223,795	279,032	745,259
Disposal of subsidiaries		(67,095)	—	—
Foreign exchange adjustment		16,653	(2,471)	(8,495)
Balance as at end of period		<u>1,527,394</u>	<u>1,354,041</u>	<u>1,077,480</u>

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.

10.3 Deferred tax liability

	2017	2016	2015
	USD	USD	USD
Balance as at beginning of period	32,884	40,899	36,126
Charge during the year	37,572	6,601	7,733
Foreign exchange adjustment	(10,031)	(14,616)	(2,960)
Balance as at end of period	<u>60,425</u>	<u>32,884</u>	<u>40,899</u>

Deferred tax relates to:	Deferred tax assets	Deferred tax liabilities	Income statement	Deferred tax assets	Deferred tax liabilities	Income statement
	2017	2017	2017	2016	2016	2016
	USD	USD	USD	USD	USD	USD
Loan Loss Provision	407,408	54,929	(329,162)	765,377	43,328	494,355
Provision for retirement liabilities ...	315,247	—	37,177	278,070	—	44,882
Revaluation of cash flows hedge	29,021	—	(39,428)	68,449	—	68,449
Provision on FX loss	638,630	—	607,020	31,611	—	(590,917)
Other temporary differences	137,088	5,496	(89,384)	210,534	(10,445)	255,711
	<u>1,527,394</u>	<u>60,425</u>	<u>186,223</u>	<u>1,354,041</u>	<u>32,883</u>	<u>272,481</u>

10. INCOME TAX AND WITHHOLDING TAX EXPENSE (Continued)

10.3 Deferred tax liability (Continued)

Deferred tax relates to:	Deferred tax assets	Deferred tax liabilities	Income statement
	2015	2015	2015
	USD	USD	USD
Provisions of LLP	278,070	50,375	699,566
Provision for retirement liabilities	233,188	—	—
Provision on FX loss	622,528	—	—
Other temporary differences	(47,827)	(6,516)	(47,672)
	1,085,959	43,859	651,894

10.4 Reconciliation of the total tax charge

	2017	2016	2015
	USD	USD	USD
Accounting result before tax	43,376,108	26,455,713	23,785,835
Income tax expense at nominal rate of consolidated entities	(13,864,008)	(8,534,592)	(7,314,046)
Over/ (under) provision for income tax previous years	1,164,023	(388,322)	(636,532)
Non allowable expenses	1,332,077	552,998	808,692
Exempt income	(1,260,851)	(1,166,391)	(147,308)
Other permanent differences	(191,019)	(194,572)	(149,353)
Total income tax expense for the period	(12,819,778)	(9,730,879)	(7,438,547)
Weighted average nominal rate of consolidated entities	32%	32%	28%
Consolidated effective tax rate	30%	37%	31%

10.5 WITHHOLDING TAX EXPENSE

	2017	2016	2015
	USD	USD	USD
Withholding tax on interest income, dividend, royalties and service fees	(1,252,290)	(1,383,961)	(1,210,228)
Total withholding tax expense	(1,252,290)	(1,383,961)	(1,210,228)

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.

11. CASH AT BANK AND IN HAND

	2017	2016	2015
	USD	USD	USD
Cash in bank	93,189,797	38,986,905	35,290,564
Cash in hand	62,196	50,198	101,110
	93,251,993	39,037,103	35,391,674

An amount of USD 13,420,471 (2016: USD 11,352,146, 2015: USD 9,449,975) of cash in bank in the Philippines is restricted as per local 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.

12. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are net of provision for credit loss.

	Notes	2017	2016	2015
		USD	USD	USD
Loan portfolio		281,495,211	199,278,374	148,623,314
Provision for credit loss	12.1	(1,210,439)	(2,042,250)	(1,166,713)
Interest receivable on loans to customers		2,192,373	1,660,216	1,325,713
Provision for overdue interest receivable on loans from customers		(37,079)	(193,225)	(144,044)
Unamortized processing fee.....		(2,495,034)	(924,172)	(744,805)
Loan portfolio Reliance, IDBI and MAS Fin. Services (ASAI India)		17,946,610	5,322,513	—
Provision for credit loss Reliance, IDBI and MAS Fin. Services (ASAI India).....		(110,655)	(117,837)	—
Net loan portfolio		297,780,987	202,983,619	147,893,465

Interest receivable on loans to customers is realisable in line with the loan repayment schedules.

During 2016 and 2017 ASAI India started to operate as Business Correspondent (“BC”) for three BC Partners and one Partner: Reliance Capital, IDBI, MAS and IDFC bank (the “BC model”). ASAI India operates as agent in a pass-through arrangement, whereby ASAI 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 ASAI India and ASAI India collects the interest and repayments from the borrowers on behalf of the BC Partners. In exchange for these services, ASAI India receives service fees and processing fees. The loans to borrowers of IDFC and related funding are not recognised on the balance sheet since ASAI 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 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 portfolio’s are presented in line with its own portfolio. Under the agreements with the BC Partners, ASAI India is liable for payment of non-performing loans, which is regarded as a financial guarantee. This liability for IDFC is reported under Other liabilities in note 23. This liability for the other three BC Partners is deducted from the related loan portfolio. This liability is based on ASAI’s loan loss provision policy as explained in note 2.4 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 6.1. ASAI India provided security deposits to the BC partners as collateral for the financial guarantees provided. These security deposits are reported under

12. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Due from banks. Other receivables and payables related to the BC model are reported under Other assets and Other liabilities. The outstanding loans to borrowers under the BC model which are not recognised on the balance sheet as at 31-12-2017 amounted to USD 15.3 million (31-12-2016: USD 4.9 million, 31-12-2015: USD 0 million).

12.1 Provision for credit loss

	Notes	2017	2016	2015
		USD	USD	USD
Balance as at beginning of the year		2,042,250	1,166,713	872,323
Credit loss expense	6.	(12,711)	1,241,158	572,459
Disposal of subsidiaries	27.4	(346,485)	—	—
Exchange rate differences		(16,226)	(89,547)	(58,136)
Write-off of loans		(456,389)	(276,074)	(219,933)
Provision for credit loss at end of the year		1,210,439	2,042,250	1,166,713

12.2 Provision for credit loss BC portfolio

	Notes	2017	2016	2015
		USD	USD	USD
Balance as at beginning of the year		117,837	—	—
Credit loss expense	6.	(228)	114,327	—
Exchange rate differences		(6,954)	3,510	—
Provision for credit loss at end of the year		110,655	117,837	—

Due to the effects of the demonetization announcement in November 2016 in India, PAR>30 of ASAI India rose to 19.6% at 31 December 2016 as clients were unable to use invalidated rupee banknotes to pay their instalments. To address this issue, the RBI approved rescheduling of overdue loans for seven weeks resulting in a PAR>30 of 0.1%. However, the PAR>30 rate of 9.1% as at 15 March 2017 without considering the restructuring was used to determine the loan loss provision as at 31-12-2016 as it was the confirmation of the subsequent improvement of the overdue loans. During 2017 PAR>30 of ASAI India returned to a normal level.

13. FINANCIAL INSTRUMENTS HELD TO MATURITY

	2017	2016	2015
	USD	USD	USD
Financial instrument held to maturity (Samic)	—	19,220	19,220
	—	19,220	19,220

The financial instrument held to maturity relates to Samic which was transferred to CMI during the year.

14. AVAILABLE FOR SALE INVESTMENTS

	2017	2016	2015
	USD	USD	USD
MFX Solutions, LLC	200,000	—	—
	200,000	—	—

The Company 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 available for sale and valued at fair value. The fair value has been classified as level 2.

15. 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.

	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	Furniture & fixtures	Vehicles	Office equipment including IT	Buildings	Total	Furniture & fixtures	Vehicles	Office equipment including IT	Land & Buildings	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cost at the beginning of the year	1,114,761	433,772	3,411,248	1,639,761	6,599,542	958,828	407,602	3,037,529	1,690,014	6,093,973
Accum. depreciation at the beginning of the year	(739,933)	(211,133)	(2,241,317)	(108,673)	(3,301,056)	(645,663)	(186,693)	(2,047,109)	(72,641)	(2,952,106)
Carrying value at the beginning of the year	374,828	222,639	1,169,931	1,531,088	3,298,486	313,165	220,909	990,420	1,617,373	3,141,867
Additions during the year at cost	311,541	—	2,092,886	4,241	2,408,668	279,895	90,840	611,815	3,351	985,901
Deconsolidation due to transfer of CMII incl. Samic	(113,220)	(82,195)	(181,340)	(743,513)	(1,120,268)	—	—	—	—	—
Disposal during the year	(163,939)	(99,174)	(366,223)	(6,411)	(635,747)	(123,962)	(64,670)	(238,096)	(53,604)	(480,332)
Depreciation during the year	(179,700)	(58,609)	(685,525)	(18,455)	(942,289)	(175,196)	(75,620)	(372,780)	(38,009)	(661,605)
Deconsolidation due to transfer of CMII incl. Samic	39,842	36,868	44,658	70,411	191,779	—	—	—	—	—
Adjustment of depreciation for disposals	114,456	82,195	364,605	—	561,256	205	36,782	73,205	—	110,192
Foreign currency adjustment	34,532	8,966	76,689	125	120,312	80,721	14,398	105,367	1,977	202,463
Carrying value at the end of the year	418,340	110,690	2,515,681	837,486	3,882,197	374,828	222,639	1,169,931	1,531,088	3,298,486
Cost at the end of the year	1,149,143	252,403	4,956,571	894,078	7,252,195	1,114,761	433,772	3,411,248	1,639,761	6,599,542
Accumulated depreciation at the end of the year	(730,803)	(141,713)	(2,440,890)	(56,592)	(3,369,998)	(739,933)	(211,133)	(2,241,317)	(108,673)	(3,301,056)
Carrying value at the end of the year	418,340	110,690	2,515,681	837,486	3,882,197	374,828	222,639	1,169,931	1,531,088	3,298,486

15. PROPERTY AND EQUIPMENT (Continued)

	2015	2015	2015	2015	2015
	Furniture & fixtures	Vehicles	Office equipment including IT	Land & Buildings	Total
	USD	USD	USD	USD	USD
Cost at the beginning of the year	814,479	364,413	2,893,287	1,717,663	5,789,842
Accum. depreciation at the beginning of the year...					(2,729,397)
	(526,868)	(124,035)	(2,060,034)	(18,460)	
Carrying value at the beginning of the year	287,611	240,378	833,253	1,699,203	3,060,445
Additions during the year at cost	210,714	92,946	499,723	18,920	822,303
Disposal during the year	(66,365)	(49,757)	(355,482)	(46,570)	(518,174)
Depreciation during the year.....	(156,182)	(73,058)	(322,760)	(54,856)	(606,856)
Adjustment of depreciation for disposals.....	(483)	6	271,212	—	270,735
Foreign currency adjustment	37,870	10,394	64,473	676	113,413
Carrying value at the end of the year	313,165	220,909	990,419	1,617,373	3,141,866
Cost at the end of the year	958,828	407,602	3,037,528	1,690,013	6,093,971
Accumulated depreciation at the end of the year					(2,952,105)
	(645,663)	(186,693)	(2,047,109)	(72,640)	
Carrying value at the end of the year	313,165	220,909	990,419	1,617,373	3,141,866

16. OTHER ASSETS

The other assets comprise of the following:

	Notes	2017	2016	2015
		USD	USD	USD
Receivables from related parties.....	16.1	315,654	168,807	165,745
Prepayments.....		2,955,148	2,228,933	1,755,507
Employee advances		1,201,566	919,743	641,319
Advance income tax		605,328	351,595	411,549
Security deposit		84,469	66,235	51,677
Fair value of forward contracts.....	31.2	781,779	316,687	—
Receivables under BC model (ASAI India).....	12.	420,136	87,712	—
Other		675,668	674,364	508,825
Interest receivable on due from banks		349,936	117,780	58,435
		7,389,684	4,931,856	3,593,057

Prepayments and employee advances are in line with housing contracts, funding agreements and employee receivables. Advance income tax will be set off against current tax payable after completion of the tax assessment. The fair value hierarchy of forward contracts is considered as level 2.

16. OTHER ASSETS (Continued)

16.1 Receivables from related parties

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Receivable from CMI by ASAI NV	15,692	165,695	165,745
Receivable from ASA by ASAIH	58,822	—	—
Receivable from ASAICH by ASAIH	87,053	—	—
Receivable from CMIH by ASAIH	154,087	—	—
Receivable from CMI by ASAIH	—	3,112	—
	315,654	168,807	165,745

The receivables from related parties are short term in nature and do not accrue interest.

17. GOODWILL

Goodwill arose from the acquisition of Lak Jaya by CMI Lanka in 2008 and the acquisition of CMII in 2014.

	Notes	2017	2016	2015
		<i>USD</i>	<i>USD</i>	<i>USD</i>
Balance at 1 January		125,109	126,850	131,009
Disposal of subsidiaries	27.4	(84,421)	—	—
Foreign exchange adjustment during the year		(843)	(1,741)	(4,159)
Balance at 31 December		39,845	125,109	126,850

Due to the transfer of CMII incl. Samic to CMI, goodwill decreased by USD 84,421 during 2017. For the years 2015, 2016 and 2017, 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) good quality of the loan portfolio; and (iii) improvement in the regulatory status of Lak Jaya, the subsidiary of CMI Lanka.

18. ISSUED CAPITAL

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
3,627,349 Ordinary shares of USD 10 each (2016: 3,627,349, 2015: 3,627,349)	36,273,490	36,273,490	36,273,490
	36,273,490	36,273,490	36,273,490
Movements in issued/ authorised capital			
Shares at the beginning of the year	3,627,349	3,627,349	4,627,349
Buyback of shares	—	—	(1,000,000)
Shares at the end of the year	3,627,349	3,627,349	3,627,349

On 30 June 2015, the Company made a distribution to its shareholders of USD 10 million by way of a share buyback.

19. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	Note	2017	2016	2015
		<i>USD</i>	<i>USD</i>	<i>USD</i>
Balance beginning of the year		50,765,538	40,161,690	24,860,395
Actuarial gains and losses on defined benefit liabilities PPLCI and ASAI India		(12,004)	2,559	32,552
Deconsolidation due to transfer of CMII incl. Samic		923,882	—	—
(Loss)/ gain on transfer of shares in ASAI India with IDFC.		(155,105)	—	351,886
Hedge accounting reserve	31.2	(19,600)	(54,598)	—
Other comprehensive income		77,215	(6,183)	(23,500)
Dividend paid.....		(9,259,490)	(4,541,134)	—
Result for the year		<u>29,000,883</u>	<u>15,203,204</u>	<u>14,940,357</u>
Balance end of the year		<u>71,321,319</u>	<u>50,765,538</u>	<u>40,161,690</u>
Profit for the year				
Attributable to equity holders of the parent		29,000,883	15,203,204	14,940,357
Non-controlling interest.....		<u>303,157</u>	<u>137,669</u>	<u>196,704</u>
		<u>29,304,040</u>	<u>15,340,873</u>	<u>15,137,061</u>

Part of retained earning relates to NGOs which are consolidated in these historical financial information of the Group. The retained earnings of these NGOs cannot be distributed to their respective members. Retained earnings relating to NGOs amounted to USD 10,768,293 at 31 December 2017 (2016: USD 8,466,7680, 2015: USD 6,460,860).

ASA S&L, ASAI India, ASHA Nigeria and Samic have statutory requirements to add a percentage of the net profits to a legal reserve. Therefore part of the retained earnings cannot be distributed to its shareholders. Retained earnings relating to these legal reserves amounted to USD 2,072,617 in December 2017 (2016: USD 1,710,657, 2015: USD 739,939).

20. 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:

	Notes	2017	2016	2015
		<i>USD</i>	<i>USD</i>	<i>USD</i>
Balance at 1 January		(22,117,714)	(16,707,706)	(12,729,654)
Translation of assets and liabilities of subsidiaries to USD		<u>(3,713,659)</u>	<u>(5,410,008)</u>	<u>(3,978,052)</u>
Balance at 31 December		<u>(25,831,373)</u>	<u>(22,117,714)</u>	<u>(16,707,706)</u>

21. DEBT ISSUED AND OTHER BORROWED FUNDS

		2017	2016	2015
		<i>USD</i>	<i>USD</i>	<i>USD</i>
Debt Issued and Other Borrowed Funds by Group				
Subsidiaries.....		200,400,638	81,145,736	45,956,168
Loan Bill and Melinda Gates Foundation (ASAIH)	21.1	20,000,000	20,000,000	20,000,000
Participation agreements Blue Orchard-managed funds (ASAIH)	21.2	9,500,000	9,500,000	10,000,000
Loan from Symbiotics-managed funds (ASAIH)	21.3	8,000,000	8,000,000	8,000,000
Loan from Oikocredit (ASAIH).....	21.4	5,000,001	6,666,667	2,500,000
Loan from Incofin CVBA (ASAIH)	21.5	5,000,000	5,000,000	—
Loan from OPIC (ASAIH)	21.6	20,000,000	5,000,000	—
Interest payable on third party loans		<u>2,563,556</u>	<u>1,397,824</u>	<u>779,681</u>
		<u>270,464,195</u>	<u>136,710,227</u>	<u>87,235,849</u>

21.1 ASA International entered into a USD 20 million subordinated loan agreement with the Bill and Melinda Gates Foundation (“Gates Foundation”) on 29 November 2007 (the “Gates Foundation Loan”). The term of the Gates Foundation Loan has been extended to the earlier of a) the date CMI distributes the IPO or sale proceeds to its investors and is wound up, or b) 31 December 2019. The Gates Foundation Loan shall be solely used by the Company to make local currency loans to its MFIs in certain qualified countries, which are majority owned or controlled by the Company (“Local Loans”). All funds under the Gates Foundation Loan are received from the Gates Foundation by the Company in a segregated account. Upon approval by the Gates Foundation of the disbursement of a Local Loan by ASA International to any of its subsidiaries, the relevant amount will be transferred from the segregated account to the pooling account established for purposes of such country. The funds will then be transferred from the pooling account to the account of the relevant company. The MFIs shall pay to the Company a market conform interest on the Local Loans. The Company shall pay interest at the rate of 2% per annum to the Gates Foundation for any loan proceeds that are disbursed from the segregated account to the pooling account. The foreign currency risk of the local currency loans is shared between the Gates Foundation and the Company whereby the Gates Foundation’s share in the foreign currency risk increases as the returns generated by CMI fall below agreed levels. However, if the Internal Rate of Return (IRR) of ASAI at maturity exceeds 10%, any currency losses will be fully borne by ASAI. As from 31 December 2011 USD 20 million was disbursed from the same total facility, which was applied by ASA International towards its subsidiaries.

21.2 ASAI entered into three participation agreements with MIFA — a fund managed by BlueOrchard (“MIFA”) - pursuant where to ASAI sold and assigned the interest in its shareholder loans to ASA Pakistan for a total amount of USD 10m (“Participation Agreements”). All instalments and interest under the Shareholders loans are paid by ASA Pakistan to ASAI and from ASAI to MIFA, whereby ASAI is only acting as a pass-through. In case of default under the Participation Agreements, which shall not have been remedied within 30 calendar days after the occurrence thereof and ASAI not having met the payment obligation towards MIFA (in respect of the underlying payments on the shareholder loans by ASA Pakistan) MIFA shall have the right to deliver a Put Event Notice. In case of such Put Event Notice the principal amount outstanding under the shareholders loans together with any accrued and unpaid interest shall be due and payable to MIFA. The interest rate is LIBOR USD 12m plus 4,5%. Repayments will be USD 4.5 million in 2018 and USD 5.0 million in 2020.

21.3 ASAI entered into loan agreements with four investment funds managed by Symbiotics SA on 12 November 2015 for a total amount of USD 8 million (the “Symbiotics loans”). Interest on the Symbiotics loans amounts to 6% per annum. The term of each of the Symbiotics loans is three years.

21. DEBT ISSUED AND OTHER BORROWED FUNDS (Continued)

21.4 ASAI entered into an agreement with Oikocredit on 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 direct loan amount of USD 7.5 million was fully drawn in 2016 out of which USD 2.5 million was repaid as of 31 December 2017. Interest amounts to 6m Libor or 3,5% whichever is lower plus a margin of 3% for the direct loan and 2,5% for the credit line. The term of the Oikocredit loans is five years.

21.5 ASAI entered into an agreement with IIV-Mikrofinanzfonds LLC — an investment fund managed by INCOFIN CVBA on 1 June 2016 for a loan amount of USD 5 million. Interest amounts to 6.5% fixed per annum. The term of this loan is three years.

21.6 ASAI entered into an agreement with OPIC on 07 March 2016 for a loan amount of USD 20.0 million, of which USD 5 million was drawn as at 19-12-2016, USD 5 million was drawn on 03-07-2017 and another USD 10 million was drawn on 16-11-2017. Interest amounts to the US Treasury Constant Maturity Yield plus 4.25% per annum. The term of this loan is five years.

22. 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 full amount unless the client has fully repaid the outstanding loan balance.

	2017	2016	2015
	USD	USD	USD
Clients security deposits	41,114,768	30,821,377	33,237,026
Clients voluntary savings	12,063,735	9,247,491	597,215
Interest payable on deposits and savings	52,312	3,081	1,591
	53,230,815	40,071,949	33,835,832

Deposits are subject to 6% interest in Ghana and Nigeria (customers savings) and 15% on compulsory savings and 10% on voluntary savings in ASA Myanmar. The other countries collect only security deposits.

23.1 OTHER LIABILITIES

Other liabilities are as follows:

	Notes	2017	2016	2015
		USD	USD	USD
Security deposits		1,032,823	809,338	669,843
Other deposits		760,395	571,223	491,675
Deferred income		361,791	248,550	228,871
Accrued expenses		735,894	444,996	275,131
Accrued audit fees		433,754	362,279	293,255
Taxes payable, other than corporate income tax		1,453,899	1,012,129	1,186,861
Amount due to employees		1,106,198	974,494	863,239
Amount due to related parties		148,696	123,683	465,231
Liabilities under BC model (ASAI India)	12.	74,792	1,283,536	—
Fair value of forward contracts	31.2	111,484	313,963	—
Other liabilities		396,419	931,031	397,707
		6,616,145	7,075,222	4,871,813

23.1 OTHER LIABILITIES (Continued)

Security deposits mainly relate to deposits taken from employees as form of security. Other deposits relate to various smaller deposits in different countries. Deferred income mainly relates to liability for Death and Multipurpose risk funds which is described in Note 2.4. Other liabilities include various smaller accruals and provisions for various entities in the Company.

23.2 PROVISIONS

The movement in provisions during 2017, 2016 and 2015 is as follows:

	Provision for VAT (PPLCI)	Provision for financial guarantees under BC model (ASAI India)	Provision for WWF (ASA Pakistan)	Provisio n for service tax (AS AI India)	Total
At 1 January 2015	—	—	283,460	221,653	505,113
Arising during the year	—	—	171,177	52,545	223,722
Utilised.....	—	—	—	(32,451)	(32,451)
FX difference	—	—	(28,929)	(9,135)	(38,064)
At 31 December 2015	—	—	425,708	232,612	658,320
At 1 January 2016	—	—	425,708	232,612	658,320
Arising during the year	1,280,154	134,352	206,996	149,539	1,771,041
Utilised.....	—	—	—	(127,257)	(127,257)
FX difference	(54,348)	(1,482)	15,680	(6,186)	(46,336)
At 31 December 2016	1,225,806	132,870	648,384	248,708	2,255,768
At 1 January 2017	1,225,806	132,870	648,384	248,708	2,255,768
Arising during the year	1,688,874	4,237	—	581,038	2,274,149
Utilised.....	(2,027,023)	—	—	(506,633)	(2,533,656)
Release	—	(141,720)	(644,848)	—	(786,568)
FX difference	(11,768)	5,757	(3,536)	17,771	8,224
At 31 December 2017	875,889	1,144	—	340,884	1,217,917

Reference is made to note 2.4 for the provision for VAT (PPLCI). The provision for WWF relates to premiums for the Worker Welfare Fund in Pakistan.

24. ADDITIONAL CASH FLOW INFORMATION

24.1 Changes in operating assets

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Loans and advances to customers	(117,589,512)	(71,952,947)	(49,825,857)
Movement in due from banks	(9,094,374)	(3,406,762)	(2,504,054)
Movement in restricted cash	(2,068,325)	(1,902,171)	(1,680,013)
Other assets excluding income tax advances	(2,002,826)	(731,299)	(311,976)
	(130,755,037)	(77,993,179)	(54,321,900)

24. ADDITIONAL CASH FLOW INFORMATION (Continued)

24.2 Changes in operating liabilities

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Due to customers	15,347,921	10,021,515	9,083,416
Other liabilities	(355,517)	3,800,855	490,141
	<u>14,992,404</u>	<u>13,822,370</u>	<u>9,573,557</u>

24.3 Non-cash items included in the statement of comprehensive income

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Depreciation of property and equipment	942,290	661,581	606,856
Customer credit loss expense.....	41,007	1,841,101	668,005
Write-off of loans	456,389	276,074	219,933
Fair value of forward contracts.....	(465,092)	(316,687)	—
Defined benefit liability	206,368	433,930	245,871
Foreign exchange result	<u>1,229,212</u>	<u>1,970,410</u>	<u>1,579,708</u>
	<u>2,410,174</u>	<u>4,866,409</u>	<u>3,320,373</u>

24.4 Reconciliation of cash and cash equivalents

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Cash and cash equivalents	79,831,522	27,684,957	25,941,699
Restricted cash for LCBU in PPLCI	<u>13,420,471</u>	<u>11,352,146</u>	<u>9,449,975</u>
Cash at bank and in hand	<u>93,251,993</u>	<u>39,037,103</u>	<u>35,391,674</u>

25. RISK MANAGEMENT

25.1 General

Risk is inherent in the Company'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 Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is, amongst others, exposed to credit risk, market risk, liquidity risk, legal/regulatory and operating 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 Company's strategic planning process.

25.2 Risk Management Structure

The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. The Risk Committee was established by the Board in 2013. The Committee met three times in the year. The role of the Risk Committee is to oversee the overall risk appetite, risk tolerance and risk strategy of the Company. As part hereof, amongst others, it monitors and scrutinizes the

25. RISK MANAGEMENT (Continued)

25.2 Risk Management Structure (Continued)

Company's key risks and the actions used by management to mitigate these, the development and use of the Company's lead indicators for the management of risk, and the Company's top risks and the controls in place to mitigate these. It also ensures that that risk considerations are incorporated within the strategic planning and budgeting processes and that the Company has an appropriate risk management framework.

Risk measurement and reporting systems

In 2015 the Company adopted its risk management policy based on the "Three lines of defense". The risk management framework was implemented throughout the Company in 2015 and 2016.

The Company also adopted a Risk Management tool. The key indicators in this monitoring tool were set in close consultation with the Risk Committee. At present these risks are generally measured through regular reporting from all the subsidiaries to the headquarters in Dhaka. These reports include Portfolio at Risk and Default statistics for all portfolio entities, and are presented and explained to the Board of Directors on a regular basis.

