FMO

Entrepreneurial
Development
Bank

BUILDING PROSPECTS

Annual Report

2023

Building Prospects is the Dutch government fund for private investments in the agribusiness value chain, infrastructure and climate, managed by FMO.

Government of the Netherlands

FMO manages the following funds on behalf of the Dutch government: the Access to Energy Fund (AEF), Building Prospects (BP), MASSIF, the Dutch Fund for Climate and Development (DFCD), FOM. The total committed portfolio of these funds (excluding grants) amounts to € 1,217 mln as per December 31, 2023. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch government that is managed by FMO, unless reference is made to an investment made under a program.

Front photo is from Pearl Dairy, one of the leading milk producers and sources milk from smallholder farmers to produce a variety of milk-based products in Uganda, Kenya and abroad.

Building Prospects is a critical enabler of transformation towards sustainable social and economic growth in developing countries.

LETTER FROM THE MB OF THE FUND MANAGER

Staying the course

In 2023, the volatile global economic and geo-political circumstances were aggravated by more extreme weather conditions, food crises, the collapse of several major banks, the ongoing war in Ukraine, the war in Gaza, and Sahel coups. All with direct and prolonged, devastating effects on the well-being of entire communities, in particular in FMO’s geographies. This instability is often worsened by adverse financial factors in many emerging markets such as higher interest rates, high inflation, and increased sovereign debt.

Within this context, FMO's 50+ year mission becomes more relevant by the day: enabling entrepreneurs to increase inclusive and sustainable prosperity. Over the next decade, the World Bank estimates one billion young people — a majority living in emerging markets — will try to enter the job market. If they won’t be able to find decent jobs, this will leave millions without hope for a sustainable future. FMO’s investments support jobs in local markets – around 990 thousand direct and indirect jobs in 2023 – and enhance access to energy, food and finance: crucial factors in breaking the downward cycle of poverty and migration.

Maximizing our impact towards the SDGs is the foundation of FMO’s strategy towards 2030. This past year marks the first full year dedicated to implementing and working towards these 2030 goals. Staying on course, we had similar priorities as in 2022: growing impactful business, ensuring FMO’s foundations are solid, and organizational development.

Building Prospects' main objective is to stimulate private sector development and drive job creation, contributing to SDG 8 – Decent Work and Economic Growth. This is achieved most efficiently through investing in the agribusiness value chain, and by investing in industry and infrastructure. Development of infrastructure and the agricultural sector are mutually reinforcing as agriculture relies on a strong enabling environment with proper access to natural resources, electricity and logistics.

This year Building Prospects performed well; adding an additional nine new customers to the existing portfolio and reinforcing its mandate to stimulate private sector development in countries like Sri Lanka, Uganda, Moldova and Ghana. This year also saw numerous fund investments targeting regions like Southeast Asia, Francophone West Africa and a fund focusing on food systems transitioning towards climate smart agriculture.

Looking ahead

Staying the course, in 2024 we will focus on the three same priorities as in 2023, continuing our work towards our 2030 goals. With regard to growing impactful business, we aim to further increase new investments in Reduced Inequalities and Green. We will take the next steps in market creation, supporting the new generation of entrepreneurs. FMO’s Public Funds and facilities will be fundamental to reach these goals.

With the fragile global economic and political situation in some of our markets, we do realize our financial result can be volatile and further growth to maximize our impact will be challenging. But given the immense climate challenge that lies ahead and the huge investments that are needed to support job creation and overall economic development in emerging markets, we see it as our role to be countercyclical and focus on the long term. We invest when others shy away, always with our mission in mind: enabling entrepreneurs to increase inclusive and sustainable prosperity.