Legal and Compliance

The Company appointed a General Counsel and a deputy in-house counsel for the Group. The General Counsel monitors legal compliance of the holding company and its subsidiaries and supervises the corporate secretaries at all levels. The General Counsel is also responsible for monitoring all contractual arrangements by the Company to ensure these are properly taken up in written agreements duly signed by the authorized representatives. All material agreements and other legal documentation by the Company (at the holding level) are reviewed by the General Counsel and/or the deputy in-house counsel.

Each of the MFIs appointed a corporate secretary (in-house or external). The corporate secretaries are responsible for all corporate and legal affairs of the relevant entity, including for the avoidance of doubt, adherence to local rules and regulations. The corporate secretaries maintain all corporate records and are fully responsible for all statutory filings and reporting requirements. The Company also appointed a group corporate secretary at the head office in Dhaka responsible for maintaining the corporate records of the Company as well as those of its subsidiaries at the headquarters. The group corporate secretary also oversees and assists the local corporate secretaries where necessary and reports to the Directors and the group General Counsel. The in-house corporate secretary also acts as compliance officer of the group under the supervision of the General Counsel.

The General Counsel heads the Legal and Compliance department. The compliance function is expected to be fully staffed by 2018.

The General Counsel also supervises the group corporate secretary and provides guidance to the local management in instructing and managing the local corporate secretaries as well as any governance and compliance procedures. Management with the support of the corporate secretaries also developed an internal governance and compliance manual describing the policies and procedures for each of the respective operating entities which are based on group compliance manuals. Over time, separate compliance officers may be appointed to monitor compliance with the internal procedures and local rules and regulations as prescribed by these manuals. The manuals also address fraud and integrity risks. Compliance will, over time, be separated from the legal department. The Company has developed an anti-bribery and anti-corruption policy, anti-money laundering, whistle blower policy etc. as part of compliance and each of its subsidiaries has adopted an anti-bribery and corruption manual.

Investments by the Company in a country shall generally be supported by a legal opinion from a top tier local law firm confirming that such transactions are legal, valid, binding and enforceable in the applicable jurisdiction. It is the policy of the Company that any material transaction shall not be executed without prior approval of the Company's in-house counsel or local corporate secretary.

The Company appointed a professional company administrator in Mauritius (Interface International Ltd. ("Interface")) responsible for compliance with Mauritius laws and regulations. Interface also maintains all corporate records of the Company in Mauritius and takes care of all necessary local filings and reporting requirements, including tax in Mauritius in close cooperation with the Mauritius office of the Company.

25. RISK MANAGEMENT (Continued)

25.2 Risk Management Structure (Continued)

Treasury Department

The Company established a treasury department consisting of a group treasurer and a treasury unit at the headquarters of the Company in Dhaka. The group treasurer is primarily responsible for the development and implementation of a realistic funding strategy at both the holding and as well as the operating companies. Furthermore, the group treasurer is responsible for overseeing the development and implementation of foreign currency and interest rate hedging strategies and programs.

The treasury unit in Dhaka is responsible for initiating wire transfers, monitoring and recording all payments at the ASA International holding level. All payment transfer instructions are forwarded to the local office in Mauritius, the latter being responsible for verifying the correctness and sending through the payment orders to the relevant bank after ensuring proper approval by authorized signatories. The treasury unit also has direct accountability for monitoring, managing and reporting the daily cash flow positions at the group level.

The treasury staff in Dhaka is responsible for compiling the receipt and disbursement of cash from all subsidiaries and holding entities into short-range and long-range forecasts. The staff is accountable for using the forecast to determine when more cash is needed, so that management can plan to acquire funds either through the use of debt or equity.

Treasury is currently developing the tools to effectively monitor, measure and manage the cash requirements of the Company. To this end, the Company has a cash monitoring system that records all group transactions in AMMS. This system also allows for reporting cash balances per country. The system is operational at the Holding level and in the countries. The subsidiaries of the Company are responsible for executing payments relating to such subsidiary. This is managed and controlled by the local CFO or if no such position is yet created by the local country manager/local CEO or one of the other senior staff part of the local management team.

Internal audit

The Company has a Chief Internal Auditor responsible for internal audits. The Company has established internal audit teams in each of the MFIs. The internal audit team reports to the board of directors and the Audit Committee of the MFI. The head of internal audit prepares an executive summary report on a monthly basis. A copy of the summary report is provided to the head office of the Company as well as to the Board.

Following review of the findings, the COO of the Company will issue instructions to the MFIs (i.e. the local managing director) to take corrective and preventive measures.

25.3 Risk mitigation

Proven microfinance methodology

The microfinance model followed by the Company is based on several core principles: (i) standardized 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 Company, 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: (i) standardized credit approval and lending procedures, (ii) compulsory cash collateral, (iii) compulsory death insurance for clients, (iv) avoidance of concentration of funds, and (v) standardized internal monitoring and audit procedure. The principles and procedures described above are based on the credit methodologies and operating procedures developed by ASA. ASA has entered into memorandum of understanding with ASAI pursuant where to ASA will provide human resources, management capacity and know-how and technology, including aforementioned credit methodologies and operating procedures.

25. RISK MANAGEMENT (Continued)

25.3 Risk mitigation (Continued)

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 Company's 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 Company does, in principle, not use collateral nor guarantees, to reduce its credit risks (apart from the client security deposit and limited liability for part of the BC portfolio).

25.4 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company 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.

Credit Risk Mitigation in the microfinance model of the Company

Despite the fact that most loans provided by MFIs are unsecured, and clients (predominantly new clients) have a limited credit history, the credit risk is spread over a large number of clients, and therefore the risk of material harm to the Company by an individual default is low. Strict adherence to the microfinance operating procedures and methodology set forth in the operational manual largely mitigates even this low individual default risk, as it puts a strong emphasis on customer screening prior to any loan disbursement. Every loan disbursed by the Company is preceded by a complete credit evaluation process by the loan officer and the supervising officers. This loan application must then be approved by a local manager before disbursement, ensuring a "double-sign off" on all loans disbursed. A strict adherence to this procedure ensures a strong credit quality of the loan portfolio's in all micro finance operations.

Credit risk is further mitigated by weekly monitoring of all loans disbursed through the Company owned/or controlled institutions, and continual group "social" pressure to repay on a timely basis. Furthermore, all borrowers on the local level must have an additional guarantor, given that collateral and other typical credit instruments are not being used. As such, credit risk at the individual MFI level due to defaults of individual clients is limited as evidenced by, on one hand, the high long-term repayment rates on micro loans upon the Company assessment of repayment rates, and on the other hand the proven experience of the technical services provider, ASA.

Maximum exposure to credit risk

The maximum credit exposure is equal to the carrying amounts of the financial instruments on the Company's statement of financial position. As mentioned above, the Company reduces its concentration risk by ensuring a widely diverse portfolio, distributed amongst various countries and continents. At present the Company invests in West Africa, East Africa, South Asia, and South East Asia.

	2017	2016	2015
	USD	USD	USD
Cash and cash equivalents			
(excluding cash in hand)	93,189,797	38,986,905	35,290,564
Loans and advances to customers	297,780,987	202,983,619	147,893,465
IDFC BC model portfolio	1,526,928	64,762	
Due from banks.....	15,284,388	6,361,033	3,151,930
Other assets	3,829,208	2,351,328	1,426,001
Maximum credit exposure	411,611,308	250,747,647	187,761,960

25. RISK MANAGEMENT (Continued)

25.4 Credit Risk (Continued)

Geographic distribution of maximum credit exposure in 2017

	Cash and Cash equivalent (excluding cash in hand)	Loans and advance to clients	Due from banks	Other assets	IDFC BC model portfolio	Total
	USD	USD	USD	USD	USD	USD
West Africa	13,880,191	56,993,994	152,795	375,217	—	71,402,197
East Africa.....	1,896,014	20,089,435	1,840,551	74,837	—	23,900,837
South Asia.....	26,923,688	167,357,686	13,291,042	2,089,664	1,526,928	211,189,008
South East Asia	26,256,542	53,339,872	—	1,055,095	—	80,651,509
Non-operating entities	24,233,362	—	—	234,395	—	24,467,757
Maximum credit exposure	93,189,797	297,780,987	15,284,388	3,829,208	1,526,928	411,611,308

Geographic distribution of maximum credit exposure in 2016

	Cash and Cash equivalent (excluding cash in hand)	Loans and advance to clients	Due from banks	Other assets	IDFC BC model portfolio	Total
	USD	USD	USD	USD	USD	USD
West Africa	4,299,138	45,277,672	914,601	243,376	—	50,734,787
East Africa.....	1,374,266	12,323,310	718,488	30,043	—	14,446,107
South Asia.....	3,912,670	91,899,557	4,583,850	736,296	64,762	101,197,135
South East Asia	19,194,046	53,483,080	144,094	1,160,721	—	73,981,941
Non-operating entities	10,206,785	—	—	180,892	—	10,387,677
Maximum credit exposure	38,986,905	202,983,619	6,361,033	2,351,328	64,762	250,747,647

Geographic distribution of maximum credit exposure in 2015

	Cash and Cash equivalent (excluding cash in hand)	Loans and advance to clients	Due from banks	Other assets	IDFC BC model portfolio	Total
	USD	USD	USD	USD	USD	USD
West Africa	6,090,191	41,735,016	351,946	146,217	—	48,323,370
East Africa.....	2,254,816	7,202,240	—	29,037	—	9,486,093
South Asia.....	2,594,903	57,063,160	2,799,984	423,324	—	62,881,371
South East Asia	14,811,388	41,893,049	—	524,959	—	57,229,396
Non-operating entities	9,539,266	—	—	302,464	—	9,841,730
Maximum credit exposure	35,290,564	147,893,465	3,151,930	1,426,001	—	187,761,960

The Company provides direct lending to customers through the MFIs (owned and controlled by it). In addition, the Company accepts savings in the countries where it has a deposit taking licence.

25. RISK MANAGEMENT (Continued)

25.4 Credit Risk (Continued)

Credit risk from lending in 2017

	Total direct lending								
	Due from banks*	Total direct lending	Total lending	Neither passed due nor impaired	<30 overdue	30<180	>180	Provision	% provision of portfolio
	USD	USD	USD	USD	USD	USD	USD	USD	USD
West Africa	152,795	58,174,384	58,327,179	58,053,229	14,285	46,588	60,282	115,089	0.20%
East Africa	1,840,551	20,591,456	22,432,007	20,336,659	13,357	54,990	186,450	222,666	1.08%
South Asia.....	13,291,042	167,443,848	180,734,890	165,729,900	225,485	1,246,352	242,111	912,990	0.55%
South East Asia.....	—	53,232,133	53,232,133	53,128,153	9,240	56,099	38,641	70,349	0.13%
Total	15,284,388	299,441,821	314,726,209	297,247,941	262,367	1,404,029	527,484	1,321,094	0.44%

* Due from banks are neither passed due nor impaired.

Credit risk from lending in 2016

	Total direct lending								
	Due from banks*	Total direct lending	Total lending	Neither passed due nor impaired	<30 overdue	30<180	>180	Provision	% provision of portfolio
	USD	USD	USD	USD	USD	USD	USD	USD	USD
West Africa	914,601	45,621,309	46,535,910	45,555,591	15,222	12,795	37,701	199,928	0.44%
East Africa	718,488	12,583,913	13,302,401	12,283,376	24,578	107,947	168,012	159,635	1.27%
South Asia.....	4,583,850	92,614,751	97,198,601	85,871,564	1,023,954	5,598,788	120,445	1,318,992	1.42%
South East Asia.....	144,094	53,780,914	53,925,008	52,951,267	329,470	258,115	242,062	481,532	0.90%
Total	6,361,033	204,600,887	210,961,920	196,661,798	1,393,224	5,977,645	568,220	2,160,087	1.06%

* Due from banks are neither passed due nor impaired.

Credit risk from lending in 2015

	Total direct lending								
	Due from banks*	Total direct lending	Total lending	Neither passed due nor impaired	<30 overdue	30<180	>180	Provision	% provision of portfolio
	USD	USD	USD	USD	USD	USD	USD	USD	USD
West Africa	351,946	42,308,067	42,660,013	42,265,528	4,902	28,732	8,905	230,633	0.55%
East Africa	—	7,280,450	7,280,450	7,212,367	20,579	35,352	12,152	53,570	0.74%
South Asia.....	2,799,984	57,081,754	59,881,738	56,862,111	48,468	106,507	64,668	492,196	0.86%
South East Asia.....	—	41,953,043	41,953,043	41,391,705	240,259	170,620	150,459	390,313	0.93%
Total	3,151,930	148,623,314	151,775,244	147,731,711	314,208	341,211	236,184	1,166,712	0.79%

* Due from banks are neither passed due nor impaired.

25. RISK MANAGEMENT (Continued)

25.5 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The main credit obligations of the holding company include the subordinated USD 20 million loan from the Gates Foundation which is due for repayment at the earlier of a) the date CMI distributes the IPO or sale proceeds to its investors and is wound up, or b) 31 December 2019. In addition the Company drew from various sources a combined total of USD 9.5 million from two debt funds managed by Blue Orchard, USD 8 million loan in total by Symbiotics-managed funds, USD 5 million from OIKO credit, USD 5.0 million from Incofin and USD 20.0 million from OPIC. Most subsidiaries of ASAI are now able to attract third party funding and various local currency and USD loans are in place.

The Company 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 2017 the Company had a cash balance of USD 93,251,993 (2016: USD 39,037,103).
- The Company and its subsidiaries are in discussions with various debt funders at Holding level and in the local markets about additional loan facilities. Overall debt funders are positive to fund the Company's operations.
- 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, Business Correspondence and Partnership models in India and internally generated cash flows.

25. RISK MANAGEMENT (Continued)

25.5 Liquidity risk (Continued)

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled.

Liabilities FY 2017	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
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Due to customers.....	18,070,548	8,370,696	26,744,217	53,185,461	45,354		45,354	—	53,230,815
Debt and other borrowed funds.....	643,269	20,285,020	108,222,197	129,150,486	140,847,757	465,952	141,313,709	—	270,464,195
Future interest payable on debt	—	5,193,568	11,725,488	16,919,056	22,684,746	37,276	22,722,022	—	39,641,078
Security deposits	445,647	218,657	222,721	887,025	130,422	15,376	145,798	—	1,032,823
Other deposits	328,099	160,982	163,974	653,055	96,021	11,320	107,341	—	760,396
Deferred income.....	156,107	76,594	78,018	310,719	51,072	—	51,072	—	361,791
Accrued expenses.....	317,527	155,795	169,645	642,967	92,927	—	92,927	—	735,894
Accrued audit fees.....	187,158	91,829	99,993	378,980	54,773	—	54,773	—	433,753
Amount due to employees..	477,307	234,191	238,544	950,042	139,688	16,468	156,156	—	1,106,198
Amount due to related parties.....	64,160	31,480	34,279	129,919	18,777	—	18,777	—	148,696
Liabilities under BC model	32,272	15,834	17,242	65,348	9,445	—	9,445	—	74,793
Fair value of forward contracts	48,104	23,602	25,700	97,406	14,078	—	14,078	—	111,484
Other liabilities.....	29,981	284,642	76,715	391,338	—	—	—	5,080	396,418
Provisions.....	341,378	242	264	341,884	144	—	144	—	342,028
Total liabilities.....	21,141,557	35,143,132	147,818,997	204,103,686	164,185,204	546,392	164,731,596	5,080	368,840,362

Liabilities FY 2016	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
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Due to customers.....	9,885,466	—	30,186,483	40,071,949	—	—	—	—	40,071,949
Debt and other borrowed funds.....	—	14,010,972	65,570,731	79,581,702	57,128,525	—	57,128,525	—	136,710,227
Future interest payable on debt	—	2,594,095	5,394,833	7,988,928	9,140,564	—	9,140,564	—	17,129,492
Security deposits	—	149,911	574,639	724,550	—	—	—	84,788	809,338
Other deposits	—	105,805	405,575	511,380	—	—	—	59,843	571,223
Deferred income.....	—	46,038	176,473	222,511	—	—	—	26,039	248,550
Accrued expenses.....	—	82,425	315,952	398,377	—	—	—	46,619	444,996
Accrued audit fees.....	—	67,104	257,222	324,326	—	—	—	37,953	362,279
Amount due to employees..	—	180,502	691,902	872,404	—	—	—	102,090	974,494
Amount due to related parties.....	—	22,910	87,816	110,726	—	—	—	12,957	123,683
Liabilities under BC model	—	237,745	911,325	1,149,070	—	—	—	134,466	1,283,536
Fair value of forward contracts	—	58,155	222,917	281,072	—	—	—	32,891	313,963
Other liabilities.....	—	89,909	649,604	739,513	—	—	—	191,518	931,031
Provisions.....	—	273,319	742,723	1,016,042	—	—	—	13,920	1,029,962
Total liabilities.....	9,885,466	17,918,890	106,188,195	133,992,550	66,269,089	—	66,269,089	743,084	201,004,723

25. RISK MANAGEMENT (Continued)

25.5 Liquidity risk (Continued)

Liabilities FY 2015	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
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Due to customers.....	8,961,308	—	24,362,130	33,323,438	512,394	—	512,394	—	33,835,832
Debt and other borrowed funds..	—	8,975,057	19,603,263	28,578,320	58,657,529	—	58,657,529	—	87,235,849
Future interest payable on debt...	—	1,034,354	2,567,219	3,601,573	5,865,753	—	5,865,753	—	9,467,326
Security deposits	—	106,874	516,158	623,032	46,811	—	46,811	—	669,843
Other deposits	—	77,727	375,388	453,115	38,560	—	38,560	—	491,675
Deferred income.....	—	38,863	187,694	226,557	2,314	—	2,314	—	228,871
Accrued expenses.....	—	42,555	205,525	248,080	27,051	—	27,051	—	275,131
Accrued audit fees.....	—	45,373	219,133	264,506	28,749	—	28,749	—	293,255
Amount due to employees.....	—	133,593	645,198	778,791	84,448	—	84,448	—	863,239
Amount due to related parties.....	—	71,994	347,703	419,697	45,534	—	45,534	—	465,231
Liabilities under BC model	—	—	—	—	—	—	—	—	—
Fair value of forward contracts...	—	—	—	—	—	—	—	—	—
Other liabilities.....	—	163,516	131,400	294,916	102,791	—	102,791	—	397,707
Provisions.....	—	—	658,320	658,320	—	—	—	—	658,320
Total liabilities.....	8,961,308	10,689,906	49,819,131	69,470,345	65,411,934	—	65,411,934	—	134,882,279

Changes in liabilities arising from financing activities in 2017

	1 January 2017	Cash flows	Foreign exchange movement	Disposal of subsidiaries	Other	31 December 2017
FY 2017						
Debt issued and borrowed funds.....		146,083,73				270,464,19
	136,710,227	6	(1,638,980)	(10,690,788)	—	5
Total liabilities from financing activities	136,710,227	146,083,73	6	(1,638,980)	(10,690,788)	270,464,19
						5

Changes in liabilities arising from financing activities in 2016

	1 January 2016	Cash flows	Foreign exchange movement	Disposal of subsidiaries	Other	31 December 2016
FY 2016						
Debt issued and borrowed funds.....	87,235,849	54,116,356	(4,641,978)	—	—	136,710,227
Total liabilities from financing activities	87,235,849	54,116,356	(4,641,978)	—	—	136,710,227

25. RISK MANAGEMENT (Continued)

25.5 Liquidity risk (Continued)

Changes in liabilities arising from financing activities in 2015

FY 2015	1 January 2015	Cash flows	Foreign exchange movement	Disposal of subsidiaries	Other	31 December 2015
Debt issued and borrowed funds.....	42,445,699	42,173,339	2,616,811	—	—	87,235,849
Total liabilities from financing activities	42,445,699	42,173,339	2,616,811	—	—	87,235,849

25.6 Legal and regulatory risk

Investing in Asia and Africa involves risks inherent to investments in emerging markets, including nationalization, expropriation or confiscatory taxation, political instability and diplomatic developments which could affect investments in those countries. It may be complex to administer investments abroad and to comply with a wide variety of local laws and the local code of conduct. The investments may be subject to capital controls that could prevent or impede the Company from repatriating earnings, interest, royalties, fees or invested capital.

Legal and regulatory risks in the countries that the subsidiaries or MFIs are active in will be mitigated through continuous monitoring of regulatory and legal environment, through *inter alia* tier-one law firms and the local corporate secretaries. In most countries it also maintains direct relationships with the regulator, including Central Banks. In addition, the Company, through its local and international network, is 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 nationalized or expropriated by a country in which an investment is made. Currently the investments in the Philippines, Sri Lanka, Indonesia, Uganda, Kenya and Ghana are owned by ASAI NV, an indirectly owned but wholly controlled subsidiary of the Company.

25.7 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as the interest rates and foreign exchange rates. CMI has agreed in the investment guidelines as set forth in the shareholders agreement between it and its investors to limit exposure to certain markets when investing. This also applies to ASA International.

Interest rate risk

Interest rate risk is the risk that the profitability is affected by fluctuations in interest rates. 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 1-3 years. Less than 30% of the consolidated debt has variable interest rates. Depending on the extent of the exposure and hedging possibilities with regards to availability of hedging instrument and related pricing, the Company might actively hedge its positions to safeguard the Company'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. Management considers that the impact of changes in interest rates has no material impact.

Currency exchange risk

Currency risk is the possibility of financial loss to the Company arising from adverse movements in foreign exchange rates. Currency risk is a substantial risk for the Company, as most loans to MFI's and borrowers are in local currency in countries where currency depreciation against the USD is often considered less

25. RISK MANAGEMENT (Continued)

25.7 Market risk (Continued)

predictable. At present the Company 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, i.e. by attracting debt fund denominated in local currency. The Company'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 USD loans, ASA Pakistan, PPLCI, ASA Myanmar and ASA Tanzania entered into forward agreements during 2016 and 2017. The Company applies hedge accounting to the USD loans and related forward contracts. Reference is made to notes 2.2.2 (5) and 31.2.

While the Company faces significant translation exposure on its equity investments in local MFI's, (as the functional currency of the Company is USD), the policy is not to hedge equity investments since the currency translation gain and loss on the latter does not affect the net profit of the Company.

In summary, the Company 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 Company decides to invest in a certain market.
- The Company endeavours to procure its MFI's secure local currency loans (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.
- The Company, jointly with local and international partners, is in progress to further reduce its exposure to currency risk.

Simulation: Foreign currency translation reserve

	FX translation reserve Actual 2017 USD	FX translation reserve after -10% rate 2017 USD	Movement 2017 USD	FX translation reserve Actual 2016 USD	FX translation reserve after -10% rate 2016 USD	Movement 2016 USD	FX translation reserve Actual 2015 USD	FX translation reserve after -10% rate 2015 USD	Movement 2015 USD
West Africa	(17,234,539)	(19,432,705)	(2,198,166)	(14,498,945)	(16,240,124)	(1,741,179)	(10,403,885)	(11,771,999)	(1,368,114)
East Africa	(610,870)	(1,205,075)	(594,205)	(553,493)	(1,040,841)	(487,348)	(363,791)	(672,140)	(308,349)
South Asia.....	(6,698,571)	(10,236,063)	(3,537,492)	(5,819,339)	(8,143,046)	(2,323,707)	(5,475,781)	(7,679,924)	(2,204,143)
South East Asia	(1,398,232)	(2,817,487)	(1,419,255)	(1,378,033)	(2,435,203)	(1,057,169)	(594,473)	(1,589,883)	(995,410)
Non-operating entities.....	110,839	101,421	(9,418)	132,096	125,157	(6,940)	130,223	122,770	(7,454)
Total	(25,831,373)	(33,589,909)	(7,758,536)	(22,117,714)	(27,734,057)	(5,616,343)	(16,707,707)	(21,591,176)	(4,883,470)

As at 31 December 2017 a 10% downward movement of FX rates against the USD has a negative impact on the translation reserve of USD (7,758,536) (31-12-2016: USD (5,616,343), 31-12-2015: USD (4,883,470). Analysis of the actual exchange rate fluctuations against the USD for the period 2010-2017 shows different trends for the seven main currencies. The annual fluctuations are between 0% and 39%, but most moved within -5%. 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.

25. RISK MANAGEMENT (Continued)

25.7 Market risk (Continued)

The following overview shows the actual foreign currency exchange results by country for 2017 as well as the simulation of the impact of a 10% downward movement of the fx rates on the foreign exchange results.

Simulation: Foreign exchange profit and loss

	Foreign exchange profit and loss Actual 2017	Foreign exchange profit and loss after -10% rate 2017	Movement 2017	Foreign exchange profit and loss Actual 2016	Foreign exchange profit and loss after -10% rate 2016	Movement 2016	Foreign exchange profit and loss Actual 2015	Foreign exchange profit and loss after -10% rate 2015	Movement 2015
	USD	USD	USD	USD	USD	USD	USD	USD	USD
West Africa	(89,271)	(304,088)	(214,817)	(42,408)	(87,863)	(45,455)	(134,815)	(180,270)	(45,455)
East Africa	(104,082)	(364,543)	(260,461)	(13,190)	(185,917)	(172,727)	(46,189)	(173,462)	(127,273)
South Asia.....	(826,715)	(865,374)	(38,659)	(47,301)	(138,210)	(90,909)	(575,754)	(2,136,351)	(1,560,597)
South East Asia	65,579	(344,284)	(409,863)	(266,660)	(721,205)	(454,545)	(45,083)	(113,265)	(68,182)
Non-operating entities	(274,723)	(779,979)	(505,256)	(1,600,851)	(2,118,298)	(523,847)	(777,968)	(1,572,762)	(794,793)
Total	(1,229,212)	(2,658,268)	(1,429,056)	(1,970,410)	(3,251,493)	(1,287,483)	(1,579,809)	(4,176,110)	(2,596,300)

As at 31 December 2017 a 10% downward movement of FX rates against the USD has a negative impact on the foreign currency exchange result of USD (1,429,056) (31-12-2016: USD (1,287,483), 31-12-2015: USD (2,596,300)). The lower impact on the result of the Company results from the new forward contracts in 2016 to mitigate this risk.

25.8 Operational risk

Operational risks can be substantial where small 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.

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 standardized operational procedures adopted by all MFIs, risks can be identified and controlled at an early stage.

26. CONTINGENT LIABILITIES AND COMMITMENTS

The Company agreed certain commitments to BC Partners under the BC model in ASAI India. Reference is made to note 12. Similar commitments were agreed with Reliance, IDBI and MAS Financial Services Ltd in India, and in addition ASAI India issued demand promissory notes and Proswift issued a comfort letter to MAS. The Company has not entered into any other irrevocable commitments and contingent liabilities for 2017 USD 1,526,928 and for 2016 USD 64,762.

The Company has ongoing operational lease commitments. Reference is made to note 29.1.

27. RELATED PARTY DISCLOSURES

27.1 Key management personnel

ASA entered into a Memorandum of Understanding (“MOU”) in 2007 with the Company, pursuant where to ASA will provide human resources, management capacity, know-how, office-space and technology to the Company. ASA is entitled to receive payments from ASA International in accordance with ASA’s regional salary structure for technical assistance for any human resources committed to ASA International. The former ASA staff active in the Company are on the ASA International payroll, either at the Holding or in the operating entities.

27. RELATED PARTY DISCLOSURES (Continued)

27.1 Key management personnel (Continued)

In addition, parties agreed under the MOU to establish and maintain a share option scheme for the benefit of the management and staff of ASA International, including the ASAI Local and Expatriate Staff. The share option scheme will give management and staff the option right to purchase 10% of the capital stock of the Company (calculated on a fully diluted basis) at an exercise price which is equal to the issue price for every issue of capital stock to the current shareholder.

As per the terms of the MOU the share option can be exercised within 15 years after issuance of such right at each share issue of the Company. This share option was granted in 2007 and was measured at close to nil in 2007.

Remuneration directors

During 2017, the Directors of the Company received total compensation of USD 75,000 (2016: USD 75,000, 2015: USD 75,000).

Total remuneration to key management personnel of the Company

Total remuneration takes the form of short term employee benefits. In 2017, total remuneration amounted to USD 1,133,067 (2016: USD 1,199,004, 2015: USD 1,127,281).

The remuneration for the Non-executive Chairman Mr. Shafiquel Haque Choudhury and Executive Director and CEO Mr. Dirk Brouwer have not been charged to the Company since inception, as these have been paid out of the management fees paid by CMI to its investment manager CMIC. The Company is currently contemplating on the remuneration for both as from 2018.

27.2 Reporting dates of subsidiaries

All of the Company's subsidiaries have reporting dates on 31 December, with the exception of ASAI India, Proswift, Pinoy, Pagasa Consultancy and ASA Myanmar (where the market standard reporting date is 31 March). ASAI India, Proswift, Pinoy, Pagasa Consultancy and ASA Myanmar have provided financial statements for consolidation purposes for the year ended 31 December.

27.3 Subsidiaries

	Country of Incorporation	2017 Ownership	2016 Ownership	2015 Ownership
CMII.....	Mauritius	0%	100%	100%
Subsidiary: Samic.....	Cambodia	0%	60.9%	60.9%
ASA Consultancy.....	Ghana	100%	100%	100%
ASA Rwanda.....	Rwanda	99.99%	99.99%	99.99%
ASA Sierra Leone	Sierra Leone	99.99%	99.99%	99.99%
ASA Zambia	Zambia	99.99%	99.99%	99.99%
ASA Tanzania	Tanzania	100%	100%	100%
ASAI India	India	67.94%	66.18%	66.18%
Pagasa Consultancy.....	India	99.99%	99.99%	99.99%
Pinoy	India	99.99%	99.99%	99.99%
Proswift	India	99.99%	99.99%	99.99%
Subsidiary: ASAI India	India	22.07%	22.07%	22.07%
PT PAGASA Consultancy	Indonesia	99.99%	99.99%	99.99%
ASHA Nigeria.....	Nigeria	99.99%	99.99%	99.99%

27. RELATED PARTY DISCLOSURES (Continued)

27.3 Subsidiaries (Continued)

	Country of Incorporation	2017 Ownership	2016 Ownership	2015 Ownership
A1 Nigeria.....	Nigeria	100%	100%	100%
ASIEA.....	Nigeria	N/A	N/A	N/A
ASA Pakistan	Pakistan	99.99%	99.99%	99.99%
Pag-asa	Philippines	N/A	N/A	N/A
ASAI Cambodia Holdings	Mauritius	0%	100%	100%
ASA Myanmar	Myanmar	100%	100%	100%
ASAI Coop.....	The Netherlands	N/A*	50%	50%
Subsidiary: ASAI NV	The Netherlands	100%	100%	100%
<i>Subsidiaries of ASAI NV:</i>				
ASAB Lanka.....	Sri Lanka	100%	100%	100%
ASA S&L.....	Ghana	100%	100%	100%
ASA Kenya.....	Kenya	100%	100%	100%
ASA Uganda	Uganda	100%	100%	100%
ASA Lanka	Sri Lanka	100%	100%	100%
PPLCI	Philippines	100%	100%	100%
CMI Lanka.....	Sri Lanka	100%	100%	100%
Subsidiary: Lak Jaya	Sri Lanka	97.14%	97.14%	97.14%
PT ASA Microfinance	Indonesia	75%	75%	75%

* ASAI Coop was liquidated as of 29 December 2017

27.4 Transfer of economic ownership

(a) In 2009 CMI transferred its economic interests in the shares of CMI Lanka and PPLCI to ASAI NV. The legal transfer of the shares of CMI Lanka has not yet been executed. The purchase price for the CMI Lanka shares and the PPLCI shares was paid by ASAI NV in December 2010.

(b) On 20 March 2017, ASA International declared a dividend in specie amounting to USD 4,054,537. Pursuant to this resolution all shares in the share capital of ASAI Cambodia Holdings and CMII incl. Samic were distributed to CMI (being 100 shares of USD 10 each in ASAI Cambodia Holdings and 218,154 shares of USD 10 each in CMII). The USD 4,054,537 represents the carrying value of these investments in the books of ASA International.

Below is an analysis of assets and liabilities over which control was lost by the Company in 2017 due to the transfer of CMII and ASAI Cambodia Holdings including Samic as described under (b) above.

Disposal of subsidiaries	USD
Loans and advances to customers	14,137,714
Other financial instruments.....	20,304
Property and equipment	928,489

27. RELATED PARTY DISCLOSURES (Continued)

27.4 Transfer of economic ownership (Continued)

Deferred tax assets	67,095
Other assets	320,354
Goodwill	84,421
Cash in hand and at bank	<u>1,208,073</u>
Total assets	16,766,450
Debt issued and other borrowed funds.....	10,690,788
Retirement benefit liability	192,209
Current tax liability	156,231
Other liabilities	<u>1,141,412</u>
Total liabilities.....	12,180,640
Non-controlling interest.....	<u>1,455,155</u>
Carrying value of subsidiaries at date of loss of control.....	<u>3,130,655</u>
Gain on disposal of subsidiaries	
Dividend in specie	4,054,537
Carrying value of subsidiaries at date of loss of control.....	3,130,655
Impact on disposal of subsidiaries	923,882
Net cash outflow on disposal of subsidiaries	
Consideration received in cash and cash equivalent	—
Deconsolidation of cash and cash equivalent balances	<u>(1,208,073)</u>

(c) The approval from the National Bank of Cambodia for the divestment of the shares in Seilanithih was received during 2014. No formal confirmation was received by CMII that the legal transfer was duly affected.

(d) On 16 October 2015 the Company, ASAI India (and Proswift) executed a Share Subscription cum Shareholder Agreement with IDFC Ltd, pursuant where to IDFC Ltd agreed to acquire 11.75% shares. The shares were issued to IDFC in December 2015. In 2017, ASAI India repurchased 1.76% of its shares from IDFC so that IDFC remains with a shareholding of 9.99% in ASAI India.

27. RELATED PARTY DISCLOSURES (Continued)

27.5 Other related parties

A list of related parties with which ASA International has transactions is presented below. The transactions in 2017, 2016, 2015 and the balances per the end of the year 2017, 2016, 2015 with related parties can be observed in notes 5, 8, 16 and 23. Related party transactions take place at arm's length conditions.

<u>Name of related party</u>	<u>Relationship</u>
CMI	Parent company
CMIC	Investment manager of parent company
Seilanithih	Fellow associate of the parent
Sequoia	Financial advisory and investment firm
ASA Bangladesh	Technical consultant
MBA Philippines	Business Partner
Card NGO	Minority shareholder in Samic
ASAICH	Fellow subsidiary of the parent
CMIIH	Fellow subsidiary of the parent
IDFC	Minority shareholder in ASAI India

In consideration for the human resources, management capacity, know-how, office-space and technology acquired under the MOU, in addition to reimbursement of costs and expenses, ASA was given the option right to purchase 5% of the outstanding capital stock of the Company (calculated on a fully diluted basis) at an exercise price which is equal to the issue price for every issue of capital stock to the current shareholder. As per the terms of the MOU the share option can be exercised within 15 years after issuance of such right at each share issue of the Company. This share option was granted in 2007 and was measured at close to nil in 2007. In 2017 ASAI Management Services Ltd ("AMSL") was incorporated by the Company in Bangladesh and from 1 April 2018 all activities for the Company by ASA NGO in Dhaka, which were previously charged by ASA NGO to the Company as Technical Assistance fees, have been transferred to AMSL. These activities include the employment of former ASA NGO staff working in the Group head office in Dhaka and Dhaka office rent. AMSL will invoice these activities to the Company.

	<u>Income from related parties</u>	<u>Expenses to related parties</u>	<u>Amount owed by related parties</u>	<u>Amount owed to related parties</u>
CMI.....2017	—	—	15,692	16,258
2016	—	—	168,807	20,570
2015	141,320	—	165,745	141,028
CMIC 2017	—	—	—	25,422
2016	—	—	—	41,266
2015	—	—	—	68,797
Seilanithih 2017	—	—	—	—
2016	—	132,077	—	—
2015	—	—	132,077	—
Sequoia 2017	—	277,427	—	107,016
2016	—	259,145	—	26,208
2015	—	275,765	—	237,317

27. RELATED PARTY DISCLOSURES (Continued)

27.5 Other related parties (Continued)

		Income from related parties	Expenses to related parties	Amount owed by related parties	Amount owed to related parties
ASA Bangladesh	2017	—	1,182,187	58,822	—
	2016	—	1,135,783	—	20,474
	2015	—	1,117,567	—	13,379
MBA Philippines....	2017	353,977	—	—	163,655
	2016	314,241	—	—	198,653
	2015	292,405	—	—	223,254
Card NGO	2017	—	—	—	—
	2016	—	20,860	—	339,703
	2015	—	17,704	—	211,270
ASAICH.....	2017	—	—	87,053	—
	2016	—	—	—	—
	2015	—	—	—	—
CMIH.....	2017	4,893	—	154,087	—
	2016	—	—	—	—
	2015	—	—	—	—
IDFC	2017	663,113	—	151,427	282,160
	2016	18,552	—	15,967	79,625
	2015	—	—	—	—

27.6 Non-controlling interest

Company reports non-controlling interest (“NCI”) in its subsidiaries ASAI India, having its principal place of business in India, and Lak Jaya, having its principal place of business in Sri Lanka. On 16 October 2015 the Company, ASAI India and Proswift executed a share subscription cum Shareholder Agreement with IDFC, pursuant where to IDFC agreed to acquire 9.99% shares on the basis of an ultimate 25% shareholding by resident investors. The shares representing 11.75% shareholding were issued to IDFC in December 2015. In March 2017 this NCI was reduced to 9.99% as per Reserve Bank of India (“RBI”) guideline. In 2017, cash consideration of USD 293,472 was paid to non-controlling shareholders. The carrying value of the additional interest was USD 138,367. A loss of USD 155,105 was recognised in retained earnings. The profit allocated to this NCI amounts to USD 279,234 in 2017. The accumulated amount of this NCI amounts to USD 1,076,235. ASAI India did not pay any dividend in 2017. The NCI in Lak Jaya amounts 2.86%. The profit allocated to this NCI amounts to USD 23,923 in 2017. The accumulated amount of this NCI amounts to USD 142,680. Lak Jaya did not pay any dividend in 2017.

The NCI in Samic, having its principal place of business in Cambodia, amounted to 39.1% in 2016. As from 1 January 2017 Samic was transferred to CMI by way of dividend in kind.

27. RELATED PARTY DISCLOSURES (Continued)

27.6 Non-controlling interest (Continued)

The summarised financial information of Lak Jaya and ASAI India as at 31 December 2017, 2016, 2015 is as follows:

	2017		2016			2015		
	Lak Jaya	ASAI India	Lak Jaya	ASAI India	Samic	Lak Jaya	ASAI India	Samic
Current assets	USD 10,161,855	USD 112,460,864	USD 7,598,789	USD 31,752,675	USD 15,638,909	USD 5,622,143	USD 18,902,059	USD 14,378,288
Non-current assets	USD 223,945	USD 740,159	USD 87,719	USD 97,999	USD 1,014,803	USD 59,744	USD 23,410	USD 997,290
Current liabilities	USD 5,281,774	USD 102,270,624	USD 3,273,829	USD 24,500,914	USD 12,716,299	USD 2,001,861	USD 11,261,556	USD 10,854,070
Non-current liabilities	USD 153,769	USD 161,593	USD 115,769	USD 323,562	USD 192,209	USD 101,103	USD 264,060	USD 1,563,113
Operating income	USD 3,444,823	USD 8,191,523	USD 2,851,681	USD 4,078,614	USD 3,093,399	USD 2,487,910	USD 2,230,035	USD 2,824,971
Profit	USD 836,493	USD 2,794,012	USD 971,205	USD 253,152	USD 204,951	USD 764,563	USD 307,455	USD 447,155

28. SUBSEQUENT EVENTS DISCLOSURE

The Company declared a dividend to its shareholder USD 8,791,212 on 23 April 2018. It is expected to be paid before 30 June 2018.

On 18 June 2018, ASA International Group plc, together with CMI, the shareholder of ASA International Holding, announced their intention to seek admission to the premium listing segment of the Official List of the UK Financial Conduct Authority and to trading on London Stock Exchange plc's main market for listed securities by way of secondary inward listing. In connection with this, a pre-IPO reorganisation of the Group will be undertaken and effective at admission which will include the insertion of ASA International Group plc, a public company limited by shares incorporated in the United Kingdom, as the ultimate parent company of ASA International Holding and its consolidated subsidiaries.

The sale of shares by, *inter alia*, CMI in connection with the listing described above may give rise to significant non resident capital gains tax in certain jurisdictions in which subsidiaries of the Group operate. CMI, as selling shareholder, will place USD 20 million of its net proceeds from its sale of shares in an escrow account for the benefit of the Company to use to fund, *inter alia*, the payment of such taxes, if required. Reference is made to the related risk factor in the prospectus and to paragraph 15.12 in the prospectus which describes the escrow documents. The directors believe this potential liability will not exceed the amount put in escrow or any impact on debt covenants.

29.1 OPERATING LEASE COMMITMENTS

The Group has entered into operating leases for office buildings including branch offices. These leases have terms of between 12 months and 8 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2017	2016	2015
Within one year	662,505	562,042	511,856
After one year but not more than five years	1,439,628	1,221,322	1,112,267
More than five years	38,787	32,905	29,967
	2,140,920	1,816,269	1,654,090

29.2 PENDING LITIGATIONS, CLAIMS, AND LICENCES

Litigations

There are no material litigations going on that require disclosure as at reporting date.

Claims

ASA Pakistan

For the tax year 2016, ASA Pakistan was subject to a super tax levy of 3% of taxable profit if taxable profits exceed PKR 500 million in a tax year. ASA Pakistan paid PKR 26.4 million (PKR 0.9 billion*3%) as advance to the tax authorities (FBR). The FBR has claimed that the aforementioned computation should be on the basis of net revenue of the year under notice – and not on the taxable profit for the year—which comes to PKR 42.0 million (PKR 1.4 billion*3%). A notice demanding the additional super tax of PKR 15.6 million, less a refund of PKR 8.2 million for previous years, was issued to that effect in January 2017. The Company challenged this notice after which an adverse order was passed by the Additional Commissioner of Tax (IR). ASA Pakistan filed an appeal against aforementioned order in response to which the Commissioner of Appeals set aside the demand of super tax. The Company does not expect that the remaining net claim amount of PKR 7.4 million (USD 67,000) will have an impact on the financial position of the Company.

Licences

Lak Jaya

The operating environment has significantly improved in Sri Lanka following a smooth transition of the presidency and continued economic growth. New FDI rules were introduced allowing for 100% foreign investment in microfinance and no prior approval is required by the Central Bank for foreign loans. By letter of 27 November 2017 Lak Jaya was informed by the Controller of Exchange that the enquiry by the department of foreign exchange was also formally closed and that no further action would be taken.

In 2016 the new microfinance act also came into force. Lak Jaya submitted its licence application in the first half of 2017. The licence is expected any time from now.

ASAI India

Over the past few years ASAI India had several exchanges with the Reserve Bank of India (“RBI”) regarding the regularization of its investment structure (“FDI Matter”). ASAI India sent a letter dated November 10, 2016 to the foreign exchange department of the RBI (“Forex Department, RBI”) describing in detail that ASAI India has been fully compliant with the law prescribed earlier under the Consolidated Foreign Direct Investment Policy, issued by the Department of Industry Policy and Promotion, Ministry of Commerce (“FDI Policy”) and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (“FEMA 20”). In response to this letter, Forex Department, RBI through its letter dated September 19, 2017 confirmed that through Amendment Notification No. FEMA 278 which came into effect from 2009 the investment made by Proswift in ASAI India in 2008 was not subject to the FEMA provisions and was therefore compliant with the FDI Policy.

As per the instructions of RBI, Chandigarh, ASAI India had also made the application classification as an NBFC-MFI on 31 January 2017. In response to this fresh application, RBI, Chandigarh via its letter dated 20 March 2017 has sought further additional documents, which were provided to the RBI. By letter of 6 October 2017 the Company informed the RBI that the FDI matter has been clarified by the Forex Department (as detailed in the September 19, 2017 letter) and requested RBI Chandigarh to consider ASAI India’s application for categorization as an NBFC-MFI. ASAI India enclosed the letter shared by the Forex Department, RBI detailed above. On December 28, 2017 RBI Chandigarh issued a letter to ASAI India stating that based on a scrutiny of ASAI India’s application, it agrees in-principle to ASAI India’s request for reclassifying ASAI India as an NBFC-MFI, however the final approval was made subject resolution of the FDI Matter with Department of Industrial Policy and Promotion, Government of India/Forex Department, RBI.

29.2 PENDING LITIGATIONS, CLAIMS, AND LICENCES (Continued)

By letter of 5 January 2018 to the non-Banking Supervision Department, ASAI India repeated again that the matter had been clarified by the Forex Exchange Department, being the regulatory body having authority in this regard, vide its letter of 19 September 2017, requesting the RBI to grant final approval regarding classification of ASAI India as an NBFC-MFI. Management is confident the matter will be concluded and the NBFC-MFI licence will be issued.

30. CAPITAL MANAGEMENT

CMI is the sole shareholder of the Company and provided the required share capital. The Group is not subject to externally imposed capital requirements and has no restrictions on the issue and re-purchase of ordinary shares.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Company's investment policies;
- To maintain sufficient size to make the operation of the Group cost-efficient;
- To achieve consistent returns while safeguarding capital by investing in a diversified portfolio throughout Asia and Africa; and
- To maintain sufficient liquidity to meet the expenses of the Group.

31.1 FINANCIAL INSTRUMENTS

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		
	2017	2016	2015	2017	2016	2015
	USD	USD	USD	USD	USD	USD
ASSETS						
Available for sale	200,000	—	—	200,000	—	—
Financial assets at fair value through profit or loss	781,779	316,687	—	781,779	316,687	—
Financial assets held to maturity	—	19,220	19,220	—	19,220	19,220
<i>Loans and receivables</i>						
Loans and advance to customers.....	297,780,987	202,983,619	147,893,465	297,780,987	202,983,619	147,893,465
Due from banks.....	15,284,388	6,361,033	3,151,930	15,284,388	6,361,033	3,151,930
Other assets.....	3,047,429	2,034,641	1,426,001	3,047,429	2,034,641	1,426,001
Cash and cash equivalents.....	<u>93,251,993</u>	<u>39,037,103</u>	<u>35,391,674</u>	<u>93,251,993</u>	<u>39,037,103</u>	<u>35,391,674</u>
LIABILITIES AND EQUITY						
<i>Financial liabilities measured at amortised cost</i>						
Debt issued and borrowed funds	270,464,195	136,710,227	87,235,849	270,464,195	136,710,227	87,235,849
Due to customers	53,230,815	40,071,949	33,835,832	53,230,815	40,071,949	33,835,832
Financial liabilities at fairvalue through profit and loss	111,484	313,963	—	111,484	313,963	—
Other liabilities	4,688,971	5,500,580	3,456,081	4,688,971	5,500,580	3,456,081
Provisions	<u>342,028</u>	<u>1,029,962</u>	<u>658,320</u>	<u>342,028</u>	<u>1,029,962</u>	<u>658,320</u>

- The carrying amounts of cash and cash equivalents, due from banks and due to customers approximate the fair value due to the very short-term maturities of these items.

31.1 FINANCIAL INSTRUMENTS (Continued)

- Loans and advances to customers are carried at amortised cost net of loan loss provisioning. Furthermore, the term of the loans to the microfinance borrowers is short (6-12 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 nominal value of the Gates Foundation Loan approximates the fair value because the loan has specific requirements of the Gates Foundation that the coupon of 2% is the most appropriate interest rate to be asked for this loan. The other loans are short term and held at amortized cost, therefore the carrying amount is the best approximation of the fair value.

31.2 HEDGE ACCOUNTING

The Company applies hedge accounting to USD loans provided to subsidiaries reporting in foreign currencies and the related forward contracts. The foreign currency risk exposure of the USD 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. The Company 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.

Reference is made to note 2.2.2 (5) for the accounting treatment and note 25.7 for the strategy for currency exchange risk. Below we provide additional information of the hedged items and hedging instruments as per 31-12-2017.

As at 31 December 2017	ASA Pakistan USD	PPLCI USD	ASA Myanmar USD	ASA Tanzania USD	Total USD
Fair value forward contracts	(648,179}	(133,600)	93,564	17,920	(670,295)
Notional amount hedged USD loans	31,166,658	4,000,000	3,000,000	2,000,000	40,166,668
Period in which the cash flows are expected to occur:					
cash flows in 2018	31,166,668	3,000,000	—	2,000,000	36,166,668
cash flows in 2019	—	1,000,000	2,000,000	—	3,000,000
cash flows in 2020	—	—	1,000,000	—	1,000,000
Total cash flows.....	31,166,668	4,000,000	3,000,000	2,000,000	40,166,668
Expected period to enter into the determination of profit or loss:					
amortisation of forward points in 2018	942,082	69,887	328,795	65,855	1,406,619
amortisation of forward points in 2019	—	444	324,027	—	324,471
amortisation of forward points in 2020	—	—	42,371	—	42,371
Total amortisation of forward points	942,082	70,331	695,193	65,855	1,773,461
Amounts recognised in OCI during the period:					
for amortisation of forward points	938,230	115,260	35,938	2,914	1,092,342
for changes in fair value of the forward contracts	182,143	(178,090)	(94,854)	(17,958)	(108,759)
for recycling of FX result of USD loans	(1,106,116)	67,811	(4,781)	39,903	(1,003,183)
Total amounts recognised in OCI during the period.....	14,257	4,981	(63,697)	24,859	(19,600)

31.2 HEDGE ACCOUNTING (Continued)

As at 31 December 2016	ASA Pakistan	PPLCI	ASA Myanmar	ASA Tanzania	Total
	USD	USD	USD	USD	USD
Fair value forward contracts	313,963	(316,687)	—	—	(2,724)
Notional amount hedged USD loans.....	27,000,000	6,000,000	—	—	33,000,000
Period in which the cash flows are expected to occur:					
cash flows in 2017	27,000,000	2,000,000	—	—	29,000,000
cash flows in 2018	—	3,000,000	—	—	3,000,000
cash flows in 2019	—	1,000,000	—	—	1,000,000
Total cash flows.....	27,000,000	6,000,000	—	—	33,000,000
Expected period to enter into the determination of profit or loss:					
amortisation of forward points in 2017	546,255	116,605	—	—	662,860
amortisation of forward points in 2018	—	70,229	—	—	70,229
amortisation of forward points in 2029	—	446	—	—	446
Total amortisation of forward points	546,255	187,280	—	—	733,535
Amounts recognised in OCI during the period:					
for amortisation of forward points	260,510	98,097	—	—	358,607
for changes in fair value of the forward contracts	(313,963)	316,153	—	—	2,190
for recycling of FX result of USD loans	15,622	(431,017)	—	—	(415,395)
Total amounts recognised in OCI during the period.....	(37,831)	(16,767)	—	—	(54,598)

31.3 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 behaviors as used for estimating the EIR. Debt issued and other borrowed funds reflect the contractual repayments.

	Within 12 Months	After 12 Months	Total
As at 31 December 2017			
Assets	<i>USD</i>	<i>USD</i>	<i>USD</i>
Cash and cash equivalents	89,054,611	4,197,382	93,251,993
Loans and advances to customers	273,142,025	24,638,962	297,780,987
Due from banks.....	11,466,744	3,817,644	15,284,388
Available for sale financial assets	—	200,000	200,000
Property and equipment	1,508,317	2,373,880	3,882,197
Deferred tax assets	757,864	769,530	1,527,394
Other assets	3,448,784	3,940,900	7,389,684
Goodwill	—	39,845	39,845
Total assets	<u>379,378,345</u>	<u>39,978,143</u>	<u>419,356,488</u>
Liabilities			
Debt issued and other borrowed funds.....	129,150,487	141,313,708	270,464,195
Due to customers	53,185,461	45,354	53,230,815
Retirement benefit liability	503,716	439,586	943,302
Current tax liability	3,841,338	—	3,841,338
Deferred tax liability	60,425	—	60,425
Other liabilities	5,152,963	1,463,182	6,616,145
Provisions	1,217,917	—	1,217,917
Total liabilities.....	<u>193,112,307</u>	<u>143,261,830</u>	<u>336,374,137</u>
Net	<u>186,266,038</u>	<u>(103,283,687)</u>	<u>82,982,351</u>
	Within 12 Months	After 12 Months	Total
As at 31 December 2016			
Assets	<i>USD</i>	<i>USD</i>	<i>USD</i>
Cash and cash equivalents	39,037,103	—	39,037,103
Loans and advances to customers	191,772,154	11,211,465	202,983,619
Due from banks.....	5,125,221	1,235,812	6,361,033
Financial instruments held to maturity	—	19,220	19,220
Property and equipment	—	3,298,486	3,298,486
Deferred tax assets	101,971	1,252,070	1,354,041
Other assets	4,931,856	—	4,931,856
Goodwill	—	125,109	125,109
Total assets	<u>240,968,305</u>	<u>17,142,162</u>	<u>258,110,467</u>

31.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2016	Within 12 Months	After 12 Months	Total
	USD	USD	USD
Liabilities			
Debt issued and other borrowed funds.....	79,581,702	57,128,525	136,710,227
Due to customers	40,071,949	—	40,071,949
Retirement benefit liability	39,798	1,034,557	1,074,355
Current tax liability	3,437,066	—	3,437,066
Deferred tax liability	—	32,884	32,884
Other liabilities	6,000,866	1,074,356	7,075,222
Provisions	2,255,768	—	2,255,768
Total liabilities.....	131,387,149	59,270,322	190,657,471
Net	109,581,156	(42,128,160)	67,452,996
As at 31 December 2015	Within 12 Months	After 12 Months	Total
	USD	USD	USD
Assets			
Cash and cash equivalents	35,391,674	—	35,391,674
Loans and advances to customers	136,475,845	11,417,620	147,893,465
Due from banks.....	3,151,930	—	3,151,930
Financial instruments held to maturity	—	19,220	19,220
Property and equipment	—	3,141,866	3,141,866
Deferred tax assets	272,481	804,999	1,077,480
Other assets	3,593,057	—	3,593,057
Goodwill	—	126,850	126,850
Total assets	178,884,987	15,510,555	194,395,542
Liabilities			
Debt issued and other borrowed funds.....	28,578,320	58,657,529	87,235,849
Due to customers	33,323,438	512,394	33,835,832
Retirement benefit liability	29,511	767,146	796,657
Current tax liability	4,480,214	—	4,480,214
Deferred tax liability	—	40,899	40,899
Other liabilities	3,462,559	1,409,254	4,871,813
Provisions	658,320	—	658,320
Total liabilities.....	70,532,362	61,387,222	131,919,584
Net	108,352,625	(45,876,667)	62,475,958

32. 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:

	2017	2016	2015
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Net profit attributable to ordinary equity holders of the parent	29,000,883	15,203,204	14,940,357
Weighted average number of ordinary shares for basic earnings per share	3,627,349	3,627,349	4,127,349
Earnings per share			
Equity shareholders of the parent for the year:			
Basic earnings per share	8.0	4.2	3.6
Diluted earnings per share	8.0	4.2	3.6

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of this Historical Financial Information which would require the restatement of EPS.