The Hague, 25 April 2024

On behalf of the Management Board

Fatoumata Bouaré, Chief Finance & Operations Officer
Franca Vossen, Chief Risk Officer
Huib-Jan de Ruijter, Co-Chief Investment Officer
Michael Jongeneel, Chief Executive Officer
Peter Maila, Co-Chief Investment Officer

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AT A GLANCE

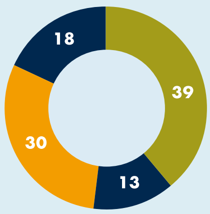
Building Prospects was established in 2002 by the Dutch government and FMO to drive private sector development and job creation in developing countries through investments in infrastructure. In poor countries, agribusiness is generally the most important sector and needs to be the driving engine out of poverty. Building Prospects supports investments in the broad agribusiness value chain. A strong agribusiness value chain needs access to energy and water, and also to logistics and transport. In addition, investment in climate change resilience and mitigation is critical. While there are still remaining legacy customers in the portfolio, Building Prospects no longer invests in non-renewable energy projects. Finally, Building Prospects will build a portfolio that actively takes into account gender equality.

Achievements portfolio as per 31-12-2023

Total committed portfolio

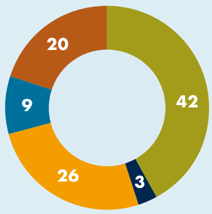
€484mln

Portfolio by Product
(in % as of 31 Dec 2023)



- Loans
- Direct equity
- Fund investments
- Mezzanine

Portfolio by customer
(in % as of 31 Dec 2023)



- Agribusiness
- Infrastructure
- Other diverse sectors
- Mixed renewable
- Non-renewable

86
Total investments

€55.1mln
Public co-investments

€34.4mln
Private co-investments

86.3%
Revolvability

(excluding new investments 2023)

913,687
Beneficiaries reached

99,595
Direct jobs supported

25,982
Direct jobs supported for women

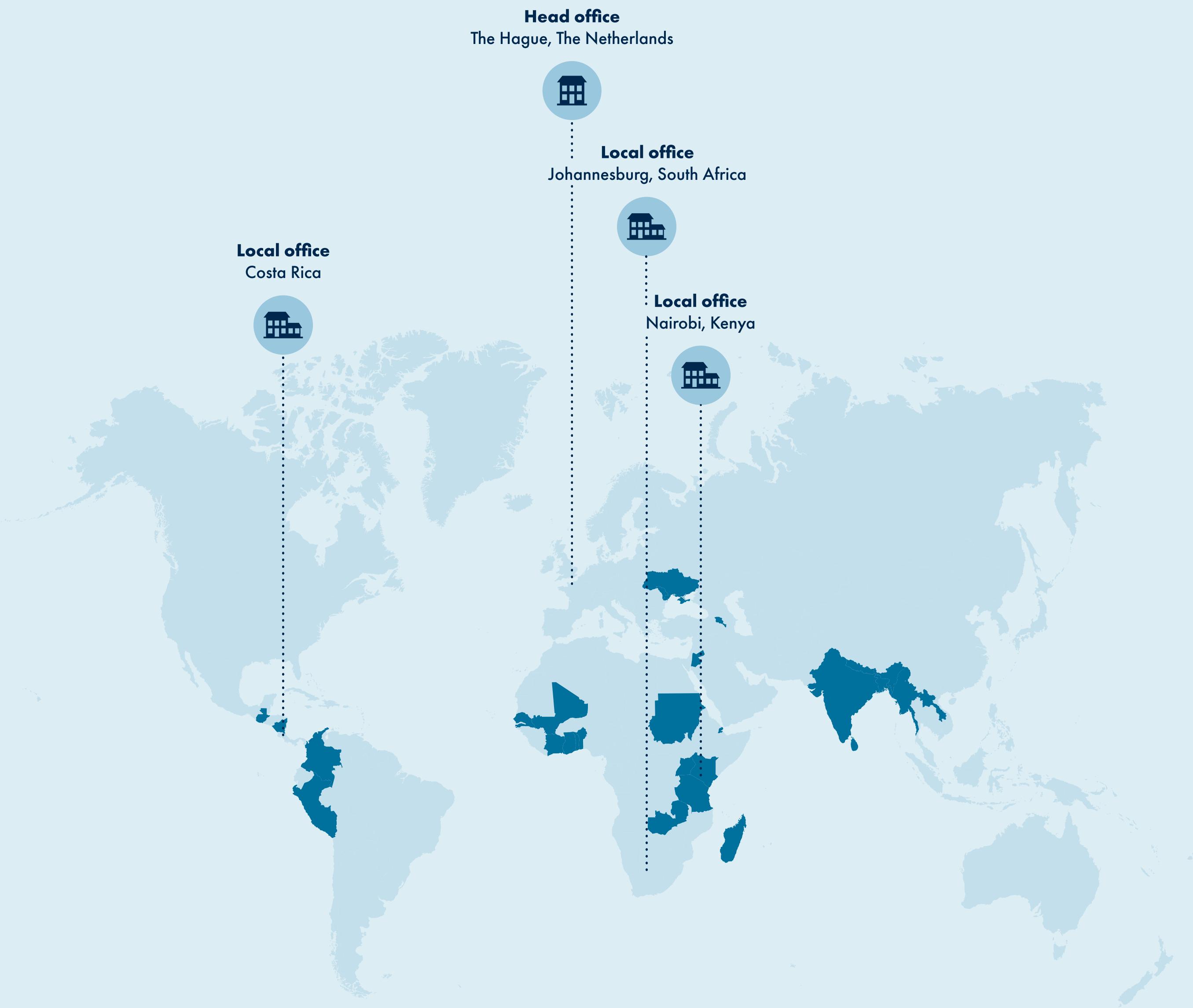
301,810
Beneficiaries reached with renewable energy