PART XVI

REGULATORY FRAMEWORK

Overview

Governments play a critical role in microfinance, specifically in setting policies for the overall industry, providing lump sum grants to non-governmental organisations or other microfinance institutions, or directly providing loans to loan income populations. As the Group's microfinance institutions operate in 12 countries, they are subject to various regulatory and legislative requirements.

Licensing requirements in our countries of operations

The following table provides an overview of all the licences and registrations of the Group's microfinance institutions.

Country	Registration/Licence	Date of Incorporation
South Asia		
India	NBFC	22 February 1990 ⁽¹⁾
Pakistan	Lending company	19 March 2008
Sri Lanka	Lending company	10 March 2008
South East Asia		
The Philippines	Lending company	7 June 2007
Myanmar	Saving-deposit organisation/entrusted monetary organisation	19 November 2013
East Africa		
Tanzania	Lending company	13 September 2012
Uganda	Lending company	13 August 2012
Kenya	Lending company	22 October 2012
Rwanda	Deposit-taking microfinance institution	4 December 2014
Zambia	Non-deposit taking microfinance institution	22 August 2014
West Africa		
Nigeria	Non-governmental organisation	28 November 2008
	Micro-finance bank	23 October 2009
Ghana	Savings & loan bank	19 June 2009
Sierra Leone	Lending company	5 May 2015

Note:

- (1) In 2008, the Group acquired a dormant entity that was registered as an NBFC.

Local Regulatory Frameworks

A description of the regulatory framework in the Group's countries of operation is described below:

South Asia

India

ASA India is regulated by the Reserve Bank of India under the RBI Act, 1934, and is registered as an NBFC. In June 2012, ASA India applied for an NBFC-MFI licence.

Interest rates that ASA India may charge are limited to a maximum of 23 per cent. under regulations issued by the RBI. In addition, ASA India is also subject to a limit on net interest margin (calculated as interest income plus fees less interest expense) of 10 per cent., as well as a 1 per cent. limit on processing fees.

Upon receipt of the NBFC-MFI licence, ASA India will be subject to regulations issued by the RBI, with which it already expects to be compliant. NBFC-MFIs are required to maintain a minimum of INR50.0 million (U.S.\$0.8 million) in net own funds and a capital adequacy ratio of 15 per cent., consisting of Tier I and Tier II capital. Tier I capital includes own funds as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent. of the owned fund; and perpetual debt instruments issued by a non-deposit taking non-banking financial company in each year to the extent it does not exceed 15 per cent. of the aggregate Tier I capital of such company as at 31 March of the previous accounting year and Tier II capital includes preference shares other than those which are compulsorily convertible into equity; revaluation reserves at discounted rate of fifty five per cent.; general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth per cent. of risk weighted assets; hybrid debt capital instruments; subordinated debt; and perpetual debt instruments issued by a non-deposit taking non-banking financial company which is in excess of what qualifies for Tier I capital. Tier II capital may not exceed 100 per cent. of Tier I capital.

In addition, not less than 85 per cent. of a NBFC-MFI's net assets must be comprised of "qualifying assets". "Net assets" are defined as total assets other than cash and bank balances and money market instruments. "Qualifying asset" is defined as a loan which satisfies the following criteria:

- Loan disbursed by a NBFC-MFI to a borrower with a rural household annual income not exceeding INR100,000 (U.S.\$1,544) or urban and semi-urban household income not exceeding INR160,000 (U.S.\$2,504).
- Loan amount does not exceed INR60,000 (U.S.\$940) in the first cycle and INR100,000 (U.S.\$1,544) in the subsequent cycles;
- Total indebtedness of the borrower does not exceed INR100,000 (U.S.\$1,544) provided that the loan, if any availed towards meeting education and medical expenses shall be excluded while arriving at the total indebtedness of a borrower;
- Tenure of the loan not to be less than 24 months for loan amount in excess of INR30,000 (U.S.\$470) with prepayment without penalty;
- Loan to be extended without collateral;

- Aggregate amount of loans, given for income generation, is not less than 50 per cent. of the total loans given by the NBFC-MFI; and
- Loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

Pakistan

ASA Pakistan is supervised by the Securities and Exchange Commission of Pakistan, and operates as a lending company. In October 2016, ASA Pakistan submitted an application for a microfinance bank licence 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.

ASA Pakistan is subject to, and compliant with, a minimum capital requirement of PKR50.0 million (U.S.\$0.5 million). In connection with its microfinance bank licence application, ASA Pakistan has agreed to increase its capitalisation to PKR1.5 billion (U.S.\$13.7 million), which is higher than the minimum capitalisation required of PKR1.0 billion (U.S.\$9.1 million). Upon approval of its MFB licence, ASA Pakistan will be subject to the liquidity and capitalisation requirements under regulations issued by the State Bank of Pakistan, with which it already expects to be compliant. It will be required to maintain a capital adequacy ratio of 15 per cent. of risk weighted assets, a statutory reserve equal to at least 20 per cent. of annual profits after taxes, until the reserve fund equals paid-up capital and thereafter a sum not less than 5 per cent. of its annual profit after taxes. In addition, ASA Pakistan will be required to maintain a cash reserve of at least 5 per cent. of demand and time deposits with a tenor of less than one year in a current account with the State Bank of Pakistan. It will also be required to maintain at least 10 per cent. of total demand and time liabilities in the form of liquid assets as well as contribute at least 20 per cent. of annual profit after tax to a statutory reserve fund until the reserve fund equals the minimum prescribed paid-up capital, following which at least 5 per cent. of annual profit after tax must be paid into this statutory reserve fund.

Sri Lanka

Lak Jaya is currently unregulated and operates as a lending company. In June 2017, it submitted an application for a microfinance company licence which, once awarded, will enable it to take deposits.

Lak Jaya is not currently subject to any minimum capital or liquidity requirements, upon approval of the microfinance company licence, the Group expects that it will be subject to certain prudential capitalisation and liquidity requirements, however the regulatory regime in Sri Lanka has not been finalised.

South East Asia

The Philippines

PPLCI is regulated by the Security and Exchange Commission of the Philippines under the Lending Company Regulation Act of 2007, and operates as a lending company. In March 2018, PPLCI submitted an application for a Finance Company licence, which the Group expects to receive in 2018.

Following receipt of the Finance Company licence, the Group expects PPLCI to be subject to a 5 per cent. gross receipts tax, instead of the 12 per cent. VAT to which PPLCI is currently subject.

PPLCI is currently subject to, and compliant with, a minimum capital requirement of PHP1.0 million (U.S.\$20,000) under the Lending Company Regulation Act of 2007 (Republic Act No. 9474). PPLCI is not subject to any minimum liquidity requirements or ratios.

Myanmar

ASA Myanmar is regulated by the Financial Regulatory Department of the Ministry of Finance, under the Microfinance Business Law 13/2011, and operates as a deposit-taking microfinance institution. It is licensed

by the Myanmar Micro-finance Supervisory Enterprise and is allowed take mandatory deposits from its clients, up to a maximum of 5 per cent. of the value of the loan. In June 2017, ASA Myanmar applied for a full-deposit taking licence, which is subject to it meeting certain requirements.

Under rules and regulations circulated by the Microfinance Supervisory Committee, ASA Myanmar is subject to, and compliant with, a minimum capital requirement of MMK300.0 million (U.S.\$0.2 million), a solvency ratio (calculated as total equity divided by total assets) of not less than 12 per cent. and a liquidity ratio (calculated as cash (in hand and in bank) divided by total voluntary savings) of not less than 25 per cent.

Interest rates that ASA Myanmar may charge are limited to a maximum of 30 per cent. under the Microfinance Business Supervisory Committee Directive No. 01/2011.

East Africa

Tanzania

ASA Tanzania is unregulated and operates as a lending company.

ASA Tanzania is currently subject to, and compliant with, a minimum capital requirement of TZS20,000 (U.S.\$8.0) under general corporate requirements for lending companies. ASA Tanzania is not subject to any minimum liquidity requirements or ratios.

Uganda

ASA Uganda is regulated by the Uganda Microfinance Regulatory Authority under the Tier 4 Microfinance Institutions and Money Lenders Act 2016, Act No. 18 of 2016, and operates as a lending company. In May 2018, ASA Uganda applied for a deposit-taking licence.

ASA Uganda is not subject to any minimum capital or liquidity requirements, upon approval of the deposit-taking licence application, the Group believes that it will be subject to prudential liquidity and capitalisation requirements, however the regulatory regime in Uganda has not been finalised.

Kenya

ASA Kenya operates as a lending company and holds a business permit from the Nairobi City Council for providing non-deposit taking microfinance services.

ASA Kenya is not subject to any minimum capital or liquidity requirements.

Rwanda

ASA Rwanda is regulated by the National Bank of Rwanda under law no. 040/2008 of 26/08/2008, and operates as a microfinance institution. It is licensed to take deposits.

Under regulations issued by the National Bank of Rwanda, ASA Rwanda is subject to, and compliant with, a minimum capital requirement of RWF300.0 million (U.S.\$0.4 million), a capital adequacy ratio (calculated as 'net worth' (as defined by the National Bank of Rwanda) divided by total assets) of not less than 15 per cent. and a liquidity ratio (calculated as the ratio of cash and cash equivalents to sight deposits and contingent liabilities) of not less than 30 per cent.

Zambia

ASA Zambia Microfinance Limited ("ASA Zambia") is regulated by the Bank of Zambia under the Financial Services Act and the Banking Financial Services (Microfinance Regulations of 2006). Upon commencing operations, ASA Zambia will operate as a non-deposit taking microfinance institution.

ASA Zambia is not subject to any minimum capital or liquidity requirements.

West Africa

Nigeria

ASA Nigeria is regulated by the Central Bank of Nigeria under the Bank and other Financial Institution Act No. 25 of 1991, and operates as a microfinance bank in Lagos State. It is licensed to take deposits. ASIEA is an association managed and controlled by the Group, and operates the Group's branches outside of Lagos State. ASA Nigeria has received approval to become a nation-wide bank and the operations of ASIEA will be consolidated under ASA Nigeria, subject to approval from the Central Bank of Nigeria.

Under guidelines issued by the Central Bank of Nigeria, ASA Nigeria is subject to, and compliant with, a minimum capital requirement of NGN2.0 billion (U.S.\$5.6 million), a capital adequacy ratio (calculated as capital divided by risk weighted assets) of not less than 10 per cent., a liquidity ratio (calculated as the proportion of liquid assets to deposit liabilities) of not less than 20 per cent. and shareholders funds unimpaired by losses to net credit ratio of 1:10 and any unsecured advances or loans may not exceed NGN50,000 (U.S.\$140,000).

In 2017, the Central Bank of Nigeria imposed a maximum limit on loan application fees of 1 per cent.

ASA Nigeria is also required to contribute amounts into a reserve fund equal to a) not less than 50 per cent. of annual profit after tax, if the reserve fund is less than 50 per cent. of paid-up capital, b) not less than 25 per cent. of annual profits after tax, if the reserve fund is more than 50 per cent. but less than 100 per cent. of paid-up capital, or c) 12.5 per cent. of annual profit after tax, if the reserve fund is equal to or more than 100 per cent. of paid-up capital.

Ghana

ASA S&L Ghana is regulated by the Bank of Ghana under the Non-Bank Financial Institutions Act 2008, and operates as a savings and loan bank. It is licensed to take deposits, including from non-clients.

ASA S&L Ghana is further licensed by the Ghana Investment Promotion Centre under the Ghana Investment Centre Act 1994, which regulates foreign direct investment into Ghana.

Under the Banks and Specialised Deposit-Taking Institutions Act, 2016 and directives issued by the Bank of Ghana thereunder, ASA S&L Ghana is required to maintain a minimum of GHS15.0 million (U.S.\$3.3 million) in capital and a capital adequacy ratio of 10 per cent. of its total risk weighted assets. Further, it is required to maintain a primary reserve of 10 per cent. of deposits and no single deposit shall exceed 5 per cent. of ASA S&L Ghana's paid-up capital. ASA S&L Ghana is also required to contribute at least 50 per cent. of annual profit after tax to a mandatory reserve fund, until the reserve fund equals the minimum prescribed paid-up capital, following which at least 15 per cent. of annual profit after tax must be paid into this mandatory reserve fund. ASA S&L Ghana is compliant with applicable prudential liquidity and capital requirements.

Sierra Leone

ASA Sierra Leone is regulated by the Bank of Sierra Leone under the Other Financial Services Act 2001 and the Guidelines for the Operations of Credit-Only Microfinance Institutions, and operates as a lending company.

Under guidelines issued by the Bank of Sierra Leone, 'other deposit-taking institutions' (as defined by the Bank of Sierra Leone and including deposit-taking microfinance institutions) in Sierra Leone are subject to a minimum capital requirement of SLL1.0 billion (U.S.\$100,000), a capital adequacy ratio (calculated as capital divided by risk weighted assets) of not less than 8 per cent., and a liquidity ratio (calculated as liquid assets as a proportion of total deposit liabilities) of not less than 20 per cent. of total deposit liabilities, of which 10 per cent. shall be cash reserves. Under the Guidelines for the Operations of Credit-Only Microfinance Institutions, 'micro-credit only institutions' (as defined by the Bank of Sierra Leone) are exempt from the above requirements and the Company does not believe the requirements for other deposit-taking institutions apply to

ASA Sierra Leone, as it does not accept deposits. However, if ASA Sierra Leone was subject to these requirements, the Company believes that ASA Sierra Leone would be compliant.

PART XVII

TAXATION

United Kingdom Taxation Considerations

The following is a summary of certain United Kingdom tax considerations relating to an investment in the Company's shares.

The comments set out below are based on current United Kingdom law as applied in England and Wales and published HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs), all as at the date of this Pathfinder Prospectus, and all of which may be subject to change, possibly with retroactive effect.

They are intended as a general guide and apply only to shareholders of the Company resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom and to whom "split year" treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold shares in the Company as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the Offer Shares. Certain categories of shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company or Group, those for whom the shares are employment related securities, and those who own (or are deemed to own) 5 per cent. or more of the shares and/or voting power of the Company (either alone or together with connected persons) may be subject to special rules and this summary does not apply to such shareholders.

Shareholders or prospective shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Taxation of Dividends

The Company will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend.

Individual shareholders

A United Kingdom resident individual shareholder will not be subject to income tax on a dividend such individual shareholder receives from the Company if the total amount of dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance of £2,000, which will be taxed at a nil rate (the "**Dividend Allowance**").

In determining the income tax rate or rates applicable to a United Kingdom resident individual shareholder's taxable income, dividend income is treated as the highest part of such individual shareholder's income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a United Kingdom resident individual shareholder's dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual shareholder's income, falls above such individual shareholder's personal allowance but below the basic rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend basic rate of 7.5%. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5%. To the extent that such dividend income falls above the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1%.

Corporate shareholders

Shareholders who are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each shareholder's position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class.

Non-UK shareholders

A shareholder resident or otherwise subject to tax outside the United Kingdom (whether an individual or a body corporate) may be subject to foreign taxation on dividend income under local law. Shareholders to whom this may apply should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

Taxation of Capital Gains

Shareholders who are resident in the United Kingdom, or, in the case of individuals, who cease to be resident in the United Kingdom for a period of five years or less, may depending on their circumstances (including the availability of exemptions or reliefs), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of shares in the Company.

Inheritance and Gift Taxes

Shares in the Company will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile). Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold shares in the Company bringing them within the charge to inheritance tax. Holders of shares in the Company should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any shares in the Company through such a company or trust arrangement. They should also seek professional advice in a situation where there is potential for a double charge to United Kingdom inheritance tax and an equivalent tax in another country or if they are in any doubt about their United Kingdom inheritance tax position.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position. Investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

Issue

No stamp duty or SDRT will arise on the issue of shares in registered form by the Company. In the case of shares issued to a clearance service or depositary receipt system, this is as a result of case law which has been accepted by HM Revenue & Customs.

Transfers outside of Depositary Receipt Systems and Clearance Services

An agreement to transfer shares in the Company will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

Transfers of shares in the Company will generally be subject to stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty.

If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled.

Transfers within CREST

Paperless transfers of shares in the Company within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration, as in the case of the Offer Shares.

Transfers to and within Depositary Receipt Systems and Clearance Services

Where shares in the Company are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at the higher rate of 1.5% of the amount or value of the consideration given or, in certain circumstances, the value of the shares.

Except in relation to clearance services that have made an election under section 97A(1) of the Finance Act 1986 (to which the special rules outlined below apply), no stamp duty or SDRT is payable in respect of paperless transfers within clearance services or depositary receipt systems.

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HM Revenue & Customs. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in the Company into such an account and on subsequent agreements to transfer such shares within such account.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

Sale of Offer Shares

The sale of Offer Shares under the Global Offer will give rise to a liability to stamp duty and/or SDRT as described above. The Selling Shareholder will meet the liability to stamp duty and/or SDRT of purchasers of shares at the normal rate that will arise on such sale under the Global Offer.

Any person who is in any doubt as to his or her taxation position or who is liable to taxation in any jurisdiction other than the UK should consult his or her professional advisers

Certain United States Federal Income Taxation Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Offer Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers

of Offer Shares that are U.S. Holders and that will hold the Offer Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Offer Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5 per cent. or more of the stock (by vote or value) of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Offer Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Offer Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Offer Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Offer Shares by the partnership.

There is a significant risk that the Company may be a PFIC for the current taxable year. The Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were a PFIC in any year in which a U.S. Holder holds Offer Shares, material adverse U.S. federal income tax consequences could result for U.S. Holders. See “—*Passive Foreign Investment Company Considerations*” below.

This summary is based on the tax laws of the United States, including the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the “**Treaty**”), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE OFFER SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Passive Foreign Investment Company Considerations

A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) at least

75 per cent. of its gross income is “passive income” or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For this purpose, “passive income” generally includes interests, dividends, royalties, and gains from securities transactions. However, the IRS has issued proposed regulations that treat gross income derived from the active conduct of certain banking activities by active non-U.S. banks (as defined for these purposes) and certain affiliates as non-passive income for purposes of the PFIC rules (“**Active Banking Exception**”). To qualify for the Active Banking Exception, a non-U.S. bank and its qualifying affiliates must satisfy certain requirements regarding their licensing and activities.

It is not clear whether the Group currently satisfies the requirements of the Active Banking Exception. Based on the composition of its income, the valuation of its assets and the activities conducted by the Group, there is a significant risk that the Company may be a PFIC for the current taxable year. Additionally, the proposed regulations may not be finalised in their current form, the application of the Active Banking Exception to the Group’s circumstances is not entirely clear, and the composition of the Group’s income and assets will vary over time, and accordingly there can be no assurance that the Company is or will be a PFIC for any particular taxable year.

If the Company were a PFIC in any year during which a U.S. Holder owns Offer Shares, the U.S. Holder generally will be subject to special rules with respect to (i) any “excess distribution” (generally, any distributions received by the U.S. Holder on the Offer Shares in a taxable year that are greater than 125 per cent. of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the Offer Shares) and (ii) any gain realised on the sale or other disposition of Offer Shares. Under these rules (a) the excess distribution or gain will be allocated rateably over the U.S. Holder’s holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company is a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If the Company is a PFIC, a U.S. Holder of Offer Shares generally will be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs (“**Lower-Tier PFICs**”). Additionally, dividends paid by the Company will not be eligible for the reduced rate of tax described below under “*Distributions*”.

If the Company were a PFIC in any year during which U.S. Holders owns Offer Shares, the Company will generally continue to be treated as a PFIC in all succeeding years, regardless of whether the Company continues to meet the income or asset tests discussed above. However, if the Company ceases to be a PFIC, a U.S. Holder may make an election (a “**deemed sale election**”) to be treated for U.S. federal income tax purposes as having sold its Offer Shares on the last day of the last taxable year of the Company during which it was a PFIC. A U.S. Holder that makes a deemed sale election will cease to be treated as owning stock in a PFIC. However, gain recognised by a U.S. Holder as a result of making the deemed sale election will be subject to the rules described above.

Certain elections may be available to U.S. Holders that may result in alternative tax treatment. U.S. Holders can avoid the interest charge by making a “mark to market election” with respect to the Offer Shares, provided that the Offer Shares are “marketable”. A U.S. Holder that makes a mark to market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Offer Shares at the close of the taxable year over the U.S. Holder’s adjusted basis in the Offer Shares. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder’s adjusted basis in the Offer Shares over the fair market value of the Offer Shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other

disposition of the Offer Shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Offer Shares will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election cannot be revoked without the consent of the IRS unless the Offer Shares cease to be marketable. If the Company is a PFIC for any year in which the U.S. Holder owns the Offer Shares but before a mark to market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

Because the mark-to market election cannot be made for any equity interests in any Lower-Tier PFICs the Company may own, a U.S. Holder may continue to be subject to the PFIC rules without regard to any indirect investments held by the Company that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a “qualified electing fund” (“**QEF**”) election to be taxed currently on its share of the PFIC’s undistributed income. The Company does not, however, expect to provide to U.S. Holders the information regarding this income that would be necessary in order for a U.S. Holder to make a QEF election with respect to its Offer Shares.

A U.S. Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which the Company is classified as a PFIC may be required to file IRS Form 8621. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime to their investment in the Company.

Distributions

Subject to the PFIC rules discussed above, distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the Offer Shares and thereafter as capital gain. However, the Company does not intend to maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Offer Shares will be reported as ordinary dividend income. Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, and certain other requirements are met. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Dividends paid in pounds sterling will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the pounds sterling are converted into U.S. dollars at that time.

Sale or other Disposition

Subject to the PFIC rules discussed above, upon a sale or other disposition of Offer Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder’s adjusted tax basis in the Offer Shares, in each case as determined in U.S. dollars. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the Offer Shares exceeds one year. Non-corporate U.S. Holders are subject to tax on long-term capital gains at reduced rates. Any gain or loss generally will be U.S. source. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their own tax advisors about how to account for proceeds on the sale or other disposition of Offer Shares that are not paid in U.S. dollars.

Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to Offer Shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding tax is not an additional tax. Any amounts of backup withholding will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, and may entitle the U.S. Holder to a refund, provided that the U.S. Holder furnishes the required information to the IRS in a timely manner. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Offer Shares, including requirements related to the holding of certain "specified foreign financial assets".

PART XVIII

THE GLOBAL OFFER

1 Summary of the Global Offer

The Global Offer comprises an offer of between 25,000,000 and 40,000,000 Shares at an Offer Price of between 285 pence and 340 pence. However, the number of Offer Shares to be sold may fall outside the Offer Size Range (subject to the minimum free float requirements agreed by the Company with the FCA). See paragraph 9 of this Part XVIII: “*The Global Offer—Withdrawal Rights*” for the steps the Company will take should the Offer Size be set above or below the Offer Size Range. The actual number Offer Shares to be sold by the Selling Shareholder in the Global Offer will only be determined at the time the Offer Price is determined and could be higher or lower than these numbers. In addition, between 10 per cent. and 15 per cent. of the Offer Size is being made available by the Selling Shareholder pursuant to the Over-allotment Option described below. The Company will not receive any of the proceeds from the sale of the Offer Shares or the Over-allotment Shares (if any), all of which will be paid to the Selling Shareholder.

The Global Offer is being made by way of an offer of the Offer Shares to: (i) certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S; and (ii) in the United States to QIBs only in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Certain restrictions that apply to the distribution of this Prospectus and the offer, issue and sale of the Offer Shares in jurisdictions outside the UK are described below in paragraph 10 of this Part XVIII: “*The Global Offer—Selling and transfer restrictions*”.

The Global Offer is subject to satisfaction of conditions which are customary for transactions of this type as set out in the Underwriting Agreement including, among others, Admission occurring and becoming effective by no later than 8.00 a.m. (London time) on 18 July 2018 (or such later time and/or date as the Company and the Global Co-Ordinator may agree), determination of the Offer Price and the Offer Size and the Underwriting Agreement not having been terminated in accordance with its terms.

When admitted to trading, the Shares will be registered with ISIN GB00BDFXHW57 and SEDOL number BDFXHW5 and will trade under the ticker symbol ASAI.

Immediately following Admission, it is expected that not less than 25 per cent. of the Company’s issued Ordinary Share capital will be held in public hands (within the meaning of Listing Rule 6.14).

The Offer Shares being sold pursuant to the Global Offer will, on Admission, rank *pari passu* in all respects with the ordinary shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company. The Offer Shares will, immediately on and from Admission, be freely transferable, subject to the Articles. The rights attaching to the Offer Shares, including any Shares sold pursuant to the Over-allotment Option, will be uniform in all respects and they will form a single class for all purposes.

The terms of the Global Offer are subject to change, and any terms to be varied shall be agreed between the Company, the Selling Shareholder and the Sponsor (on behalf of the Underwriters).

2 Book-building, Offer Price, Offer Size and Allocation

The Offer Price and Offer Size will be determined by the Selling Shareholder following consultation with the Joint Bookrunners and are expected to be announced on or about 13 July 2018. The Pricing Statement, which will contain, among other things, the Offer Price and the Offer Size, will be published in printed form and available free of charge at the Company’s registered office at 42-50 Hersham Road, Walton-on-Thames, Surrey

KT12 1RZ, United Kingdom and (subject to certain restrictions) on the Company's website at www.asa-international.com.

It is currently expected that the Offer Price and the Offer Size will be set within the Offer Price Range and the Offer Size Range, respectively, but these ranges are indicative only and the Offer Price and the Offer Size may be set within, above or below the Offer Price Range and the Offer Size Range, respectively. A number of factors will be considered in deciding the Offer Price and the Offer Size, including the level and the nature of the demand for Shares in the book-building process, prevailing market conditions, the minimum free float requirements of the FCA and the objectives of encouraging the development of an orderly and liquid after-market in the Shares. The Offer Price and the Offer Size will be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market-makers and fund managers) connected with the Joint Bookrunners. Accordingly, the Offer Price will not necessarily be the highest price at which all of the Shares subject to the Global Offer could be sold.

Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus or pricing statement until announcement of the Offer Price and Offer Size. If the Offer Price is set above the Offer Price Range and/or the number of Offer Shares to be sold by the Selling Shareholder is set above or below the Offer Size Range, then an announcement would be made via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their offer to purchase Shares pursuant to section 87Q of the FSMA. The arrangements for withdrawing offers to purchase Shares would be made clear in the announcement. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. Therefore, the expected date of publication of the Pricing Statement could be extended. The arrangements for withdrawing offers to purchase Shares would be made clear in the announcement. Full details of statutory rights to withdraw an offer to subscribe for or purchase Shares pursuant to section 87Q of FSMA are set out in paragraph 9 of this Part XVIII: "*The Global Offer—Withdrawal Rights*".

The allocation of Offer Shares among prospective investors will be determined by the Selling Shareholder in consultation with the Joint Bookrunners. All Shares sold pursuant to the Global Offer will be sold, payable in full, at the Offer Price. No commissions, fees, expenses or taxes will be charged to investors by the Company or the Selling Shareholder under the Global Offer. Liability for UK stamp duty and SDRT is described in Part XVII: "*Taxation*".

Upon accepting any allocation, prospective investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing may not begin before notification is made. The Shares allocated under the Global Offer have been underwritten, subject to certain conditions, including, the execution of the Pricing Agreement, Admission occurring and the Underwriting Agreement not having been terminated by the Underwriters as described in paragraph 7 of this Part XVIII: "*The Global Offer—Underwriting arrangements*" and in paragraph 12 of Part XIX: "*Additional Information—Underwriting and Selling Shareholder arrangements*".

Completion of the Global Offer will be subject, *inter alia*, to the determination of the Offer Price and Offer Size. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement, including Admission occurring and the Underwriting Agreement not having been terminated. The Global Offer cannot be terminated after Admission.

The Company, the Selling Shareholder and the Underwriters expressly reserve the right to determine at anytime prior to the publication of the Pricing Statement not to proceed with the Global Offer. If such right is exercised,

the Global Offer will lapse and any monies received in respect of the Global Offer will be returned to investors without interest.

3 Representations and warranties

By receiving this Prospectus, each investor and, in the case of paragraph 3.7 below, any person confirming his agreement to purchase Shares on behalf of an investor or authorising the Banks to notify an investor's name to the Registrar in connection with the Global Offer, is deemed to represent and warrant to each of the Banks, the Registrar and the Company and, for the purpose of paragraphs 3.2 and 3.7 below, the Financial Adviser that:

- 3.1** if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to purchase Shares under the Global Offer and will not be any such person on the date any such Global Offer is accepted;
- 3.2** in agreeing to purchase Shares under the Global Offer, the investor is relying on this Prospectus, any supplementary prospectus (as the case may be), and the Pricing Statement, and not on any other information or representation concerning the Company or the Global Offer. Such investor agrees that none of the Company, the Selling Shareholder, the Registrar, the Banks nor any of their respective officers or directors will have any liability for any such other information or representation. The investor irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 3.3** the content of this Prospectus is exclusively the responsibility of the Company and its Directors and none of the Banks, the Registrar nor any person acting on their behalf nor any of their respective directors, officers, employees, advisers or affiliates is responsible for or shall have any liability for any information, representation or statement contained in this Prospectus or any information published by or on behalf of the Company, and none of the Banks, the Registrar nor any person acting on their behalf nor any of their respective directors, officers, employees, advisers or affiliates will be liable for any decision by an investor to participate in the Global Offer based on any information, representation or statement contained in this Prospectus or otherwise. The investor irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 3.4** the investor has not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision, and it has relied only on the information contained in this Prospectus.
- 3.5** if the investor is in any EEA state which has implemented the Prospectus Directive, the United States, Australia, Canada, Japan, the United Kingdom, Dubai International Financial Centre, Hong Kong, India, The Kingdom of Saudi Arabia, Singapore, South Africa or the United Arab Emirates, it is a person to whom it is lawful for the offer of Shares to be made under the terms of the restrictions set out in "*Selling and Transfer Restrictions*" below;
- 3.6** it is entitled to purchase the Shares under the laws of all relevant jurisdictions which apply to it; it has fully observed such laws and obtained all governmental and other consents which may be required under such laws and complied with all necessary formalities; it has paid all issue, transfer or other taxes due in connection with its purchase in any jurisdiction save for the stamp duty/stamp duty reserve tax that the Selling Shareholder has agreed to be liable for; and it has not taken any action or omitted to take any action which will or may result in any of the Selling Shareholder, the Company, the Banks, the Registrar or any of their respective directors, officers, agents, employees or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Global Offer or, if applicable, its acceptance of or participation in the Global Offer;

- 3.7 in the case of a person who confirms to the Banks on behalf of an investor an agreement to purchase Shares and/or who authorises the Banks to notify the investor's name to the Registrar, that person represents and warrants that he has authority to do so on behalf of the investor;
- 3.8 the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the UK Finance Act 1986 (depository receipts and clearance services); and
- 3.9 it will pay to the Banks (or as they may direct) any amounts due from it in accordance with this Prospectus or other applicable document on the due time and date set out herein.

4 Dealing arrangements

The Global Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement (including the execution by the parties thereto of the Pricing Agreement) which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters. See paragraph 7 below. Further details of the Underwriting Agreement are described under the heading "Underwriting arrangements" in paragraph 7 below.

An application will be made to the FCA for the Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange and for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is expected that Admission will take place and unconditional dealings in the Offer Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 18 July 2018. Settlement of dealings from that date will be on a two-day rolling basis. Prior to Admission, it is expected that dealings in the Offer Shares will commence on a conditional basis on the London Stock Exchange on 13 July 2018. The earliest date for such settlement of such dealings will be 18 July 2018. **All dealings in the Offer Shares between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued" basis. If the Global Offer does not become unconditional in all respects, any such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.**

It is intended that Offer Shares allocated to investors who wish to hold Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Global Offer will be distributed from 18 July 2018 or as soon as practicable thereafter. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

In connection with the Global Offer, each of the Banks and any affiliate acting as an investor for its own account may take up the Offer Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Global Offer. Accordingly, references in this Prospectus to the Offer Shares being offered or placed should be read as including any offering or placement of securities to any of the Banks and any affiliate acting in such capacity. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company, the Selling Shareholder and/or the Founders and/or affiliates thereof for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company, the Selling Shareholder and/or the Founders and/or affiliates thereof in the future.

5 Over-allotment and stabilisation

In connection with the Global Offer, Citigroup, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such stabilisation transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Offer Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. There is no assurance that stabilising transactions will be undertaken. Such transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

In connection with the Global Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares equal to between 10 per cent. and 15 per cent. of the total number of Offer Shares comprised in the Global Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, the Selling Shareholder has granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares of between 10 per cent. and 15 per cent. of the total number of Offer Shares comprised in the Global Offer (before exercise of the Over-allotment Option) (the “**Over-allotment Shares**”) at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Offer Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Offer Shares being sold in the Global Offer and will form a single class for all purposes with the other Shares.

For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 13 of Part XIX: “*Additional Information—Stock Lending Agreement*”.

6 CREST

CREST is a paperless settlement system in the UK enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by a written instrument. The Shares are in registered form. With effect from Admission, the Articles will permit the holding of Shares under the CREST system. The Company will apply for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system, if any Shareholder so wishes.

CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so. An investor applying for Offer Shares in the Global Offer may, however, elect to receive Offer Shares in uncertificated form if that investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

7 Underwriting arrangements

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions (including execution of the Pricing Agreement by the parties thereto), to use their reasonable endeavours to procure purchasers for the Offer Shares to be sold by the Selling

Shareholder in the Global Offer, or, failing which, themselves to purchase Offer Shares, at the Offer Price. The Underwriting Agreement contains provisions entitling the Global Co-Ordinator (on behalf of itself and the other Banks) to terminate the Global Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Global Offer and these arrangements will lapse and any moneys received in respect of the Global Offer will be returned to applicants without interest. The Underwriting Agreement provides for the Banks to be paid commissions in respect of the Offer Shares sold and any Over-allotment Shares sold following exercise of the Over-allotment Option. Any commissions received by the Banks may be retained, and any Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 12 of Part XIX: “*Additional Information—Underwriting and Selling Shareholder arrangements*”. Certain selling and transfer restrictions are set out below.

8 Lock-up arrangements

Pursuant to the Underwriting Agreement, each of the Company and the Selling Shareholder have agreed that, subject to certain exceptions, from the date of the Underwriting Agreement to the date falling 180 days after the date of Admission, it will not, without the prior written consent of a majority in number of the Joint Bookrunners and that one such Joint Bookrunner includes the Global Co-Ordinator (such consent not to be unreasonably withheld or delayed), directly or indirectly, *inter alia*, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Continuity has given an undertaking in substantially the same terms from the date of the Continuity Lock-up Deed and Dirk Brouwer has given an undertaking on substantially the same terms in respect of any Shares that are distributed to him by CMI as a shareholder of CMI, in each case until the date falling 365 days after the date of Admission.

Pursuant to the Underwriting Agreement and related arrangements, the Directors have agreed that, subject to certain exceptions, from the date of the Underwriting Agreement to the date falling 365 days from the date of Admission, they will not, without the prior written consent of a majority in number of the Joint Bookrunners and that one such Joint Bookrunner includes the Global Co-Ordinator (such consent not to be unreasonably withheld or delayed), directly or indirectly, *inter alia*, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

9 Withdrawal rights

In the event that the Company is required to publish any supplementary prospectus, applicants who have applied for Offer Shares in the Global Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their offer to acquire Offer Shares in the Global Offer in its entirety.

In particular, in the event that the Offer Price is set above the Offer Price Range and/or the number of Offer Shares to be sold by the Selling Shareholder is set above or below the Offer Size Range (in each case subject to the minimum free float requirements agreed by the Company with the FCA), the applicants who have applied to purchase Shares would have a statutory right to withdraw their offer to purchase Shares in the Global Offer in its entirety pursuant to section 87Q of the FSMA before the end of a period of two business days commencing on the first Business Day after the date on which an announcement of this is published by the Company via a Regulatory Information Service announcement (or such later date as may be specified in that announcement). In these circumstances, the Pricing Statement would not be issued until this deadline for exercising such statutory withdrawal rights has ended.

The right to withdraw an application to acquire Offer Shares in the Global Offer in these circumstances will be available to all investors in the Global Offer. If the application is not withdrawn within the stipulated period, any offer to apply for Offer Shares in the Global Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published.

Any supplementary prospectus will be published in accordance with the Prospectus Rules (and notification thereof will be made to a Regulatory Information Service) but will not be distributed to investors individually. Any such supplementary prospectus will be published in printed form and available free of charge at the Company's registered office at 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ, United Kingdom and (subject to certain restrictions) on the Company's website at www.asa-international.com until 14 days after Admission.

10 Selling and transfer restrictions

The distribution of this Prospectus and the offer of Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Shares, or possession or distribution of this Prospectus (or any other offering or publicity material relating to Shares) in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Shares may be offered for subscription, sale or purchase or be delivered, and this Prospectus and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission or to make any application, filing or registration.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and any offering of the Offer Shares. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the Offer Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) no Shares have been offered or will be offered pursuant to the Global Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Global Offer have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Sponsor has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Global Co-Ordinator, be permitted to acquire Shares in the Offer.

United States

None of the Offer Shares described in this Pathfinder Prospectus has been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered or sold within the United States. In connection with the Offering, information concerning the Offering will be provided only: (i) outside of the United States in offshore transactions (as defined in Regulation S) in accordance with Regulation S; and (ii) to QIBs in the United States as defined under and in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Neither the U.S. Securities and Exchange Commission nor any state securities commission in the United States nor any other U.S. regulatory authority has approved or disapproved of the Offer Shares offered in the Offering or determined that this Pathfinder Prospectus is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

Regulation S

Each purchaser of the Offer Shares outside the United States, by accepting delivery of this Pathfinder Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

1. It (a) is aware that the sale of the Offer Shares is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S; (b) is, or at the time such Offer Shares are purchased will be, the beneficial owner of those Offer Shares; and (c) is, and the person, if any, for whose account it is acquiring such Offer Shares is, located outside the United States (within the meaning of Regulation S) and is purchasing the Offer Shares in an offshore transaction meeting the requirements of Regulation S.
2. It is not the Company's or the Selling Shareholder's affiliate or a person acting on behalf of such an affiliate.
3. It understands that the Offer Shares have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except (a) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; or (b) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs in a transaction meeting the requirements of Rule 144A, in each case in accordance with any applicable securities laws of any state of the United States.
4. It acknowledges that the Company, the Selling Shareholder, the Managers and the Company's respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

The Company will not recognise any resale or other transfer, or attempted resale or other transfer, in respect of the Offer Shares made other than in compliance with the above stated restrictions.

Rule 144A

Each purchaser of the Offer Shares within the United States, by accepting delivery of this Pathfinder Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

1. It acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.
2. It is:
 - a. a QIB;
 - b. aware, and each beneficial owner of such Offer Shares has been advised, that the sale to it is being made in reliance on Rule 144A; and
 - c. acquiring such Offer Shares for its own account or for the account of one or more QIBs.
3. It agrees (or if it is acting for the account of another person, such person, has confirmed to it that such person agrees) that it (or such person) will not offer, resell, pledge or otherwise transfer those Offer Shares except (a) to a person whom it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; or (c) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States. The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of those Offer Shares of the resale restrictions referred to in (a), (b) and (c)

above. No representation can be made as to the availability of the exemption provided by Rule 144 for resale of the Offer Shares.

4. Notwithstanding anything to the contrary in the foregoing paragraphs, the Offer Shares may not be deposited into any unrestricted depository facility established or maintained by a depository bank, unless and until such time as those Offer Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act.
5. If it is acquiring Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
6. It understands that such Offer Shares, unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS SECURITY.

7. It acknowledges that the Company, the Selling Shareholder, the Managers and the Company’s respective affiliates, will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

The Company will not recognise any resale or other transfer, or attempted resale or other transfer, in respect of the Offer Shares made other than in compliance with the above stated restrictions.

Prospective purchasers are hereby notified that the sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation,

provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (“**NI 33-105**”), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Dubai International Financial Centre

This Prospectus may not be distributed into, or circulated in, the Dubai International Financial Centre (the “**DIFC**”) other than as an “Exempt Offer” in accordance with the Markets Rules of the Dubai Financial Services Authority (“**DFSA**”) Rulebook (the “**MKT Module**”).

The DFSA has not approved this Prospectus or any associated documents nor taken any steps to verify the information set out in, and has no responsibility for, this Prospectus.

This Prospectus may only be provided to Professional Clients, as defined in the DFSA Rulebook Conduct of Business Module (the “**COB Module**”). The Global Offering is not directed at Retail Clients as defined in the COB Module.

Accordingly, the Offer Shares will not be offered to any person in the DIFC unless such offer is:

- (a) an Exempt Offer in accordance with the MKT Module; and
- (a) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the COB Module.

Hong Kong

The Offer Shares may not be offered or sold in Hong Kong, by means of any document other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

Additionally, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offer Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

India

No invitation, offer or sale to purchase or subscribe to the Shares is made or intended to be made to the public in India through this Prospectus or any amendment or supplement thereto. Neither this Prospectus nor any amendment or supplement thereto is a prospectus, offer document or advertisement nor has it been or will be submitted or registered as a prospectus or offer document under any applicable law or regulation in India. Neither this Prospectus nor any amendment or supplement thereto has been reviewed, approved, or recommended by any Registrar of Companies in India, the Securities and Exchange Board of India, the Reserve Bank of India, any stock exchange in India or any other Indian regulatory authority.

Accordingly, no person may make any invitation, offer or sale of any Shares, nor may this Prospectus nor any amendment or supplement thereto nor any other document, material, notice or circular in connection with the

invitation, offer or sale for subscription or purchase of any Shares ("**Offer**") be circulated or distributed whether directly or indirectly to, or for the account or benefit of, any person resident in India, other than strictly on a private and confidential basis and so long as any such Offer is not calculated to result, directly or indirectly, in the Shares becoming available for subscription or purchase by persons other than those receiving such offer or invitation. Notwithstanding the foregoing, in no event shall the Offer be made directly or indirectly, in any circumstances which would constitute an offer to the public in India within the meaning of any applicable law or regulation.

Any Offer of Shares to a person in India shall be made subject to compliance with all applicable Indian laws including, without limitation, the Foreign Exchange Management Act, 1999, as amended, and any guidelines, rules, regulations, circulars or notifications issued by the Reserve Bank of India, the Securities and Exchange Board of India and any other Indian regulatory authority.

Each investor in the Shares acknowledges, represents and agrees that it is eligible to invest in the Company and the Shares under applicable laws and regulations in India and that it is not prohibited or debarred under any law or regulation from acquiring, owning or selling the Shares.

The Kingdom of Saudi Arabia

Each Bank has represented and agrees that no action has been or will be taken in the Kingdom of Saudi Arabia ("**Saudi Arabia**") that would permit a public offering of the Offer Shares. Any investor in Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Offer Shares pursuant to an offering should note that the offer of Offer Shares is a private placement under Article 10 and/or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority of Saudi Arabia resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority of Saudi Arabia to carry on the securities activity of arranging and following a notification to the Capital Market Authority of Saudi Arabia under the KSA Regulations.

The Offer Shares may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Bank represents and agrees that any offer of Shares to a Saudi Investor will be made in compliance with the KSA Regulations.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (b) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (c) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Africa

This communication does not constitute, advertise or relate to an offer to the public (as defined in the South African Companies Act, No 71 of 2008, as amended (the “**SA Companies Act**”)) for the sale of or subscription for, or the solicitation of an offer to buy or subscribe for, securities. In the Republic of South Africa (“**South Africa**”) this communication will not be distributed to any person in any manner which could be construed as an offer to the public in terms of the SA Companies Act and is only directed at financial institutions and other persons who are referred to in section 96(1)(a) of the SA Companies Act, or persons who apply, as principal, for Offer Shares at a total acquisition cost of ZAR1 000 000 or more, as contemplated in section 96(1)(b) of the SA Companies Act (“**Qualifying Investors**”). Should any person who is not a Qualifying Investor receive the attached document, they should not and will not be entitled to acquire any securities offered for sale or subscription as described in this document or otherwise act thereon. This document does not, nor is it intended to, constitute a prospectus registered under the SA Companies Act and accordingly, does not comply with the substance and form requirements for prospectuses set out in the SA Companies Act and the South African Companies Regulations of 2011. Nothing in this document should be viewed, or construed, as “advice” as that term is used in the South African Financial Markets Act, No 19 of 2012 and/or the South African Financial Advisory and Intermediary Services Act, No 37 of 2002, as amended (the “**SA FAIS Act**”) and nothing in the attached document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

United Arab Emirates

The Offer Shares will not be offered, sold or publicly promoted or advertised in the United Arab Emirates (the “**UAE**”) other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

In the UAE, the Offer Shares are not subject to regulation under the laws or regulations of the UAE relating to the issue, offering and sale of securities. Neither the Offer Shares nor this Prospectus have been approved by the Securities and Commodities Authority of the UAE (the “**SCA**”), the Central Bank of the UAE or any other regulatory authority in the UAE. In particular, this Prospectus has not been approved pursuant to Board Resolution No. 11 of 2016 on the Regulation of the Offering and Issuance of Stocks of Public Joint Stock Companies issued by the SCA (as amended) (the “**Offer of Securities Regulations**”). In addition, neither this Prospectus nor the Global Offer constitutes or contains an offer of shares to the general public in the UAE and the Offer Shares will not be registered with the SCA or admitted to trading on a securities exchange in the UAE. Accordingly, this Prospectus is not intended for circulation or distribution in or into the UAE, other than to

persons in the UAE to whom such circulation or distribution is permitted by, or is exempt from the requirements of, the Offer of Securities Regulations, the SCA's Board of Directors Decision No. 3 of 2017 Concerning the Organization of Promotion and Introduction and other applicable UAE laws and regulations.

It should not be assumed that any of the Sponsor and Global Co-Ordinator, Joint Bookrunners or Lead Manager is a licensed broker, dealer or investment advisor under the laws of the UAE, or that it is otherwise licensed to advise persons in the UAE as to the appropriateness of investing in or purchasing the Offer Shares or other financial products.

PART XIX

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names and principal functions are set out in Part X: “*Directors, Senior Management and Corporate Governance*”, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation

- 2.1 The Company was incorporated and registered in England and Wales on 14 May 2018 as a public company limited by shares under the Companies Act with the name ASA International Group plc and with the registered number 11361159.
- 2.2 On 15 May 2018, the Company was issued with a trading certificate under section 761 of the Companies Act entitling it to commence business.
- 2.3 The Company’s registered office and principal place of business is at 42-50 Hersham Road, Walton-On-Thames, Surrey KT12 1RZ, United Kingdom. The Company’s telephone number is +44 1903 706160.
- 2.4 The principal laws and legislation under which the Company operates and the Shares have been created are the Companies Act and the regulations issued thereunder.
- 2.5 The business of the Company, and its principal activity, is to act as the ultimate holding company of the Group.

3 Share capital

The share capital history of the Company is as follows:

- 3.1 On incorporation on 14 May 2018, the issued share capital of the Company was £1 consisting of one ordinary share of £1 nominal value, which was issued to Hackwood Secretaries Limited.
- 3.2 On 15 May 2018, the Selling Shareholder subscribed for 50,000 £1 redeemable preference shares, in each case issued at nominal value. On the same date, Hackwood Secretaries Limited transferred its one Share to Dirk Brouwer. It is intended that the 50,000 £1 redeemable preference shares will be redeemed by the Company shortly before Admission at nominal value.
- 3.3 On 28 June 2018, by member’s resolution, it was resolved that the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act, in substitution for all prior authorities conferred upon them, to exercise all of the powers of the Company to allot Shares with an aggregate nominal value of up to £99,999,999, with such authority expiring immediately on Admission or, if earlier, on 18 July 2018, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such offer or agreement as if the authority had not expired.
- 3.4 A general meeting of the Company shall be convened for 12 July 2018 at which the members of the Company will consider and, if thought appropriate resolve that:

- (a) conditional on Admission becoming effective, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act, in substitution for all prior authorities conferred upon them, to exercise all of the powers of the Company to allot Shares, or grant rights to subscribe for or convert any security into Shares in the Company:
 - (i) up to a further nominal amount of £33,333,333 (representing approximately 33 per cent. of the nominal issued ordinary share capital of the Company immediately following Admission); and
 - (ii) comprising equity securities (as defined in section 560(1) of the Companies Act), up to a further nominal amount of £33,333,333 (representing approximately 33 per cent. of the nominal issued share capital of the Company immediately following Admission), in connection with an offer by way of a rights issue,

such authorities expire (unless previously revoked, varied or renewed) on 31 December 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company, but in each case, so that the Company may make an offer or enter into an agreement during the relevant period which would, or might, require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted after the authority given by this resolution has expired and the Directors may allot shares in pursuance of such offer or agreement as if the authority had not expired;

- (b) conditional on Admission becoming effective, the Directors be authorised to allot equity securities (within the meaning of section 560(1) of the Companies Act) wholly for cash:
 - (i) pursuant to the authority described in sub-paragraph 3.4(a) above, or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act, in each case:
 - 1. in connection with a pre-emptive offer; and
 - 2. otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £5 million, representing 5 per cent. of the nominal issued ordinary share capital of the Company immediately following Admission); and
 - (ii) pursuant to the authority referred to in paragraph 3.4(a)(ii) above in connection with a rights issue, in substitution for all prior powers conferred upon them, but without prejudice to any allotments made pursuant to the terms of such powers,

as if section 561(1) of the Act did not apply to any such allotment, with such authority expiring (unless previously revoked, varied or renewed) on 31 December 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company, but so that the Company may make an offer or agreement which would, or might, require equity securities to be allotted after the authority given by this resolution has expired and the Directors may allot equity securities under any such offer or agreement as if the authority had not expired; and

- (c) conditional on Admission becoming effective, in addition to any authority referred to in paragraph 3.4(b) above, the Directors be authorised to allot equity securities (as defined in section 560(1) of the Companies Act) wholly for cash pursuant to the authority referred to in paragraph 3.4(a) above or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act as if section 561(1) of the Companies Act did not apply to any such allotment, such authority to be:

- (i) limited to the allotment of equity securities up to an aggregate nominal amount of £5 million (representing 5 per cent. of the nominal issued ordinary share capital of the Company immediately following Admission); and
- (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the board of directors of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of general meeting at which these resolutions were passed,

such authority to expire at the end of the next annual general meeting of the Company or at the close of business on 31 December 2019, whichever is the earlier, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted after the authority given by this resolution has expired and the Directors may allot equity securities under any such offer or agreement as if the authority had not expired

- (d) conditional on Admission becoming effective, the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of Shares each subject to the following conditions:
 - (i) the maximum aggregate number of shares authorised to be purchased is 10,000,000 representing 10 per cent. of the aggregate nominal value of the Company's issued share capital immediately following Admission;
 - (ii) the minimum price (excluding expenses) which may be paid for each share is £0.01 (being the expected nominal value of a Share following the Post-IPO Reduction of Capital); and
 - (iii) the maximum price (excluding expenses) which may be paid for each Share is an amount equal to higher of: (i) 105 per cent. of the average of the middle market quotations of a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current bid stipulated by the Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of Market Abuse Regulation,

with such authority expiring on 31 December 2019 or, if earlier, at the end of the next annual general meeting of the Company (except in relation to the purchase of shares, the contract of which was concluded before the expiry of such authority and which might be exceeded wholly or partly after such expiry) unless such authority is renewed prior to such time.

4 Pre-IPO Reorganisation and Post-IPO Reduction of Capital

4.1 Prior to Admission, the Group will undertake a reorganisation of its corporate structure (the “**Pre-IPO Reorganisation**”). The Pre-IPO Reorganisation involves the following principal steps:

4.1.1 Between the date of this Prospectus and Admission:

- (i) CMI, which at the date of the Prospectus owns 100 per cent. of the issued share capital of ASAIH, will transfer 15 per cent. of the ordinary shares in ASAIH to Continuity.

Following this transfer, CMI and Continuity will hold 85 per cent. and 15 per cent. of the issued share capital of ASAIH, respectively; and

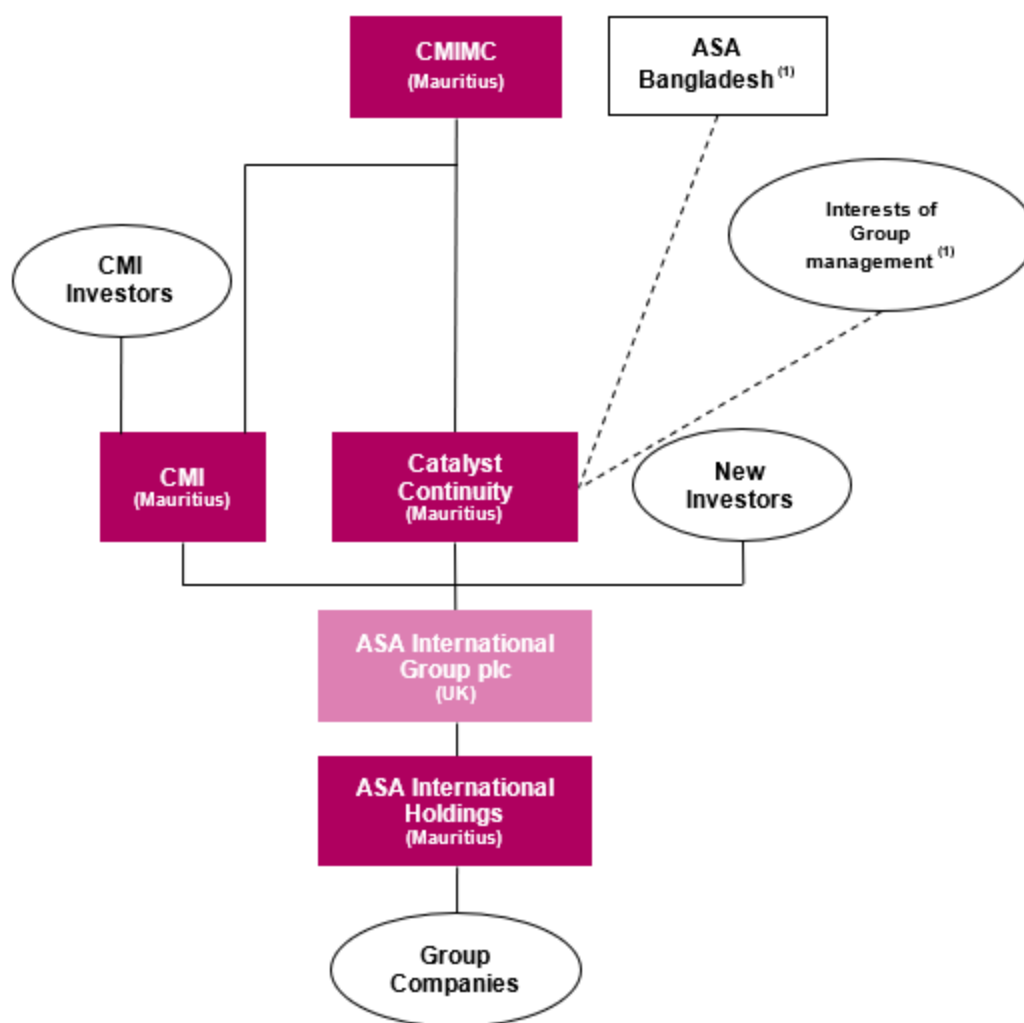
- (ii) Continuity will issue redeemable preference shares to (a) CMIMC and (b) intermediate holding companies which will hold them, as more fully described below, on behalf of ASA NGO Bangladesh and certain members of the Group's management, including certain of the Directors and Senior Managers set out in the table in paragraph 8 of this Part XIX: *"Additional Information-Interests of the Directors and Senior Management"*.