1,769,945
Indirect jobs supported

595,481
Indirect jobs supported for women

1 The figures provide a glance at the achievements of the BP portfolio. The direct jobs supported are results reported by the companies and funds within the portfolio. Indirect jobs supported are estimated by the Joint Impact Model. These are total figures, unattributed to the size of BP's investment as agreed with the Dutch government. Beneficiaries reached and beneficiaries reached with access to renewable energy are also reported by the companies and funds but are attributed according to the share of total public financing. The figures shown do not include new investments from 2023, as the most recent impact data available from clients pertains to the reporting year that concluded in 2022.

2 The calculation of the co-investments amounts is based on the OECD DAC methodology and is aligned with calculations made by external advisor. It includes only the commitments for mobilized finance in 2023.



Total committed portfolio by region (per 31 December 2023)

Latin America & The Caribbean	Africa	Europe & Central Asia	Asia	Global
€43mln	€243mln	€19mln	€109mln	€70mln

Total committed portfolio

€484mln

Highlights

This year for Building Prospects has focused on ‘creating opportunities’ initiatives and to continue the execution of the mandate outlined by the Dutch Ministry of Foreign Affairs to promote private sector development and job creation in emerging markets. The fund closed nine new transactions totaling EUR 74.2 mln commitment.

In the wake of profound global shifts and disruptions throughout the previous year, the economic landscape is undergoing transformative changes, presenting both challenges and opportunities for emerging markets. The turbulence in global trade, coupled with economic uncertainty, the enduring impact of a global pandemic, and geopolitical events, has compelled manufacturers worldwide to reevaluate and diversify their production locations.

With an expected growth in population from 7.9 billion people to 8.6 billion people in 2032, an average annual growth rate of 0.8%, with the fastest growth rate at 2.4% p.a. over the coming decade concentrated in sub-Saharan African low-income countries, the urgency to strengthen agribusiness value chains is very high. Africa has a unique prospect to position itself as a burgeoning hub within recalibrating global supply chains. With the continent boasting the youngest and fastest-growing population, representing approximately 60% of Africans under the age of 25, Africa stands at the forefront of a demographic dividend that holds immense potential for economic growth. Furthermore, there is an opportunity for Africa to expedite climate action by expanding energy supply chains within the continent, leveraging its vast reserves of critical minerals vital for the global energy transition.