4.1.2 Following the transfer and issuance described in paragraph 4.1.1 above:

- (a) ASA NGO Bangladesh will hold an indirect economic entitlement to the proceeds of the future sale by Continuity of 4,558,920 Shares, representing approximately 4.6 per cent. of the issued share capital of the Company. This entitlement will be in the form of a contractual right to receive from CMIMC the proceeds of any future sale by Continuity of the relevant Shares, which proceeds would be used to redeem preference shares in Continuity held (via the relevant intermediate holding company) by CMIMC, with those proceeds then passed from CMIMC to ASA NGO Bangladesh pursuant to this contractual right; and
- (b) certain members of the Group's management including certain of the Directors and Senior Managers (as set out in the table in paragraph 8 of this Part XIX: *"Additional Information-Interests of the Directors and Senior Management"*) will hold an indirect economic interest in Shares. This is an economic entitlement only, with voting rights for such Shares being held by CMIMC, and will take the form of redeemable preference shares in Continuity held by the relevant intermediate holding company.

4.1.3 Following this transfer and prior to Admission, the Company will acquire the entire issued share capital of ASAIH from CMI and Continuity pursuant to a share exchange agreement to be entered into prior to Admission, in return for issuance by the Company of Ordinary Shares to CMI and Continuity in proportion to their previous shareholdings in ASAIH. Following such transfer and prior to Admission, the Company will become the holding company of the Group.

4.1.4 The chart below illustrates the structure of the Group's shareholding at Admission following completion of the Pre-IPO Reorganisation.



Notes:

- (1) Dotted line indicates indirect economic (non-voting) interests held via an intermediate holding company structure.

4.2 Following Admission, the Company will undertake a reduction of capital, to be approved by the court pursuant to section 645 of the Companies Act, to create additional distributable reserves to assist the Company to implement its dividend policy following Admission (the “**Post-IPO Reduction of Capital**”). It is intended that this capital reduction will cancel the share premium of the Company and reduce the nominal value of the Ordinary Shares from £1 each to £0.01 each. The terms of the proposed capital reduction shall be approved by members’ special resolution passed at a general meeting of the Company expected to be held on 12 July 2018.

5 Articles of Association

The Company’s objects are not restricted by its Articles. Accordingly, pursuant to section 31 of the Companies Act, the Company’s objects are unrestricted.

The Articles shall be adopted, conditional upon Admission being effective, by the Company at a general meeting to be held on 12 July 2018, conditional upon Admission being effective, and include provisions to the following effect:

5.1 Shares

5.1.1 Respective rights of different classes of shares

Without prejudice to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution to so authorise them, the Directors. The Company may also issue shares which are, or are liable to be, redeemed at the option of the Company or the holder and the Directors may determine the terms, conditions and manner of redemption of any such shares.

5.1.2 Voting rights

At a general meeting, subject to any special rights or restrictions attached to any class of shares:

- (a) on a show of hands, every member present in person and every duly appointed proxy present shall have one vote;
- (b) on a show of hands, a proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more than one member entitled to vote on the resolution, and the proxy has been instructed:
 - (I) by one or more of those members to vote for the resolution and by one or more other of those members to vote against it; or
 - (II) by one or more of those members to vote either for or against the resolution and by one or more other of those members to use his discretion as to how to vote; and
- (c) on a poll, every member present in person or by proxy has one vote for every share held by him.

A proxy shall not be entitled to vote on a show of hands or on a poll where the member appointing the proxy would not have been entitled to vote on the resolution had he been present in person.

Unless the Directors resolve otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any call or other sum due from him to the Company in respect of that share remains unpaid.

5.1.3 Variation of rights

- (a) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the written consent of the holders of three-quarters in nominal value of the issued shares of the class (excluding shares held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise), and may be so varied or abrogated either while the Company is a going concern or during or in contemplation of a winding-up.
- (b) The special rights attached to any class of shares will not, unless otherwise expressly provided by the terms of issue, be deemed to be varied by (i) the creation or issue of further shares ranking, as regards participation in the profits or assets of the Company, in some or all respects equally with them but in no respect in priority to them, or (ii) the purchase or redemption by the Company of any of its own shares.

5.1.4 Transfer of shares

- (a) Transfers of certificated shares must be effected in writing or in any other form acceptable to the Directors, and signed by or on behalf of the transferor and, if any of the shares are not fully paid, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of a relevant system (i.e. CREST) unless the CREST Regulations provide otherwise.
- (b) The Directors may decline to register any transfer of a certificated share, unless (i) the instrument of transfer is in respect of only one class of share, (ii) the instrument of transfer is lodged at the transfer office, duly stamped if required, accompanied by the relevant share certificate(s) or other evidence reasonably required by the Directors to show the transferor's right to make the transfer or, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so, and (iii) the certificated share is fully paid up.
- (c) The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

5.1.5 Restrictions where notice not complied with

If any person appearing to be interested in shares (within the meaning of Part 22 of the Companies Act) has been duly served with a notice under section 793 of the Companies Act (which confers upon public companies the power to require information as to interests in its voting shares) and is in default for a period of 14 days in supplying to the Company the information required by that notice:

- (a) the holder of those shares shall not be entitled to attend or vote (in person or by proxy) at any shareholders' meeting, unless the Directors otherwise determine; and
- (b) the Directors may in their absolute discretion, where those shares represent 0.25 per cent. or more of the issued shares of a relevant class, by notice to the holder direct that:
 - (i) any dividend or part of a dividend (including shares issued in lieu of a dividend) or other money which would otherwise be payable on the shares will be retained by the Company without any liability for interest; and/or
 - (ii) (with various exceptions set out in the Articles) transfers of the shares will not be registered.

5.1.6 Forfeiture and lien

- (a) If a member fails to pay in full any sum which is due in respect of a share on or before the due date for payment, then, following notice by the Directors requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Directors to that effect (including all dividends declared in respect of the forfeited share and not actually paid before the forfeiture).
- (b) A member whose shares have been forfeited will cease to be a member in respect of the shares, but will remain liable to pay the Company all monies which at the date of forfeiture were presently payable together with interest. The Directors may in their absolute discretion enforce payment without any allowance for the value of the shares at the time

of forfeiture or for any consideration received on their disposal, or waive payment in whole or part.

- (c) The Company shall have a lien on every share (not being a fully paid-up share) that is not fully paid for all monies called or payable at a fixed time in respect of such share. The Company's lien over a share takes priority over the rights of any third party and extends to any dividends or other sums payable by the Company in respect of that share. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt from such a lien, either wholly or partially.
- (d) A share forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to any person (including the person who was, before such forfeiture or surrender, the holder of that share or entitled to it) on such terms and in such manner as the Directors think fit. The Company may deliver an enforcement notice in respect of any share if a sum in respect of which a lien exists is due and has not been paid. The Company may sell any share in respect of which an enforcement notice, delivered in accordance with the Articles, has been given if such notice has not been complied with. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien to the extent that amount was due on the date of the enforcement notice, and then on surrender of the share certificate for cancellation, to the person entitled to the shares immediately prior to the sale.

5.2 General meetings

5.2.1 Annual general meeting

An annual general meeting shall be held in each period of six months beginning with the day following the Company's accounting reference date, at such place or places, date and time as may be decided by the Directors.

5.2.2 Convening of general meetings

The Directors may, whenever they think fit, call a general meeting. The Directors are required to call a general meeting once the Company has received requests from its members to do so in accordance with the Companies Act.

5.2.3 Notice of general meetings etc.

- (a) Notice of general meetings shall include all information required to be included by the Companies Act and shall be given to all members other than those members who are not entitled to receive such notices from the Company under the provisions of the Articles. The Company may determine that only those persons entered on the Register of Members at the close of business on a day decided by the Company, such day being no more than 21 days before the day that notice of the meeting is sent, shall be entitled to receive such a notice.
- (b) For the purposes of determining which persons are entitled to attend or vote at a meeting, and how many votes such persons may cast, the Company must specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the Register in order to have the right to attend or vote at the meeting. The Directors may in their discretion resolve that, in calculating such period, no account shall be taken of any part of any day that is not a working day (within the meaning of section 1173 of the Companies Act).

5.2.4 Quorum

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Two members present in person or by proxy shall be a quorum.

5.2.5 Conditions of Admission

- (a) The Directors may require attendees to submit to searches or put in place such arrangements or restrictions as they think fit to ensure the safety and security of attendees at a general meeting. Any member, proxy or other person who fails to comply with such arrangements or restrictions may be refused entry to, or removed from, the general meeting.
- (b) The Directors may decide that a general meeting shall be held at two or more locations to facilitate the organisation and administration of such meeting. A member present in person or by proxy at the designated “satellite” meeting place may be counted in the quorum and may exercise all rights that they would have been able to exercise if they had been present at the principal meeting place. The Directors may make and change from time to time such arrangements as they shall in their absolute discretion consider appropriate to:
 - (i) ensure that all members and proxies for members wishing to attend the meeting can do so;
 - (ii) ensure that all persons attending the meeting are able to participate in the business of the meeting and to see and hear anyone else addressing the meeting;
 - (iii) ensure the safety of persons attending the meeting and the orderly conduct of the meeting; and
 - (iv) restrict the numbers of members and proxies at any one location to such number as can safely and conveniently be accommodated there.

5.3 Directors

5.3.1 General powers

The Directors shall manage the business and affairs of the Company and may exercise all powers of the Company other than those that are required by the Companies Act or by the Articles to be exercised by the Company at the general meeting.

5.3.2 Number of directors

The Directors shall not be less than two nor more than 20 in number, save that the Company may, by ordinary resolution, from time to time vary the minimum number and/or maximum number of directors.

5.3.3 Share qualification

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

5.3.4 Directors' fees

- (a) Directors' fees are determined by the Directors from time to time except that they may not exceed £2,500,000 per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the shareholders.
- (b) Any Director who holds any executive office (including the office of Chairman or deputy Chairman), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.

5.3.5 Executive Directors

The Directors may from time to time appoint one or more of their number to be the holder of any executive office and may confer upon any director holding an executive office any of the powers exercisable by them as directors upon such terms and conditions, and with such restrictions, as they think fit. They may from time to time revoke, withdraw, alter or vary all or any of such delegated powers.

5.3.6 Directors' retirement

- (a) Each Director shall retire at the annual general meeting held in the third calendar year following the year in which he was elected or last re-elected by the Company. In addition, each director (other than the Chairman and any director holding an executive office) shall also be required to retire at each annual general meeting following the ninth anniversary on the date on which he was elected by the Company. A director who retires at any annual general meeting shall be eligible for election or re-election unless the Directors resolve otherwise not later than the date of the notice of such annual general meeting.
- (b) When a Director retires at an annual general meeting in accordance with the Articles, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring director. In the absence of such a resolution, the retiring director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

5.3.7 Removal of a director by resolution of Company

The Company may, by ordinary resolution of which special notice is given, remove any Director before the expiration of his period of office in accordance with the Companies Act, and elect another person in place of a Director so removed from office. Such removal may take place notwithstanding any provision of the Articles or of any agreement between the Company and such Director, but is without prejudice to any claim the Director may have for damages for breach of any such agreement.

5.3.8 Proceedings of the Board

- (a) Subject to the provisions of the Articles, the Directors may meet for the despatch of business and adjourn and otherwise regulate its proceedings as they think fit.
- (b) The quorum necessary for the transaction of business of the Directors may be fixed from time to time by the directors and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

- (c) The Directors may elect from their number a Chairman and a Deputy Chairman (or two or more deputy Chairmen) and decide the period for which each is to hold office.
- (d) Questions arising at any meeting of the Directors shall be determined by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

5.3.9 Directors' interests

- (a) For the purposes of section 175 of the Companies Act, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.
- (b) Any such authorisation will be effective only if:
 - (i) the matter in question was proposed in writing for consideration at a meeting of the Directors, in accordance with the Board's normal procedures or in such other manner as the Directors may resolve;
 - (ii) any requirement as to the quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
 - (iii) the matter was agreed to without such interested Directors voting or would have been agreed to if their votes had not been counted.
- (c) The Directors may extend any such authorisation to any actual or potential conflict of interest which may arise out of the matter so authorised and may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions they expressly impose, but such authorisation is otherwise given to the fullest extent permitted. The Directors may also terminate any such authorisation at any time.

5.3.10 Restrictions on voting

- (a) Except as provided below or otherwise permitted in the Articles, a Director may not vote on any resolution in respect of any contract, arrangement or any other proposal in which he, or a person connected to him, is interested. Any vote of a Director in respect of a matter where he is not entitled to vote shall be disregarded.
- (b) Subject to the provisions of the Companies Act, a Director is entitled to vote and be counted in the quorum in respect of any resolution concerning any contract, transaction or arrangement, or any other proposal (*inter alia*):
 - (i) in which he has an interest of which he is not aware or which cannot be reasonably be regarded as likely to give rise to a conflict of interest;
 - (ii) in which he has an interest only by virtue of interests in the Company's shares, debentures or other securities or otherwise in or through the Company;
 - (iii) which involves the giving of any security, guarantee or indemnity to the Director or any other person in respect of obligations incurred by him and guaranteed by the Company (or vice versa);

- (iv) concerning an offer of securities by the Company or any of its subsidiary undertakings in which he is or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter;
- (v) concerning any other body corporate, provided that he and any connected persons do not own or have a beneficial interest in one per cent. or more of any class of share capital of such body corporate, or of the voting rights available to the members of such body corporate;
- (vi) relating to an arrangement for the benefit of employees or former employees which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates;
- (vii) concerning the purchase or maintenance of insurance for any liability for the benefit of Directors;
- (viii) concerning the giving of indemnities in favour of the Directors;
- (ix) concerning the funding of expenditure by any Director or Directors (A) on defending criminal, civil or regulatory proceedings or actions against him or them, (B) in connection with an application to the court for relief, (C) on defending him or them in any regulator investigations, or (D) incurred doing anything to enable him to avoid incurring such expenditure; or
- (x) in respect of which the Director's interest, or interest of Directors generally, has been authorised by ordinary resolution.

5.3.11 Confidential information

If a Director, otherwise than by virtue of his position as Director, receives information in respect of which he owes a duty of confidentiality to a person other than the Company, he shall not be required to disclose such information to the Company or otherwise use or apply such confidential information for the purpose of or in connection with the performance of his duties as a Director, provided that such an actual or potential conflict of interest arises from a permitted or authorised interest under the Articles. This is without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing the information, in circumstances where disclosure may otherwise be required under the Articles.

5.3.12 Borrowing powers

- (a) Subject to the provisions of the Companies Act, the Directors may exercise all the powers of the Company to borrow money, mortgage or charge all or any part or parts of its undertaking, property and uncalled capital, and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.3.13 Powers of the directors

- (a) The Directors may delegate any of their powers or discretions, including those involving the payment of remuneration or the conferring of any other benefit to the Directors, to such person or committee and in such manner as they think fit. Any such person or committee shall, unless the Directors otherwise resolve, have the power to sub-delegate any of the powers or discretions delegated to them. The Directors may make regulations in relation to the proceedings of committees or sub-committees.

- (b) The Directors may establish any local boards or appoint managers or agents to manage any of the affairs of the Company, either in the United Kingdom or elsewhere, and may:
 - (i) appoint persons to be members or agents or managers of such local board and fix their remuneration;
 - (ii) delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with the power to sub-delegate;
 - (iii) remove any person so appointed, and may annul or vary any such delegation; and
 - (iv) authorise the members of any local boards, or any of them, to fill any vacancies on such boards, and to act notwithstanding vacancies.
- (c) The Directors may appoint any person or fluctuating body of persons to be the attorney of the Company with such purposes and with such powers, authorities and discretions and for such periods and subject to such conditions as they may think fit.
- (d) Any Director may at any time appoint any person (including another Director) to be his alternate director and may at any time terminate such appointment.

5.3.14 Directors' liabilities

- (a) So far as may be permitted by the Companies Act, every Director, former director or secretary of the Company or of an Associated Company (as defined in section 256 of the Companies Act) of the Company may be indemnified by the Company out of its own funds against any liability incurred by him in connection with any negligence, default, breach of duty or breach of trust by him or any other liability incurred by him in the execution of his duties, the exercise of his powers or otherwise in connection with his duties, powers or offices.
- (b) The Directors may also purchase and maintain insurance for or for the benefit of:
 - (i) any person who is or was a director or secretary of a Relevant Company (as defined in the Articles); or
 - (ii) any person who is or was of any time a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested,
 including insurance against any liability (including all related costs, charges, losses and expenses) incurred by or attaching to him in relation to his duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme.
- (c) So far as may be permitted by the Companies Act, the Company may provide a Relevant Officer (as defined in the Articles) with defence costs in relation to any criminal or civil proceedings in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or an associated company of the Company, or in relation to an application for relief under section 205(5) of the Companies Act. The Company may do anything to enable such Relevant Officer to avoid incurring such expenditure.

5.4 Dividends

- (a) The Company may, by ordinary resolution, declare final dividends to be paid to its shareholders. However, no dividend shall be declared unless it has been recommended by the Directors and does not exceed the amount recommended by the Directors.

- (b) If the Directors believe that the profits of the Company justify such payment, they may pay dividends on any class of share where the dividend is payable on fixed dates. They may also pay interim dividends on shares of any class in amounts and on dates and periods as they think fit. Provided the Directors act in good faith, they shall not incur any liability to the holders of any shares for any loss they may suffer by the payment of dividends on any other class of shares having rights ranking equally with or behind those shares.
- (c) Unless the share rights otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, and apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (d) Any unclaimed dividends may be invested or otherwise applied for the benefit of the Company until they are claimed. Any dividend unclaimed for 12 years from the date on which it was declared or became due for payment shall be forfeited and shall revert to the Company.
- (e) The Directors may, if authorised by ordinary resolution, offer to ordinary shareholders the right to elect to receive, in lieu of a dividend, an allotment of new ordinary shares credited as fully paid.

5.5 Failure to supply an address

A shareholder who has no registered address within the United Kingdom and has not supplied to the Company an address within the United Kingdom for the service of notices will not be entitled to receive notices from the Company.

5.6 Disclosure of shareholding ownership

The Disclosure and Transparency Rules require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below three per cent. and each one per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in the Company may be disregarded.

5.7 Changes in capital

The provisions of the Articles governing the conditions under which the Company may alter its share capital are no more stringent than the conditions imposed by the Companies Act.

6 Directors and Senior Management

- 6.1** The Directors and members of Senior Management, their functions within the Group and brief biographies are set out in Part X: “*Directors, Senior Management and Corporate Governance*”.

- 6.2** The companies and partnerships of which the Directors and members of Senior Management are, or have been, within the past five years, members of the administrative, management or supervisory bodies or partners (excluding the Company and its subsidiaries and also excluding the subsidiaries of the companies listed below) are as follows:

Name of Director	Current directorships/partnership	Former directorships/partnerships
Md. Shafiquel Choudhury	Catalyst Microfinance Investors Catalyst Microfinance Investors International Holding Catalyst Microfinance Investment Company CMIMC PPLCI ASA Pakistan Samic ASHA ASIEA ASA India ASA NGO Bangladesh	—
Dirk Brouwer	Catalyst Microfinance Investors Catalyst Microfinance Investment Company CMI Partners CarbonX Beheer B.V. CarbonX B.V. Sequoia B.V. Barrisdale Ltd	—
Aminur Rashid	—	—
Praful Patel	—	—
Gavin Laws	Union Bank PLC Travelex Holdings Ltd Berkhamsted School LFC Foundation Ltd Nidebsa Ltd	Trans Antarctic Winter Traverse Ltd
Guy Dawson	Egerton Capital Ltd Citywire Holdings Ltd Ridgeway Partners Holdings Ltd	
Johanna Kemna	BinckBank N.V. Menzis N.V.	

	Current directorships/partnership	Former directorships/partnerships
	MN Services N.V. SVN Foundation National ICT Institute for Healthcare	
Name of Senior Manager		
Md. Enamul Haque	—	—
Mohammed Azim Hossain	—	—
Tanwir Rahman	—	BRAC Tanzania Finance Ltd BRAC Maendeleo Tanzania BRAC Microfinance (SL) Ltd BRAC Haiti BRAC Lanka Investment (Private) Ltd BRAC Land (Private) Ltd BRAC Lanka (Guarantee) Ltd BRAC (Zanzibar) BRAC (South Sudan) BRAC Uganda BRAC Uganda Microfinance Ltd BRAC Social Business Enterprise Uganda Ltd BRAC Liberia BRAC Liberia Microfinance Company Ltd BRAC Sierra Leone
Martijn Bollen	—	—
Mischa Assink	—	—

Save as set out above, none of the Directors or members of Senior Management or the Company Secretary has any business interests, or perform any activities, outside the Group which are significant with respect to the Group.

- 6.3** There are no family relationships between any Directors, between any members of Senior Management or between any Directors and members of Senior Management.
- 6.4** As at the date of this Prospectus, none of the Directors or members of Senior Management has, at any time within the last five years:
- 6.4.1** had any convictions in relation to fraudulent offences;
- 6.4.2** save as described below, has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the

appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

- 6.4.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

In 2016, Inverko Compounding B.V. (“**Inverko**”), a private limited liability company that specialised in recycling plastic waste, and of which Mr. Dirk Brouwer was indirectly a director via its management company, was declared bankrupt by the Rechtbank Noord-Nederland (Court of North-Netherlands). The court-appointed a bankruptcy trustee who as part of the bankruptcy proceedings conducted an investigation into the causes of the bankruptcy and did not find any mismanagement or improper administration by the directors. The bankruptcy proceedings were closed by the court on 19 December 2017 and there were no adverse findings against Mr Dirk Brouwer.

- 6.5 The aggregate remuneration paid and benefits in kind granted to the Directors by the Company and its subsidiaries during the financial year ended 31 December 2017 for services in all capacities was U.S.\$150,018.
- 6.6 The total amount set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits for the Directors for the financial year ended 31 December 2017 was nil.
- 6.7 Save as set out in paragraph 12 of this Part XIX: “*Additional Information—Underwriting and Selling Shareholder arrangements*” there are no restrictions agreed by any Director or Senior Manager on the disposal within a certain time of their holdings in the Company’s securities.

7 Directors’ service agreements, letters of appointment and other matters

7.1 Service agreements and letters of appointment

7.1.1 Md. Shafiquel Haque Choudhury – Chairman and Non-Executive Director

Mr Choudhury is the Chairman of the Company and a Non-Executive Director engaged through letter of appointment dated 28 June 2018. He is also a member of the Nomination Committee. His fee as a Non-Executive Director is U.S.\$250,000 per annum and his engagement with the Company can be terminated with three months’ notice.

7.1.2 Dirk Brouwer – Chief Executive Officer

Mr Brouwer is employed through a service agreement dated 28 June 2018 and his salary is U.S.\$425,000 and he is entitled to participate in the long term and/or short term incentives schemes offered by the Company. Mr Brouwer’s service agreement is terminable by either party with six months’ notice or immediately by the Company upon payment in lieu of notice and contains a garden leave clause is subject to a notice period of six months, of which the Company is able to place Mr Brouwer on garden leave for the six month notice period or pay to Mr Brouwer a sum in lieu of the notice period.

7.1.3 Aminur Rashid – Director of Operations

Mr Rashid is employed through a service agreement dated 28 June 2018 and his salary is U.S.\$165,000 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 immediately by the Company upon payment in lieu of notice and contains a garden leave clause is subject to a notice period of six months, of which the Company is able to place Mr Rashid on garden leave for the six month notice period or pay to Mr Rashid a sum in lieu of the notice period.

7.1.4 Praful Patel – Non-Executive Director

Mr Patel is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018 of and he is the Chairman of the Remuneration Committee and a member of the Nomination Committee. His fee as a Non-Executive Director is £60,000 per annum and his engagement with the Company can be terminated with three months' notice.

7.1.5 Gavin Laws – Non-Executive Director

Mr Laws is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018 and 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 £60,000 per annum and his engagement with the Company can be terminated with three months' notice.

7.1.6 Guy Dawson – Non-Executive Director

Mr Dawson is a Senior Independent Non-Executive Director engaged through a letter of appointment dated 28 June 2018 and he is the Chairman of the Nomination Committee and a member of the Audit and Risk Committee. His fee as a Non-Executive Director is £60,000 per annum and his engagement with the Company can be terminated with three months' notice

7.1.7 Johanna Kemna – Non-Executive Director

Ms Kemna is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018 and she is a member of the Remuneration and Audit and Risk Committees. Her fee as a Non-Executive Director is £50,000 per annum and her engagement with the Company can be terminated with three months' notice.

7.2 Directors' and Senior Management's remuneration for the financial year ended 31 December 2017

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 December 2017, the Directors were remunerated as set out below:

Name of Director	Position in 2017	Annual Salary/Fee (U.S.\$, except where indicated)	Other Benefits/Bonus (U.S.\$, except where indicated)	Date of joining the Group
Md. Shafiquel Choudhury	Non-Executive Chairman	N/A ⁽¹⁾	—	2007
Dirk Brouwer	Chief Executive Officer	N/A ⁽²⁾	—	2007
Aminur Rashid	Executive Director Operations	69,312	5,905	2009
Praful Patel	Non-Executive Director	25,000	—	2013
Gavin Laws	Non-Executive Director	25,000	—	2013
Guy Dawson	Non-Executive Director	25,000	—	2013
Martijn Bollen	General Counsel	—	—	2007
Enamul Haque	Chief Operating Officer	89,220	7,435	2008
Tanwir Rahman	Chief Financial Officer ⁽³⁾	35,887	6,250 (payable from 2018 only)	2017
Azim Hossain	Director – Investment, Treasury & Risk Management	78,612 and “80% charge to ASAIH”	6,551 and “80% charge to ASAIH”	2007

Notes:

- (1) Md. Shafiquel Choudhury was not paid a salary by the Group for the year ended 31 December 2017.
- (1) Dirk Brouwer was not paid a salary by the Group for the year ended 31 December 2017.
- (1) Appointed to role in June 2017. The annual salary reflects the July-December salary, plus U.S.\$4,637.

8 Interests of the Directors and Senior Management

- 8.1** The table below sets out the interests of the Directors and Senior Management in the share capital of the Company (all of which, unless otherwise stated, are beneficial and include the interest of persons connected with them) following the Pre-IPO Reorganisation and immediately prior to Admission and immediately following Admission.

	Following Pre-IPO Reorganisation and immediately prior to Admission		Immediately following Admission ⁽³⁾	
	Number of Shares	Percentage of Company's issued share capital	Number of Shares	Percentage of Company's issued share capital
Name of Director				
Md. Shafiqueal Choudhury ⁽¹⁾⁽²⁾⁽⁵⁾	—	—	942,975	0.9%
Dirk Brouwer ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	14,903,102	14.9%	21,253,820	21.3%
Aminur Rashid ⁽¹⁾⁽⁵⁾	—	—	372,895	0.4%
Praful Patel	—	—	—	—
Gavin Laws	—	—	—	—
Guy Dawson	—	—	—	—
Johanna Kemna	—	—	—	—
Name of Senior Manager				
Md. Enamul Haque ⁽¹⁾⁽²⁾⁽⁵⁾	—	—	498,799	0.5%
Mohammed Azim Hossain ⁽¹⁾⁽²⁾⁽⁵⁾	—	—	386,906	0.4%
Tanwir Rahman ⁽¹⁾⁽²⁾⁽⁵⁾	—	—	34,377	—
Martijn Bollen ⁽¹⁾⁽²⁾⁽⁵⁾	400,444	0.4%	650,308	0.7%
Mischa Assink ⁽¹⁾⁽²⁾⁽⁵⁾	220,345	0.2%	362,167	0.4%

Notes:

- (1) Pre-Admission figures exclude indirect beneficial interests in Share awards granted by CMI to certain Directors and Senior Managers in connection with the Global Offer. Post-Admission figures reflect such awards net of any relevant CMIMC Share Interest Purchases (as described in note 5 below), which may result in aggregate sales to CMIMC by Directors and Senior Managers and other members of the Group's management of interests in up to 1,923,430 Shares.
- (2) Reflects the Company's share capital held in the form of indirect beneficial holdings of Shares through Continuity. The votes attaching to the Shares held by Continuity are ultimately controlled by CMIMC. 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 owned by entities ultimately controlled by Dirk Brouwer.
- (3) Assumes the Offer Price is set at the mid-point of the Offer Price Range, the Offer Size is set at the mid-point of the Offer Size Range and no exercise of the Over-allotment option. It does not take into account any share awards to be made on or shortly following Admission pursuant to the Company's post-Admission employee share plans (further details of which are set out in paragraph 10 of this Part XVIII: "Additional Information—Incentive plans").
- (4) Dirk Brouwer's interests in the Company's share capital are held in the form of indirect beneficial holdings through CMI and CMIMC.
- (5) Dirk Brouwer's post-Admission share holding assumes that CMIMC will, shortly following Admission, acquire at the Offer Price indirect beneficial ownership interests in 4,121,521 Shares in aggregate from (i) other investors in CMI and (ii) certain Directors, Senior Managers and other members of the Group's management (together, the "CMIMC Share Interest Purchases").
- (6) As a result of his ownership and control of CMI and Continuity, Dirk Brouwer will have voting control in respect of:
 - immediately prior to Admission, 100,000,000 Shares, representing 100 per cent. of the issued share capital of the Company; and
 - immediately following Admission, 67,500,000 Shares, representing 67.5 per cent. of the issued share capital of the Company,

in each case assuming that the Offer Price and the Offer Size are set at the mid-points of the Offer Price Range and the Offer Size Range, respectively, no exercise of the Over-allotment option and that 4,121,521 Shares are purchased through the CMIMC Share Interest Purchases.

- 8.2** The ownership interests (all held indirectly) of the Directors and Senior Management (including those of Dirk Brouwer) together are expected to represent 24.6 per cent. of the issued share capital of the Company immediately following Admission, in each case assuming the Offer Price and Offer Size are set at the mid-points of the Offer Price Range and the Offer Size Range, respectively, no exercise of the Over-allotment option and that 4,121,521 Shares are purchased through the CMIMC Share Interest Purchase.
- 8.3** Save as set out in this paragraph 8 and paragraph 9 below, none of the Directors has any interests in the share or loan capital of the Company or any of its subsidiaries.
- 8.4** Save as set out in this paragraph 8 and in paragraph 12.1 of this Part XIX: “*Additional Information — Underwriting and Selling Shareholder arrangements*”, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and was effected by the Company in the current or immediately preceding financial year or was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 8.5** As of 26 June 2018 (being the latest practicable date prior to the date of this Prospectus), there were no outstanding loans granted by any member of the Group to any Director or member of Senior Management, nor by any Director or member of Senior Management to any member of the Group, nor was any guarantee which had been provided by any member of the Group for the benefit of any Director or member of Senior Management, or by any Director or member of Senior Management for the benefit of any member of the Group, outstanding.

9 Interests of significant Shareholders

- 9.1** Other than the interests of Dirk Brouwer disclosed in paragraph 8 of this Part XIX: “*Additional Information—Interests of the Directors and Senior Management*” and other than any interest that may arise under the Underwriting Agreement (and assuming no exercise of the Over-allotment Option), insofar as it is known to the Company as of the date of this Prospectus, the following persons will immediately prior to Admission or immediately following Admission be interested in 3 per cent. or more of the Company’s issued ordinary share capital.

Shareholder	Following the Pre-IPO Reorganisation and immediately prior to Admission		Immediately following Admission ⁽¹⁾	
	Number of Shares	Percentage of issued share capital of the Company	Number of Shares	Percentage of Company’s issued share capital
CMI ⁽²⁾⁽³⁾⁽⁵⁾⁽⁶⁾	85,000,000	85%	52,500,000	52.5%
Continuity ⁽²⁾⁽⁴⁾⁽⁶⁾	15,000,000	15%	15,000,000	15%

Notes:

- (1) Assumes the Offer Price and the Offer Size are set at the mid-point of the Offer Price Range and the Offer Size Range, respectively.
- (2) The votes attaching to all the Shares held by CMI and Continuity, including those subject to the interests of ASA NGO Bangladesh and certain members of the Group’s management, are ultimately controlled by CMIMC. This amounts to:
- immediately prior to Admission, 100,000,000 Shares, representing 100 per cent. of the issued share capital of the Company; and

- immediately after Admission, 67,500,000 Shares, representing 67.5 per cent. of the issued share capital of the Company, assuming the Offer Price and Offer Size are set at the mid-point of the Offer Price Range and Offer Size Range, respectively, there is no exercise of the Over-allotment Option and that 4,121,521 Shares are acquired by CMIMC from certain other investors in CMI and certain Directors, Senior Managers and other members of the Group's management pursuant to the CMIMC Share Interest Purchases.

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 controlled by entities that are ultimately controlled by Dirk Brouwer. In addition, Catalyst Microfinance Investment Company ("CMIC") is the investment adviser to CMI. CMIC is owned by entities ultimately controlled by Dirk Brouwer

- (3) Certain investors in CMI will continue to hold shares in CMI following Admission and, therefore, will indirectly hold beneficial interests in the Company. Assuming the Offer Price and the Offer Size are set at the mid-point of the Offer Price Range and the Offer Size Range, the following table sets out the names of those CMI shareholders (other than CMIMC, which is controlled by entities that are ultimately controlled by Dirk Brouwer) whose interests in CMI reflect an indirect beneficial ownership of more than 3 per cent. in the Company:

Name of CMI Shareholder	Following Pre-IPO Reorganisation and immediately prior to Admission		Immediately following Admission	
	Number of Shares	Percentage of issued share capital of the Company	Number of Shares	Percentage of issued share capital of the Company
Stichting Pensioenfonds ABP	16,998,117	17.0	8,070,220	8.1
Grey Ghost Microfinance Fund LLC	10,198,871	10.2	5,934,031	6.0
CDC Group PLC	10,198,871	10.2	4,842,133	4.8
TIAA-CREF	6,799,247	6.8	3,228,088	3.2
Global Microfinance Equity Fund LLC	6,799,247	6.8	3,358,992	3.4

- (4) Post-Admission figures include ASA NGO Bangladesh's indirect beneficial economic entitlement to the proceeds of the future sale by Continuity of 4,558,920 Shares, representing 4.6 per cent. of the issued share capital of the Company.
- (5) Included within the Shares owned by CMI immediately prior to Admission, Dirk Brouwer will have an indirect aggregate beneficial ownership interest in 14,903,102 Shares, representing 14.9 per cent. of the issued ordinary share capital of the Company.
- (6) Included within the Shares owned by CMI and Continuity immediately following Admission, Dirk Brouwer will have an indirect aggregate beneficial ownership interest in 21,253,820 Shares, representing 21.3 per cent. of the issued ordinary share capital of the Company, assuming that 4,121,521 Shares are acquired pursuant to the CMIMC Share Interest Purchases.

9.2 Save as set out above, the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) which will represent 3 per cent. or more of the total voting rights in respect of the issued share capital of the Company following Admission.

9.3 There are no differences between the voting rights enjoyed by the Shareholders as set out in this paragraph 9 and those enjoyed by any other holder of Shares in the Company.

10 Incentive plans

10.1 Existing incentive plans

There are no existing incentive plans.

10.2 New Long Term Incentive Plan

The Company has adopted a new Long Term Incentive Plan (the "Plan") the principal features of which are described below.

It is intended that, after Admission, the Plan will be used to grant options to more senior executives selected by the remuneration committee of the board but the Plan gives flexibility for the Company to

grant a range of different kind 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 any current directors' remuneration policy.

10.2.1 Eligibility

Employees and executive directors of the Company, its subsidiaries and designated joint ventures are eligible to participate in the Plan.

10.2.2 Grant of awards

The board of directors, or in the case of executive directors, the remuneration committee (the "**Committee**") will decide who will be granted awards and over how many Shares.

After Admission, awards will normally only be granted within 42 days of the announcement of the Company's results for any period or of the Company's annual general meeting.

No awards can be granted more than 10 years after Admission.

10.2.3 Form of awards

Awards can take any of the following forms:

- (a) rights to receive free shares ("**conditional awards**");
- (b) options to acquire shares at an exercise price set at the time of award (which may be zero);
- (c) shares issued or transferred at award which are forfeited to the extent the award lapses ("**restricted shares**");
- (d) cash equivalents of conditional awards or options.

When the participant becomes entitled to Shares or entitled to exercise an option, the award is said to have "**vested**".

10.2.4 Performance conditions

An award may be granted on the basis that it only vest to the extent that any performance condition set by the Committee at the time of award is satisfied.

10.2.5 Individual limits

The aggregate market value (at the time of the award) of the Shares subject to awards granted to any one participant in respect of any financial year will not exceed 200% of his or her annual basic salary. This limit does not include:

- (a) dividend equivalents; or
- (b) awards granted on or before Admission.

10.2.6 Plan limits

In any 10 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 employees' share plans operated by the Company. In addition, in any 10 year period, not more than 5% of the issued ordinary share capital of the Company may be issued or be issuable under the Plan and all discretionary share award plans adopted by the Company. These limits do not include dividend equivalents or awards which have lapsed.

Treasury shares transferred to satisfy an award will be counted as if new shares had been issued for so long as it is considered best practice to do so.

10.2.7 Vesting of awards

The period over which an award will normally vest will be set when the award is granted and an award will vest, at the end of that period, to the extent that any performance condition has been satisfied.

Shares will be issued or transferred to the participant within 30 days of vesting of a conditional award, unless the Company decides to satisfy the award in cash.

Once an award of restricted shares vests, they will cease to be subject to any restrictions.

An option is only exercisable to the extent it has vested and Shares will be issued or transferred to the participant shortly after exercise, unless the Company decides to satisfy the option in cash. An option with an exercise price may be settled on a “cashless basis” in either cash or Shares. The option will lapse, at the latest, 10 years after it is awarded.

10.2.8 Dividend equivalents

An award may be granted on the basis that it carries a right to a payment (in cash or additional shares) on the date of vesting exercise equal to the dividends payable on the number of shares (rounded down) received from grant to that date. Dividend equivalents may be calculated on the basis that notional dividends had been reinvested in further Shares.

10.2.9 Malus and clawback

The Committee can reduce the amount by which an award will vest (including a reduction to zero) if:

- (a) there has been an error in the calculation of the level of grant or vesting of any award or the amount of any other variable remuneration paid to the participant;
- (b) there has been a mis-statement of the Company’s results for any year before vesting;
- (c) a business unit or profit centre in which the participant worked has subsequently made a loss out of business written in that year or from circumstances that could reasonably have been risk-managed;
- (d) information has emerged since the award date relating to the relevant financial year which would have affected the amount of award granted;
- (e) the Directors determine in their absolute discretion that the underlying financial health of the Group has significantly deteriorated such that there are severe financial constraints on the Group which preclude or limit the Group’s ability to facilitate funding of awards and the participant was directly or indirectly (and either solely, or collectively) responsible for such deterioration;
- (f) the participant has engaged in conduct which has had a material adverse effect on the financial position of the Group, the member of the Group by which the participant was then employed or the business unit in which he then worked, between the award date and vesting;
- (g) there has been a failure of risk management for which the participant was directly or indirectly (and either solely, or collectively) responsible; or

- (h) the participant has been guilty of fraud or gross misconduct or has brought any member of the Group into disrepute.

Similarly, the participant can be required to give back some or all of his or her bonus and/or shares or cash received under the plan (or pay an amount equal to the value of shares) if, within three years of vesting, the Committee becomes aware that there has been a mis-statement of results for any year before vesting or the participant has been guilty of fraud or gross misconduct or has brought the Group into disrepute.

10.2.10 Leaving employment

An unvested award will normally lapse on the date that the participant leaves employment, and vested options will lapse no later than 12 months following the date the participant leaves employment.

But if the participant dies or leaves because of disability, ill-health, injury, redundancy, retirement, sale of his or her employer (or in other circumstances if the Committee allows), the award will continue in effect and, when it does vest, any performance condition will be applied in the normal way and, unless the Committee decides otherwise, the number of Shares in respect of which it vests will be reduced pro-rata to reflect the fact that the participant left early.

Alternatively, the Committee may allow the award to vest on, or at some point after leaving, in which case, any performance condition will be tested to the date of vesting and unless the Committee decides otherwise, the number of Shares in respect of which it vests will be reduced pro-rata to reflect the fact that it is vesting early.

If the participant dies, the award will vest on the date of death to the extent described above.

10.2.11 Takeovers and reorganisations

Awards will generally vest early on a takeover or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for equivalent awards over shares in the acquiring company.

Where an award vests in these circumstances, the level of vesting will be determined by the Committee taking account of the performance condition and unless the Committee decides otherwise, the number of shares in respect of which it vests will be reduced to reflect the fact that it is vesting early.

10.2.12 Rights issues, demergers etc

If there is a rights issue, special dividend, demerger, merger, any variation in the share capital of the Company or any similar transaction which is determined by the Committee as having an impact on an award, the Committee can adjust the number or kind of Shares subject to an award and/or any exercise price to take account of the effect of the transaction.

10.2.13 General

Awards are not transferable (except to personal representatives on death or with the consent of the Committee) and are not pensionable and participants do not pay for the grant of an award.

Any shares issued following the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

10.2.14 Amendments

The Committee can amend the Plan in any way. However, shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and plan limits, the rights attaching to awards and shares, the adjustment of awards on variation in the Company's share capital and the amendment powers.

The Committee can, without shareholder approval, make minor amendments to benefit the administration of the plan, to comply with or take account of proposed or existing legislation, or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment. It can also amend any performance conditions without shareholder approval if events occur which cause it to consider that an amended performance condition would be a more appropriate measure of performance but the Committee must be satisfied that the amendment will not make the condition materially easier to satisfy.

The Committee may also, without shareholder approval, establish further plans based on the Plan but modified to take account of overseas securities laws, exchange controls or tax legislation. Shares made available under such further plans will be treated as counting against any limits on individual or overall participation in the Plan.

10.3 New All-Employee Share Plan

The Company has adopted a new All-Employee Share Plan (the "AESP"), the principal features of which mirror the Plan (see paragraph 10.2 of this Part XIX above), except as described below.

It is intended that, after Admission, the AESP will periodically be used to reward long service and drive retention.

10.3.1 Grant of awards

When the AESP is operated, awards must be granted to all eligible employees on a consistent basis. Eligible employees are employees eligible to participate in the Plan who: (i) are not under notice; and (2) have met any qualifying service requirement set by the Committee (which cannot exceed five years).

10.3.2 Individual limits

The aggregate market value (at the time of the award) of the Shares subject to awards granted to any one participant in respect of a financial year will not exceed 10% of his or her annual basic salary. This limit does not include: (a) dividend equivalents; or (b) awards granted on or before Admission.

10.3.3 AESP limits

In any 10 year period, not more than 10% of the issued ordinary share capital of the Company may be issued or issuable under the AESP and all other employees' share plans operated by the Company. This limit does not include awards which have lapsed. Treasury shares transferred to satisfy an award will be counted as if new shares had been issued for so long as it is considered best practice to do so.

10.3.4 Malus and clawback

Malus and clawback provisions will not normally apply to AESP awards.

11 Pensions

Save as disclosed in Part XV: “*Historical Financial Information*”, note 7.1, the Group does not operate a defined benefit pension scheme and has no ongoing liability in respect of any historic or previous pension arrangements.

12 Underwriting and Selling Shareholder arrangements

On 29 June 2018, the Company, the Directors, the Selling Shareholder and the Underwriters entered into the Underwriting Agreement. Subject to the execution by the parties thereto of the Pricing Agreement, pursuant to the Underwriting Agreement:

- 12.1 the Selling Shareholder has agreed, subject to certain conditions, to sell the Offer Shares in the Global Offer at the Offer Price;
- 12.2 the Underwriters have agreed, subject to certain conditions, to use their reasonable endeavours to procure purchasers for (or purchase themselves in such proportions as will be set out in the Underwriting Agreement) the Offer Shares pursuant to the Global Offer;
- 12.3 Citigroup (on behalf of itself and the other Banks) will deduct from the proceeds of the Global Offer due to the Selling Shareholder a commission of 2.75 per cent. of the product of the Offer Price and the number of Offer Shares sold in the Global Offer, together with any value added tax chargeable thereon;
- 12.4 the Selling Shareholder has undertaken to pay to Citigroup (on behalf of itself and the other Banks) a commission of 2.75 per cent. of the product of the Offer Price and the number of any Over-allotment Shares sold pursuant to the Over-allotment Option (if exercised), together with any value added tax chargeable thereon;
- 12.5 within 38 calendar days of Admission, the Selling Shareholder may, in its sole and absolute discretion, pay the Banks an additional commission of up to 1.5 per cent. on each of the following amounts:
 - 12.5.1 the product of the Offer Price and the number of Offer Shares sold in the Global Offer (excluding any Over-allotment Shares), together with any value added tax chargeable thereon; and
 - 12.5.2 the product of the Offer Price and the number of any Over-allotment Shares sold pursuant to exercise of the Over-allotment Option, together with any value added tax chargeable thereon;
- 12.6 the obligations of the Underwriters to use their reasonable endeavours to procure purchasers for or, failing which, themselves to purchase Offer Shares on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include, among other things, execution of the Pricing Agreement, the absence of any breach of representation or warranty under the Underwriting Agreement, Admission occurring on or before 18 July 2018 (or such later time and/or date as the Global Co-Ordinator (on behalf of itself and the other Banks) may agree in writing (being not later than 24 July 2018)) and (i) an acknowledgment and agreement by the parties thereto that they will not enter into the Pricing Agreement unless the net proceeds from the sale of the Offer Shares to be paid to the Selling Shareholder will generate more than U.S.\$20 million, and (ii) the Selling Shareholder having provided an irrevocable instruction to Citigroup (as settlement manager for the Global Offer, the “**Settlement Manager**”) to first transfer on the Selling Shareholder's behalf on the Closing Date the Escrow Amount into the Escrow Account, with such Escrow Amount being deducted from net proceeds payable to it by the Settlement Manager under the terms thereof, before paying any further proceeds to the Selling Shareholder from the sale of Offer Shares by the Selling Shareholder in the Global Offer.
- 12.7 The Global Co-Ordinator (on behalf of itself and the other Banks) has the right to terminate the Underwriting Agreement, exercisable in certain circumstances prior to Admission;

- 12.8** Citigroup, as Stabilising Manager, has been granted the Over-allotment Option by the Selling Shareholder pursuant to which Citigroup may purchase, or procure purchasers for, Shares in an amount equal to between 10 per cent. and 15 per cent. of the Offer Size at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Global Offer, and/or any sales of Shares made during the stabilisation period. Save as required by law or regulation, neither Citigroup, as Stabilising Manager, nor any of its agents, intends to disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer. Settlement of any purchase of Over-allotment Shares will take place shortly after such determination (or, if acquired on Admission, at Admission). If any Over-allotment Shares are acquired pursuant to the Over-allotment Option, Citigroup will be committed to pay to the Selling Shareholder, or procure that payment is made to it of, an amount equal to the Offer Price multiplied by the number of Over-allotment Shares purchased from the Selling Shareholder, less commissions and expenses.
- 12.9** to the extent permitted by law, the Company and the Selling Shareholder have agreed (subject, in certain cases, to agreed limits) to pay the costs, charges, fees and expenses of the Global Offer (together with any related value added tax);
- 12.10** each of the Company, the Directors and the Selling Shareholder has given certain representations, warranties and undertakings, subject to certain limits, to the Underwriters;
- 12.11** the Company has given an indemnity to the Underwriters on customary terms;
- 12.12** the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Global Offer in relevant jurisdictions; and
- 12.13** the Underwriting Agreement contains certain lock-up provisions described in more detail in Part XVIII: *“The Global Offer—Lock-up Arrangements”*.

13 Stock Lending Agreement

In connection with the Over-allotment Option, the Stabilising Manager will enter into a stock lending agreement (the **“Stock Lending Agreement”**) with the Selling Shareholder, pursuant to which the Stabilising Manager, on Admission, will be able to borrow between 10 per cent. and 15 per cent. of the Offer Size for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, acceptances, if any, made in conjunction with the offers pursuant to the Over-allotment Option. If the Stabilising Manager borrows any shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the relevant lender in accordance with the terms of the Stock Lending Agreement.

14 Subsidiaries, investments and principal establishments

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

Name	Country of incorporation and registered office	Percentage of shares held as of 31 December 2017	Principal activity
ASA Consultancy	Ghana	100%	Service company
ASA Rwanda	Rwanda	99.99%	Microfinance institution
ASA Sierra Leone.....	Sierra Leone	99.99%	Microfinance institution

Name	Country of incorporation and registered office	Percentage of shares held as of 31 December 2017	Principal activity
ASA Zambia	Zambia	99.99%	Microfinance institution
ASA Tanzania.....	Tanzania	100%	Microfinance institution
ASAI India.....	India	67.94%	Microfinance institution
Pagasa Consultancy	India	99.99%	Service company
Pinoy.....	India	99.99%	Dormant
Proswift.....	India	99.99%	Holding company
Subsidiary: ASAI India.....	India	22.07%	Microfinance institution
PT PAGASA Consultancy.....	Indonesia	99.99%	Service company
ASHA Nigeria	Nigeria	99.99%	Microfinance institution
Al Nigeria	Nigeria	100%	Service company
ASIEA	Nigeria	N/A	Microfinance institution
ASA Pakistan.....	Pakistan	99.99%	Microfinance institution
Pag-asa.....	Philippines	N/A	Microfinance institution
ASA Myanmar.....	Myanmar	100%	Microfinance institution
Subsidiary: ASAI NV	The Netherlands	100%	Holding company
Subsidiaries of ASAI NV:			
ASAB Lanka.....	Sri Lanka	100%	Dormant
ASA S&L	Ghana	100%	Microfinance institution
ASA Kenya.....	Kenya	100%	Microfinance institution
ASA Uganda.....	Uganda	100%	Microfinance institution
ASA Lanka	Sri Lanka	100%	Microfinance institution
PPLCI	Philippines	100%	Microfinance institution
CMI Lanka.....	Sri Lanka	100%	Holding company
Subsidiary: Lak Jaya	Sri Lanka	97.14%	Microfinance institution
PT ASA Microfinance	Indonesia	75%	Service company

15 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this Prospectus or, in the case of the Underwriting Agreement is expected to be entered into prior to Admission, and are or may be material:

15.1 Underwriting Agreement

The Underwriting Agreement is referred to in paragraph 12 above of this Part XIX: “*Additional Information*”.

15.2 Relationship Agreement

15.2.1 On 29 June 2018, the Company, the Selling Shareholder, Continuity and the Founders entered into a relationship agreement (the “**Relationship Agreement**”) that will come into force on Admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the members of the Controlling Shareholder Group and their respective associates. The Relationship Agreement will stay in effect until the earlier of the date on which the Controlling Shareholder Group and their respective associates cease to own in aggregate an interest, direct or indirect, of at least 10 per cent. of the issued share capital of the Company and the date on which the Shares cease to be listed on the premium listing segment of the Official List. The Relationship Agreement is intended to ensure that the Company can meet, from Admission, the requirements of the Listing Rules.

15.2.2 The Relationship Agreement includes provisions to ensure that the Group is able to do 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:

- (a) transactions and relationships with it and its associates will be conducted at arm’s length and on normal commercial terms;
- (b) 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
- (c) that 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.

15.2.3 Under the Relationship Agreement, each of the members of the Controlling Shareholder Group have agreed that they shall not, and shall procure that their respective associates shall not, take any action that would, or which would be reasonably likely to: (a) have the effect of preventing any member of the Group from carrying on its business independently of the members of the Controlling Shareholder Group, or any of their respective associates, and for the benefit of its shareholders as a whole; or (b) have the effect of prejudicing the Company’s listing on the Official List.

15.2.4 In addition, under the Relationship Agreement, the Selling Shareholder and Continuity:

- (a) has each agreed that it will not exercise any of its voting or other rights and powers to procure any amendment to the Articles which would be inconsistent with, undermine or breach any provision of the Relationship Agreement;
- (b) has each agreed that it will abstain from voting, and shall procure that any representative of it on the Board abstains from voting, on any resolution to approve a related party transaction involving it, or its associates (or the related party);
- (c) will (together) have the right to appoint two Non-Executive Directors to the Board (one of whom, at Admission, will be Md. Shafiqul Haque Choudhury), provided that the Selling Shareholder, Continuity or their respective associates hold, in aggregate, at least 25 per cent. of the issued share capital of the Company;
- (d) will (together) have the right to appoint one Non-Executive Director to the Board, provided that the Selling Shareholder, Continuity or their respective associates hold, in aggregate, at least 10 per cent., but less than 25 per cent., of the Shares of the Company;

- (e) will (together) have the right to appoint one Non-Executive Director to each of the Nomination Committee and Remuneration Committee, provided that the Selling Shareholder, Continuity or their respective associates hold, in aggregate, at least 10 per cent. of the Shares of the Company; and
- (f) has each agreed that it will inform the Company in advance, and where practicable at least three business days in advance, of any disposal or transfer (or a series of connected disposals or transfers) by it or members of its group to a third party of an interest in 10 per cent. or more of the issued share capital of the Company.