The war in Ukraine continues to disrupt value chains and Building Prospects is proud to indirectly support the troubled region with an investment towards Trans-Oil to provide a loan that will source from the local region for export. With a perceived switch away from traditional global supply chain routes, emerging markets are presented with the challenge of relying on domestic demand for sustained growth, especially in the face of anticipated economic slowdowns in developed countries.

It is within this context that central banks of emerging markets have notably succeeded in managing inflation, although the large fiscal support during the pandemic has accentuated debt positions and raised questions about governments' capacity to stimulate economic growth. The economic terrain remains dynamic, calling for strategic and adaptive measures to navigate the evolving opportunities and challenges in the global market.

Building Prospects' ability to invest in private sector development through enabling infrastructure in agribusiness value chain contributes significantly to economic development. Allowing businesses to grow along the value chain creates employment opportunities at various stages of production and distribution. Increasing the development of skills and expertise within the workforce contributes to human capital development and ensures a sustained economic growth. With the broad scope of the fund mandate allowing for focused attention towards Climate and Gender, Building Prospects is also able to contribute to SDG 8 ‘Decent Work and Economic Growth’ and 13 ‘Climate Action’.

The effects of the pandemic are wearing off which is evident in the increase of Building Prospects' production in 2023. This year we closed nine new transactions in a variety of countries and helped to support numerous existing clients with additional funding requirements. We are very pleased with the level of transactions finalized in 2023 which span a wide and diverse range of investment initiatives. Two main themes are addressed through these investments that focus on private sector development through strengthened value chains in countries like Sri Lanka, Uganda, Moldova, Burkina Faso, Cote d’Ivoire and Mozambique and supporting energy sector investments in Africa and Asia.

2023 saw a combination of negative impact of FX results across the board, negative Fair Value results on PE investments and write-offs resulting from on a combination of country-related and investee-related adverse circumstances. On the positive side, there was a positive loan impairment result in 2023.

Climate remains high on the agenda for Building Prospects and has been taken into account through various investments made in 2023. One such focused investment in **Responsibility Climate-Smart Agri and Food Fund** targeting food systems transformations to help mitigate climate change, to help to build resilience for smallholder farmers and to reduce food loss.

Building Prospects remains a highly relevant and impactful policy instrument and will continue to create improved economic prospects for people in developing countries, through sustainable social and economic growth.

The coming years remain challenging, and we approach 2024 to maximizing development impact and creating new opportunities, ideas and perspectives whilst adapting to meet the challenges we know lie ahead that affect people, planet and prosperity.

Production

Production 2023

South Asia Foods LLC-FZ (Taprobane Seafood) – USD 10 mln Debt

South Asia Foods LLC (SAF or the company) is a SPV set up to manage the sales for Taprobane Seafoods Ltd. (TSF or Taprobane) Taprobane is a leading seafood export company in Sri Lanka processing Blue Swimming Crab into pasteurized crab meat and Vannamei shrimp, which it began farming two years ago – the first Sri Lankan company to do so – in response to a global shift in preference to Vannamei from black tiger shrimp. Established in 2010, TSF has one main process facility and fourteen mini-processing facilities, employing over 2,000 fulltime employees, predominantly underprivileged women including war widows, throughout the northern and northwestern provinces of Sri Lanka. The shrimps processed by TSF are supplied by its own farms and third-party growers. The crabs are wild-caught and supplied by local fishermen. TSF exports seafood products globally under their own brand or for third parties. The funds will be used for capex investments that will further strengthen TSF's value chain in Sri Lanka. The investments include rehabilitating abandoned shrimp farms owned by TSF and by third-party growers, investing in new farms, circular tanks and hatcheries, in a new processing facility and for other general capex investments.