15.2.5 Md. Shafiqul Haque Choudhury has, pursuant to the terms of the Relationship Agreement, been appointed (as the appointee of the Controlling Shareholder Group) as a member of the Nomination Committee.

15.2.6 The Selling Shareholder and Continuity have undertaken that, for as long as Dirk Brouwer remains as Chief Executive Officer and Md. Shafiqul Haque Choudhury remains on the Board as the appointee of the Controlling Shareholder Group and as Non-Executive Chairman of the Company, they will not exercise any right to appoint an additional Non-Executive Director to the Board or to appoint a Non-Executive Director to the Remuneration Committee.

15.2.7 The Board believes that the terms of the Relationship Agreement will enable the Company to carry on its business independently of the members of the Controlling Shareholder Group and their respective associates, and ensure that all transactions and relationships between the Company and its controlling shareholders are, and will be, at arm's length and on a normal commercial basis.

15.3 Stock Lending Agreement

The Stock Lending Agreement is described in paragraph 13 of this Part XIX: “*Additional Information*”.

15.4 Memorandum of Understanding

When ASAIH was founded, it was provided access to ASA NGO Bangladesh's know-how (including operations manuals), IT platform and personnel under the MoU with ASA NGO Bangladesh, which was signed on 3 October 2007. Over the last decade, the Group has developed its own know-how, as well as its proprietary AMBS system and no longer relies on the provisions of the MoU that give it access to ASA NGO Bangladesh's know-how and IT platform. It has also developed a deep pool of experienced personnel, but under the MoU can, from time to time, draw upon the qualified and experienced human resource pool at ASA NGO Bangladesh on a temporary, secondment basis.

Under the MoU, ASA NGO Bangladesh also granted ASAIH a royalty-free licence to use the name “ASA” in all markets other than Bangladesh and agreed to make office space available to ASAIH staff in ASA NGO Bangladesh's Dhaka headquarters on a cost plus margin basis.

Furthermore, ASAIH granted ASA NGO Bangladesh an option to purchase 5 per cent. of the then outstanding capital stock of ASAIH, exercisable, in whole or in part, prior to its expiration on the 15th anniversary of the option right. For details on how this option right will be exercised in connection with the global offer, see Part XIX: “*Additional Information—Interests of significant Shareholders*”.

On 13 December 2013, the parties (i) extended the term of the MoU until 31 December 2019, (ii) amended the fees payable by ASAIH for personnel seconded to ASAIH by ASA NGO Bangladesh and (iii) included a right for ASAIH to use, at no cost and for an indefinite period of time (regardless of whether the MoU is terminated), the name ‘ASA’ and its logo in all markets other than Bangladesh.

The MoU may be terminated by either party with 60 days written notice in the event of a material default by the other party. ASA NGO Bangladesh has the right to terminate the MoU with immediate effect if either (i) CMIMC is terminated as the investment manager of CMI or (ii) CMI or CMIMC (individually or collectively), directly or indirectly, ceases to exercise effective control (voting or otherwise) over more than 50 per cent. of the voting capital stock of ASAIH.

15.5 The Gates Foundation Loan Agreement

Please refer to the description in Part XII: *“Operating and Financial Review—Financial Liabilities and Contractual Obligations—Indebtedness—ASA International Holding”*.

15.6 Blue Orchard Participation Agreements

Please refer to the description in Part XII: *“Operating and Financial Review—Financial Liabilities and Contractual Obligations—Indebtedness—ASA International Holding”*.

15.7 Overseas Private Investment Corporation Loan

Please refer to the description in Part XII: *“Operating and Financial Review—Financial Liabilities and Contractual Obligations—Indebtedness—ASA International Holding”*.

15.8 Partnership Agreement – MAS Financial Services Limited

On 23 December 2017, ASA India entered into a partnership agreement with MAS (the “**MAS Agreement**”). Under the MAS Agreement, a INR100 million (U.S.\$ 1.6 million) term loan facility was made available to ASA India for the purpose of lending to microfinance clients in West Bengal and other areas as approved by MAS. ASA India is responsible for interviewing prospective identified clients and making a preliminary assessment based on pre-determined criteria, but under this agreement, the loan contract will be between MAS and the client. ASA India must also pre-pay the interest on the MAS Agreement. ASA India will be entitled to retain the difference between a specified interest rate (as agreed between ASA India and MAS) and the interest rate charged to the client.

Under the MAS Agreement, ASA India is obligated to deposit 6 per cent. of the amount of the term loan facility and 6 per cent. of the outstanding loan portfolio with MAS against the risk of non-repayment of a loan attributable to the MAS Agreement. In addition, ASA India has provided a guarantee in favour of MAS for INR 100 million and is obligated to maintain a security deposit or a bank guarantee of at least 10 per cent. of the loan portfolio attributable to the MAS Agreement.

The MAS Agreement may be terminated by MAS at any time without any notice in the case of non-compliance or breach of any terms and conditions.

15.9 Business Correspondence Agreement – IDFC Bank Limited

On 29 April 2016, ASAI India entered into a business correspondent agreement with IDFC (the “**IDFC Agreement**”), under which ASA India will set up branches, hire personnel and locate, verify and process applications for microfinance loans, in exchange for a fee that is fixed at a percentage of the loan amount.

ASA India has agreed to deposit, or maintain a guarantee in, an amount equal to 5 per cent. of projected loan disbursements with IDFC as performance security. In the event of default on amounts due under loans attributable to the IDFC Agreement, IDFC is entitled to recover any such losses (if outstanding for more than 75 days) from the deposit or guarantee up to a maximum of 5 per cent. of such losses.

The IDFC Agreement shall remain in force for an initial period of two years from the date of execution. Either IDFC or ASA India has the right to terminate the IDFC Agreement, at any time with 90 days’ notice or with 60 days’ notice following a default by the other party.

15.10 Business Correspondence Agreement – IDBI Bank Limited

On 22 September 2016, ASA India entered into a business correspondent agreement with IDBI (the “**IDBI Agreement**”), under which ASA India will provide IDBI with business correspondent services by using its branches to help widen IDBI’s outreach to farmers and customers engaged in agriculture/allied agriculture, in exchange for a fee that is fixed at a percentage of the loan portfolio attributable to the IDBI Agreement. ASA India also agrees to coordinate between IDBI and clients for the efficient approval and disbursement of loans.

ASA India has agreed to deposit an amount equal to 8 per cent. of the loan portfolio attributable to the IDBI Agreement in favour of IDBI. In the event of default on amounts due on loans attributable to the IDBI Agreement, IDBI has the right to recover from such deposit, or adjust fees payable to ASA India, an amount equal to 8 per cent. of the loan portfolio.

The term of the IDBI Agreement shall be for a period of three years from the date of execution, unless terminated earlier and either party may terminate the IDBI Agreement with thirty days’ notice or in the case of breach by the other party fifteen days’ notice.

15.11 Business Correspondence Agreement – Reliance Capital

On 6 October 2016, ASA India entered into a business correspondent agreement with Reliance (the “**Reliance Agreement**”), under which ASA India will identify prospective clients and verify their eligibility (based on Reliance’s eligibility criteria), in exchange for a fee that is fixed at a percentage of the loan amount.

ASA India has agreed to deposit or provide a bank guarantee and maintain at all times during the term of the Reliance Agreement, in an amount equivalent to 10 per cent. of the loan portfolio attributable to the Reliance Agreement. In the event of default on amounts due under loans attributable to the Reliance Agreement, Reliance is entitled to recover any such losses from the security deposit or bank guarantee up to a maximum of 10 per cent. of the loan portfolio.

Reliance may terminate the Reliance Agreement with either 30 days’ notice or 90 days’ notice following the occurrence of certain specified events. Either party may terminate the Reliance Agreement for convenience upon three months’ written notice to the other party.

15.12 Escrow Documents

15.12.1 The Selling Shareholder has agreed that an aggregate amount of U.S.\$20 million (the “**Escrow Amount**”) that would otherwise be payable to it as part of the proceeds from the sale of Shares in the Global Offer, be retained to cover any and all NRCGT (together with any loss and expense) for which any member of the Group may become liable (“**IPO-related Tax Liabilities**”). The Escrow Amount includes (i) the estimated NRCGT; and (ii) a buffer to cover the prospect of the actual IPO-related Tax Liabilities being greater than U.S.\$18 million and to cover costs and charges (a) in relation to assessing any such liabilities, and (b) associated with the administration of the escrow arrangements.

15.12.2 To give effect to these retention arrangements, CMI, the Company and Citibank, N.A., London Branch (the “**Escrow Agent**”) entered into the Escrow Agreement on 29 June 2018 setting out the terms for the establishment of an escrow account (the “**Escrow Account**”). On the same date, CMI and the Company entered into a side deed to the Escrow Agreement (the “**Escrow Deed**”) and, together with the Escrow Agreement, the “**Escrow Documents**”) setting out the circumstances in which funds can be released from the Escrow Account.

- 15.12.3 Pursuant to the Escrow Documents, the Selling Shareholder has agreed to instruct the Settlement Bank to transfer the Escrow Amount directly into the Escrow Account operated by the Escrow Agent on the date of Admission.
- 15.12.4 Under the terms of the Escrow Documents, the Company is entitled to issue a payment instruction and instruct the release of funds from the Escrow Account. A payment instruction may only be authorised and issued by a majority of any two members of the Independent Directors' Committee and a member of the board of directors of CMI (the "**Committee**").
- 15.12.5 Under the terms of the Escrow Documents, the Company shall be required to issue one or more payment instructions if, amongst others:
- (a) Any Group company has become aware of an IPO-related Tax Liability which requires the relevant Group company to make a provision, after discussion by the Company's CFO with its independent auditor, for such IPO-related Tax Liability in its financial statements;
 - (b) a notification has been provided to the relevant Group company by a tax authority of an IPO-related Tax Liability becoming due and payable by any member of the Group;
 - (c) a relevant Group company has determined, as a result of its own self-assessment, in accordance with the rules of the relevant tax authority and having taken advice from an independent tax adviser, that an IPO-related Tax Liability is due and payable by any member of the Group; or
 - (d) it is otherwise determined by the Company that as a result of an actual or alleged IPO-related Tax Liability, it requires temporary funding due to such actual or alleged IPO-related Tax Liability adversely affecting the cash flows of the Group.
- 15.12.6 Where the Company issues such a payment instruction it shall, upon receipt from the Escrow Agent of the amount specified in such payment instruction, procure that such funds are transferred to the relevant Group company which is liable for such IPO-related Tax Liability and that such relevant Group company shall in turn apply the amount received to satisfy such IPO-related Tax Liability.
- 15.12.7 On an annual basis or at any such time as the majority of the Committee so determines, a majority of the Committee shall instruct an independent tax adviser to determine whether the remaining funds in the Escrow Account cover the remaining estimated IPO-related Tax Liability. If the independent tax adviser determines that the remaining funds in the Escrow Account exceed the estimated value of the potential remaining IPO-related Tax Liability, a majority of the Committee may determine to release such excess in its sole discretion.
- 15.12.8 Under the terms of the Escrow Deed, within 10 business days of the earlier of:
- (a) full and final settlement of all IPO-related Tax Liabilities with the relevant tax authorities, with no further right of appeal or challenge in respect of such IPO-related Tax Liabilities by the relevant tax authorities;
 - (b) subject to there being no ongoing appeal by any member of the Group in respect of any IPO-related Tax Liability, the earlier of the statutory period after which no IPO-related Tax Liabilities can be assessed, or the sixth anniversary of the date on which the relevant COC event occurred;
 - (c) where there is an ongoing appeal in respect of any IPO-related Tax Liabilities by any member of the Group in respect of IPO-related Tax Liabilities as at 30 July 2024, the date of full and final settlement of such IPO-related Tax Liabilities with the relevant tax

authorities, provided that all other IPO-related Tax Liabilities have been settled in accordance with paragraph (a) above or the conditions of paragraph (b) above have been satisfied with respect to all other IPO-related Tax Liabilities; or

(d) the Committee having determined that the Escrow Account is no longer required,

the Company shall issue a payment instruction instructing the release of the balance in the Escrow Account (plus any interest accrued thereon and less any taxes due and costs, charges or expenses owed to the Escrow Agent, in each case in accordance with the terms of the Escrow Deed) to CMI such that the balance remaining in the Escrow Account following such release shall be zero. On the following business day, CMI and the Company shall give written notice of termination of the Escrow Agreement to the Escrow Agent, and the Escrow Deed shall automatically terminate upon the termination of the Escrow Agreement.

15.12.9 Pursuant to the terms of the Escrow Deed, any rebates received from the tax authorities, or any monies released for use by a relevant Group company that are no longer required, shall be transferred back into the Escrow Account or, if the Escrow Account has been terminated in accordance with its terms, to CMI, in each case subject to any deductions/withholding taxes and net of costs of payment.

16 Related party transactions and other arrangements

Save as described in note 27 of the Company's audited consolidated financial information set out in Section(s) Part XV: "*Historical Financial Information*", the Relationship Agreement and the Escrow Documents described in paragraphs 15.2 and 15.12 respectively of this Part XIX: "*Additional Information*", there are no related party transactions between the Company or members of the Group that were entered into during the years ended 31 December 2015, 2016 and 2017 and during the period between 31 December 2017 and the date of this Prospectus.

17 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened or of which the Group is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on the Company's or the Group's financial position or profitability.

18 Dividends and Dividend Policy

The Directors intend for the Company to 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 in the Group. It is therefore the Directors' current intention to target an initial payout ratio of 30 per cent. of prior year net income. The current intention of the Directors is that the first dividend to be declared by the Company following Admission will be a final dividend in respect of the financial year ending 31 December 2018. The Company may revise its dividend policy from time to time.

The declaration and payment by the Company of any future dividends and the amounts of any such dividends will depend upon the Group's results, financial condition, future prospects, profits being available for distribution, consideration of certain covenants under the terms of outstanding indebtedness, and any other factors deemed by the Directors to be relevant at the time, subject always to the requirements of applicable laws. The ability of the Company's microfinance institutions to make payments to the Company depends largely on their respective financial condition and ability to generate profits, and may be restricted from doing so by contract, including other financing arrangements, charter provisions, other shareholders or the applicable laws

and regulations, including but limited to, distributable reserves or the maintenance of statutory reserves at its deposit-taking microfinance institutions, of the various countries in which they operate.

The table below presents the dividends that have been declared by the Group to the Selling Shareholder for the years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December		
	2015	2016	2017 ⁽¹⁾
	<i>(in U.S.\$ millions, audited)</i>		
Dividends	4.5	9.3	8.7

Note:

(1) Declared. To be paid before 30 June 2018.

19 Working capital

In the opinion of the Company the working capital available to the Group is sufficient for the Group's present requirements, that is, at least for the next 12 months following the date of this Prospectus.

20 No significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2017, the date to which the last audited consolidated accounts of ASAIH were prepared.

21 Consents

Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Part XV: "Historical Financial Information", in the form and context in which it appears, and has authorised the contents of its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Shares have not been and will not be registered under the Securities Act, Ernst & Young LLP has not filed and will not be required to file a consent under Section 7 of the Securities Act.

22 General

The expenses relating to the Global Offer, including estimated underwriting commissions, the FCA fee, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to £10.2 million (excluding VAT), of which approximately £4.0 million relating to fees and expenses only are expected to be borne by the Company.

23 Takeover regulation

The City Code is issued and administered by the Panel on Takeovers and Mergers (the "Takeover Panel"). The Company is subject to the City Code and therefore its shareholders are entitled to the protections afforded by the City Code.

Other than as provided by the City Code and Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Shares of the Company.

23.1 Mandatory bids

Under Rule 9 of the City Code, when: (i) a person acquires any interest in shares which (when taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code; or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company subject to the City Code but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights.

23.2 Squeeze-out

Under the Companies Act, if a takeover offer (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the takeover offer relates (the “**Takeover Offer Shares**”) and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

23.3 Sell-out

The Companies Act gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Shares to which the offer relates, any holder of Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

24 Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ:

- (a) the Articles of association of the Company;

- (b) the historical financial information relating to the Group and the report thereon by Ernst & Young LLP set out in Part XV: “*Historical Financial Information*” in respect of the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017.
- (c) the consent letter referred to in “Consents” in paragraph 21 above; and
- (d) this Prospectus.

Dated: 29 June 2018

PART XX DEFINITIONS

Definitions

The following definitions apply throughout this Prospectus unless the context requires otherwise:

Active Banking Exception	means the proposed regulations issued by the Internal Revenue Service that treat gross income derived from the active conduct of certain banking activities by active non-U.S. banks and certain affiliates as non-passive income for purposes of the PFIC rules as defined in Part XVII: “ <i>Taxation—Certain United States Federal Income Taxation Considerations</i> ”;
Admission	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively the Listing Rules and the Admission and Disclosure Standards;
Admission and Disclosure Standards	the current edition of the Admission and Disclosure Standards produced by the London Stock Exchange;
Articles	the articles of association of the Company to be adopted upon Admission;
ASAIH	means ASA International Holding;
Auditors	Ernst & Young LLP;
Banks	Citigroup Global Markets Limited, EFG Hermes U.A.E. Limited, EFG Hermes Promoting & Underwriting, Investec Bank plc and Keefe Bruyette & Woods (acting through Stifel Nicolaus Europe Limited);
Board	the board of directors of the Company;
City Code	the City Code on Takeovers and Mergers;
Closing Date	means 18 July 2018;
CMI	means Catalyst Microfinance Investors;
CMIMC	means CMIMC, a company incorporated in Mauritius and controlled by entities ultimately controlled by Dirk Brouwer;
CMIMC Share Interest Purchases	means the purchases by CMIMC at the Offer Price of further interests in the Company as further described in paragraph 8 of Part XIX: “ <i>Additional Information</i> ”;
Companies Act	the Companies Act 2006, as such act may be amended, modified or re-enacted from time to time;
Company	ASA International Group plc;
Continuity	Catalyst Continuity Limited;
Controlling Shareholder Group	means the Selling Shareholder, Continuity and the Founders;
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland is the operator;

CREST Regulations	the Uncertified Securities Regulations 2001 (512001/3755);
Deemed sale election	means a U.S. Holder’s ability to make an election to be treated for U.S. federal income tax purposes as having sold its Offer Shares on the last day of the last taxable year of the Company during which it was a PFIC as defined in Part XVII: <i>“Taxation—Certain United States Federal Income Taxation Considerations;</i>
Directors	means the directors of the Group, whose names appear in the section headed “Directors” in Part X <i>“Directors, Senior Management and Corporate Governance”</i> of this Prospectus;
EEA	the European Economic Area;
EU	the European Union;
Euroclear	means Euroclear Bank, SA/NV;
Executive Directors	the executive Directors of the Company;
FCA	the Financial Conduct Authority;
Founders	means Dirk Brouwer and Md. Shafiquel Haque Choudhury;
FSMA	the Financial Services and Markets Act 2000, as amended;
G20	means the forum of the world's major economies, including Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States, which seeks to develop global policies to address the most pressing challenges;
Global Co-Ordinator	Citigroup Global Markets Limited;
Global Offer	the sale of Shares by the Selling Shareholder to institutional investors in the United Kingdom and elsewhere described in Part XVIII: <i>“The Global Offer”</i> ;
Group	(where referring or relating to periods from and including the completion of the Pre-IPO Reorganisation) the Company and its consolidated subsidiaries and subsidiary undertakings from time to time or (where referring or relating to periods prior to the completion of the Pre-IPO Reorganisation) ASAIH and its consolidated subsidiaries and subsidiary undertakings from time to time;
IASB	means the International Accounting Standards Board;
IFRS-EU	the International Financial Reporting Standards, as adopted by the European Union;
Joint Bookrunners	EFG Hermes U.A.E. Limited and Investec Bank plc;
Lead Manager	Keefe Bruyette & Woods (acting through Stifel Nicolaus Europe Limited);
Listing Rules	the listing rules relating to admission to the Official List made under section 73A(2) of the FSMA;
London Stock Exchange	London Stock Exchange plc;

Lower-Tier PFICs	means any direct or indirect subsidiaries of the Company that are also PFICs as defined in Part XVII: “ <i>Taxation—Certain United States Federal Income Taxation Considerations</i> ;
Manager	Keefe, Bruyette & Woods (acting through Stifel Nicolaus Europe Limited);
Member States	member states of the EU;
Non-Executive Directors	the non-executive Directors of the Company;
NRCGT	means non-resident capital gains tax;
Offering	means the offer and sale of the Shares;
Offer Price	the price at which each share is to be issued or sold under the Global Offer;
Offer Price Range	means the range within which the Offer Price is currently expected to be set, being between 285 pence and 340 pence per Share;
Offer Shares	the ordinary shares in the capital of the Company to be sold as part of the Global Offer by the Selling Shareholder (excluding, for the avoidance of doubt, the Over-allotment Shares);
Offer Size	means the number of Shares to be issued or sold pursuant to the Global Offer (excluding, for the avoidance of doubt, the Over-allotment Shares);
Offer Size Range	means the range within which the Offer Size is currently expected to be set, being between 25,000,000 and 40,000,000 Shares;
Official List	the Official List of the Financial Conduct Authority;
OPIC	means Overseas Private Investment Corporation;
Over-allotment Option	the option expected to be granted to the Stabilising Manager by the Selling Shareholder to purchase, or procure purchasers for, additional Shares as more particularly described in Part XVIII: “ <i>The Global Offer</i> ”;
Over-allotment Shares	the existing Shares subject of the Over-allotment Option;
PFIC	means passive foreign investment company for U.S. federal income tax purposes;
Pre-IPO Reorganisation	the reorganisation of the Group in preparation for the Global Offer as described in paragraph 4.1 of Part XIX: “ <i>Additional Information</i> ”;
Pricing Agreement	means the pricing agreement to be executed by the Company, the Selling Shareholder and the Banks immediately prior to the announcement of the Offer Price pursuant to which, among other things, each Bank severally, and not jointly or jointly and severally, agrees to use its reasonable endeavours to procure purchasers for the Offer Shares to be sold in the Global Offer, and to the extent that such Offer Shares are not so purchased, purchase themselves such number of Offer Shares, in each case at the Offer Price;

Pricing Statement	means the statement containing the Offer Price, the Offer Size and certain other information expected to be published by the Company on 13 July 2018;
Prospectus	the final prospectus published by the Company and approved by the FCA in accordance with the Prospectus Rules;
Prospectus Directive	EU Prospectus Directive (2003/71/EC) (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State and includes any relevant implementing measure in the relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU);
Prospectus Rules	the prospectus rules made by the FCA under Part VI of the FSMA (as set out in the FCA Handbook, as amended);
QEF	means qualified electing fund for U.S. income tax purposes as defined in Part XVII: “ <i>Taxation—Certain United States Federal Income Taxation Considerations</i> ”;
Qualified Institutional Buyers or QIBs	has the meaning given by Rule 144A;
Qualified Investors	persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive;
Registrars	Equiniti Limited;
Regulation S	Regulation S under the U.S. Securities Act;
Relationship Agreement	means the relationship agreement to be entered into by the Company, the Selling Shareholder, Continuity and the Founders, described in paragraph 15.2 of Part XIX: “ <i>Additional Information</i> ”;
Rule 144A	Rule 144A under the US Securities Act;
SDRT	Stamp Duty Reserve Tax;
SEC	means the U.S. Securities and Exchange Commission;
Securities Act	means the U.S. Securities Act of 1933;
Selling Shareholder	Catalyst Microfinance Investors, being the Shareholder proposing to sell existing Shares as part of the Global Offer;
Senior Management or Senior Manager	members of the Group’s senior management team, details of whom are set out in Part X: “ <i>Directors, Senior Management and Corporate Governance</i> ”;
Shareholders	the holders of Shares in the capital of the Company;
Shares	ordinary shares of £1 each in the capital of the Company;
Sponsor	Citigroup Global Markets Limited;
Stabilising Manager	Citigroup Global Markets Limited;
Subsidiary	has the meaning given to it in section 1159 of the Companies Act 2006;
UK	the United Kingdom of Great Britain and Northern Ireland;

UK Corporate Governance Code	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time;
Underwriters	Citigroup Global Markets Limited, EFG Hermes Promoting & Underwriting, Investec Bank plc and Keefe Bruyette & Woods (acting through Stifel Nicolaus Europe Limited);
Underwriting Agreement	the underwriting and sponsor’s agreement expected to be entered into between the Company, the Directors, the Selling Shareholder and the Underwriters described in paragraph 12 of Part XIX: “ <i>Additional Information</i> ”;
United States or U.S.	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia; and
VAT	means value added tax.

PART XXI

GLOSSARY

The definitions set out below apply throughout this Prospectus, unless the context requires otherwise.

‘greenfield’	means the establishment of operations where no branches existed and minor acquisitions of existing microfinance institutions with nascent branch networks;
AMBS	means the ASA Microfinance Banking System;
ASA India	means ASA International India Microfinance Private Limited;
ASA Kenya	means ASA Limited;
ASA Model	means the ASA NGO Bangladesh model of microfinance as accepted and tailored by the Group, including AMBS;
ASA Myanmar	means ASA Microfinance (Myanmar) Limited;
ASA Nigeria	means ASHA Microfinance Bank Limited;
ASA Pakistan	means ASA Pakistan Limited;
ASA Rwanda	means ASA Microfinance (Rwanda) Limited;
ASA S&L Ghana	means ASA Savings & Loans Limited;
ASA Sierra Leone	means ASA Microfinance (Sierra Leone) Limited;
ASA Tanzania	means ASA Microfinance (Tanzania) Limited;
ASA Uganda	means ASA Microfinance (Uganda) Limited;
ASAIH	means ASA International Holding;
ASIEA	means Association for Social Improvement and Economic Advancement;
CAGR	means compound annual growth rate;
CMI	means Catalyst Microfinance Investors;
CSR	means corporate social responsibility;
financially underserved	means people who have limited access to traditional banks or financial services (e.g., those that have a savings or current account, but do not have access to credit for working capital purposes or otherwise);
FIS	means financial information system;
Global poverty level	means less than U.S.\$3.20 per day, per person/per household;
Lak Jaya	means Lak Jaya Microfinance Limited;
Low-income	means individuals earning broadly around U.S.\$3.20 per day which is the international poverty line for lower-middle income economies (as defined by the World Bank);
Micro-enterprise	means a small business which generally has less than 5 to 10 employees, depending on the country;
Micro-entrepreneur	means a person who sets up or runs a micro-enterprise;
MIS	means management information systems;

PAR>30	means portfolio at risk greater than 30, as measured by loans where one payment has been overdue more than thirty days;
PPLCI	means Pagasa Philippines Lending Co. Inc.;
Semi-urban	means a partly-urban community, usually located between urban and rural areas where there is a certain level of infrastructure;
Write-off ratio	means the ratio of the total amount of loans written off during a period to total outstanding amount of loans at the end of that period.