ResponsAbility Climate-Smart Agri & Food Fund – USD 7.5 mln Equity

FMO's client is the recently launched Climate-Smart Agriculture & Food Fund (the Fund), A USD 200mln close-ended debt fund targeting food systems transformation. The aim is to provide long-term expansion debt to innovative businesses operating in the food value chain in Asia Pacific, Latin America and Africa with the goal of mitigating climate change, reducing food loss and promoting climate change resilience of smallholder farmers. The Fund has been established by responsibility, a sustainable investment house, in collaboration with CGIAR, a global research partnership for a food-secure future, and anchor investor KfW, a German state-owned investment and development bank. FMO has subscribed up to USD 25 mln committed facility to the fund with senior class shares. In which, USD 21.5 mln was subscribed in the second closing, and the balance of up to USD 3.5 remains to be subscribed in the third closing. The Fund's strategy is to provide long-term financing along with technical assistance to Agri SMEs under four investment themes: 1) sustainable intensification of production, 2) value adding and efficient processing and logistics, 3) sustainable and inclusive retail and food brands, and 4) climate technology and solutions providers. The financing will target transactions in agriculture focused on reducing climate change risk and greenhouse gas emissions as well as on promoting sustainable increase in yields.

Sun King Financing Limited (Greenlight Planet) – KES 10 mln Debt (EUR 7.9 mln)

Sun King Financing Limited is a securitization vehicle acquiring pay-as-you-go receivables from Greenlight Planet Kenya Limited, the Kenyan subsidiary of Greenlight Planet Inc. The company, active under the brand name Sun King, is one of the leading providers of energy access products in Sub-Saharan Africa. The company's business model in Kenya consists of the distribution and financing of various solar-powered energy solutions, through a Pay-As-You-Go offering. Customers pay off their system and associated devices through pay plans that vary in length. The objective of the investment is to allow the company to continue its expansion of its Pay-As-You-Go Business in Kenya. The proceeds of the funds will directly be used to fund the acquisition of receivables, allowing the company to shorten its inventory cycle, assisting the general scale-up of the business.

Starsight Premier Energy Finance / SPEF - USD 10 mln Debt

Starsight Premier Energy Finance is the financing arm of Starsight Premier Energy Group (SPEG). SPEG offers sustainable solar power and storage solutions to C&I clients in Kenya, and plans to expand to Uganda, Tanzania, and Rwanda in 2023 and 2024. To finance Solar PV and storage energy solutions for the commercial and industrial sector in East Africa.

Joliba Capital Fund I – EUR 5 mln Equity

Joliba Capital Fund I is a first-time fund raised by Joliba Capital. The Fund targets EUR 150 million in fund size and will build a diversified portfolio of 8-10 investments in consumer-driven sectors across Francophone West- & Central Africa. The fund is set up by Yann Pambou and Hamada Touré, two experienced African investment professionals in partnership with LBO France, an established French private equity firm based in Paris, operating primarily in Western Europe. The private equity market development in the fund's target region lags behind many of the other large economies in the continent. The resulting funding gap hampers the growth of SME's in the region. By contributing to the establishment of a dedicated and professional fund manager, our capital commitment supports the success of local entrepreneurs in the region. Economic growth funded by 'conscious capital' also helps to engrain institutional quality to the benefit of all stakeholders, whilst improving the appeal of the portfolio companies to international investors.

Pearl Dairy Farms Limited – USD 8.75 mln Debt

Founded in 2009 by Bhaskar Kotecha and Anand Kapoor, Pearl Dairy Farms Limited ("Pearl") is one of the larger dairy processors in East Africa. Pearl sources raw milk from smallholder farmers, cooperatives, and traders in both Uganda and Kenya and processes it into various products: UHT milk, powder milk, flavored milk, yoghurt, butter, ghee. Pearl's products are sold in multiple countries including Uganda, Kenya, Sudan, Tanzania, Malawi, Zambia, DRC, UAE, India, and Japan. Pearl will utilize the funds to undertake multiple capital investments in Uganda and Kenya, including the expansion of the milk collection center network in Uganda, expansion of its powder processing capacity in Uganda, acquisition of a milk processing plant in Kenya, and refinancing of an existing loan.

TOI Commodities SA / TransOil – USD 7.5 mln Debt

Trans-Oil Group is a leading vertically integrated farming, oilseed crushing, trading and transportation logistic provider with operations in Moldova and Ukraine. The company owns a distribution and export network in Moldova with extension to the Black Sea region and upstream to the Danube basin. More than 80% of the sales of the Company are exported to EU, Turkey and Asia. Up to USD 30 mln long-term FMO loan intends to finance the WC needs for the purchases of commodities from Ukraine. The commodities sourced from Ukraine will be stored either in Reni port in Ukraine or in-land storage facilities in Moldova before export.

Robust International Pte Ltd. – USD 10 mln Debt

Robust International Pte. Ltd. (Robust) is a multinational agri-commodity processing & import-export business with its headquarters in Singapore. It has a vast operational network and presence in several countries across Africa. Its portfolio includes a wide variety of agricultural commodities with a focus on cashew and sesame seeds. The company is transforming from a traditional merchant to an end-to-end integrated supply chain company. The proposed financing is earmarked for Burkina Faso, Cote d'Ivoire and Mozambique. FMO is the mandated lead arranger for a USD 50mln senior secured facility (on a best-efforts basis) composed of USD 40mln for capital expenditure (land, building warehousing facilities, machinery, and equipment) and USD 10mln for working capital. The facility will be funded by FMO-A (USD 15mln), Building Prospects (USD 10mln) and FIM funds (USD 15mln). FIM funds are funds serviced by FMO Investment Management and share an emerging market focus and the combined objective of investing for both financial returns and development impact.

Southeast Asia Clean Energy Fund II (SEACEF II) – USD 10 mln Equity

Southeast Asia Clean Energy Fund II ("SEACEF II" or "the Fund"), is a target US$ 135m fund managed by Clime Capital ("CC", "FM"), providing catalytic capital to developers and early-stage companies focused on renewable energy ("RE"), energy efficiency ("EE"),e-mobility, and electrical grid solutions in Southeast Asia. The Fund is targeted to reach first close in Q4 - 2023. In addition to FMO's participation (upto EUR 12.5m), it is expected that commercial investors and other development finance institutions will also invest at the first close of the Fund. The Fund will target investments which deliver social and environmental benefits as well as financial returns, with a focus on decarbonization. The Fund intends to deploy capital to early-stage investments in both developers and early-stage corporates/platforms targeting proven, scalable, high-impact technologies and innovative business models to accelerate low carbon transition in the region - across utility/captive RE projects and distributed platforms like EE, E-mobility and grid infrastructure. Vietnam, Philippines and Indonesia will be the core focus countries.

Komaza Forestry Ltd – USD 250K Debt

Komaza Group Inc. ("Komaza") is a vertically integrated micro-forestry company working with smallholder farmers in Coastal and Central Kenya to address a large and fast-growing wood market in Africa. FMO's mission to create impact implies sustaining impact even after the relationship ends. Through our equity and non-performing investments, we may decide to exit a transaction. On occasion, there are unusual endings of transactions as well. Prior to exiting we review and consider the implications on ESG risks and needs to preserve impact objectives as far as possible.

HPW Fresh & Dry Ghana topup 2mln – EUR 2 mln Debt

HPW is a responsible producer of tropical dried fruits and fruit snacks headquartered in Switzerland. Founded in 1997, the Company expanded from a traditional fresh fruit supplier serving Switzerland to become one of the leading dried fruit producers in West Africa supplying high quality tropical snacks to the international market. The Company has 2 local subsidiaries, HPW Fresh & Dry in Ghana and Ivory Coast, together employing ~2,000 local employees and directly / indirectly impacting ~1,500 smallholder farmers. FMO's investment loan to HPW Fresh & Dry Ltd is to support its working capital and expansion of factory in Ghana to meet the increasing demand from international markets for dried fruits.

IDH Farmfit topup – EUR 1.25 mln Debt

Sustainable Trade Initiative ("IDH") has developed a market-based approach to smallholder value chain development. Currently, IDH works with over 600 companies, financial institutions, producer organisations, and governments in 12 value chains across 40 countries worldwide. As an evolution of its grants-based investments strategy, IDH established the Farmfit Fund (the "Fund"). To strengthen smallholder value chains and improve the livelihoods of farmers, the Fund will support a wide variety of actors ranging from traders to input providers, Agri SMEs and financial institutions across Africa, Asia, and Latin America. The Fund will offer tailor-made financial instruments (debt, risk sharing, equity) and TA to a wide range of investees that sustainably engage with smallholder farmers. Its impact is further increased through leveraging commercial bank finance.

Africa Ren Development - EUR 500K Development Contribution

EUR 2m from BP as a Development Contribution to DevCo to finance the development of a pipeline of solar projects in the Francophone region of Africa. Of this EUR2m, EUR [500k] of FMO's contribution will be used to acquire the rights to Walo and provide the necessary funding to get the project to Financial Close.

Exits and sales

No exits or sales were made in 2023.

Production capacity development

Contracts CD 2023

Green Agrevolution Private Limited (De Haat) - USD 120,500 Technical Assistance

The objectives of Nari Shakti 2.0 project are to identify models for how to engage and support women self-help groups (SHGs) to become Women Micro-entrepreneurs (MEs) there by increasing their income, and in developing them as a channel to empower and support women smallholder farmers (WSHFs) in rural India.

Climate Focus B.V. - EUR 63,198 Technical Assistance

The objective of this funding is two-fold. Firstly, it is to generate an overview and understanding on current market standards and practises related to the (financial) benefit sharing of carbon proceeds among stakeholders and beneficiaries. Secondly, this project seeks to provide clear guidance to FMO and FMO's customers on the implementation and communication of carbon credit benefit sharing.

ALIVE Early Growth Fund II LP - USD 300,000 Development Contribution

FMO's funding will be used to contribute to the ALEG 2's accompanying Technical Assistance Facility. The TA facility will be used to hire external advisors to help portfolio companies of the fund with 1) Beneficiary-driven business insights & Impact monitoring and reporting 2) Gender research studies and gender & diversity action plans to bridge gender and diversity gaps 3) Climate resilience strategies for investees which offer climate solutions 4) Business development support service.

Technoserve - EUR 250,000 Technical Assistance

By setting up this framework agreement with TechnoServe and its connection to CASA, FMO CD is better able to provide efficient and effective technical assistance for its current and prospect portfolio through a strong and experienced partner. The objective of the technical assistance will be to increase the smallholder impact of existing investments by providing technical assistance that expands agribusinesses' development impact and commercial growth. With stronger smallholder supply chains, the objective is also to increase the inclusion of the poorest and most marginal smallholders in commercial agricultural markets.

HPW Fresh Dry Ghana - EUR 410,000 Development Contribution

The proposed TA project aims to support the subsidiary and farmers in Burkina Faso to improve the quality of the produce. The project comprises of three separate workstreams which support organisational strengthening activities as well as sector support.

Global Food and Agribusiness Network - EUR 28,000 Development Contirbution

The Global Food and Agribusiness Network Peer Ederer are to develop 2 case studies, to be used during the African Cheetahs Conference 2024, co-organized with IFC & Finnfund. Peer Ederer has developed the cases for the previous ACCs in 2020 and 2022 and is one of the keyfactors of the success of the conference.

SolarX Ltd - EUR 54,309 Technical Assistance

Environmental and social capacity building services for solar C&I company SolarX.

Stichting Wageningen Research - EUR 60,000 Development Contribution

The funding objective is a three-year contribution to the Private Partnership Study for Climate Resilient Agri Sourcing in Africa (CRASA), a digital tool that indicates the effect of climate risks on different crops in Africa.

Siempelkamp India Private Litmited - EUR 37,500 Development Contribution

The objective of this project is to support FiberStrength to conduct a Feasibility Study that will evaluate and verify the feasibility and commercial potential of the establishment of the first Oriented Strand Board (OSB) production plant globally using specially processed bamboo fibre as raw material in India. The result of the feasibility study shall provide an information platform to support the project sponsors in making relevant decisions regarding the plant location, production process, supply chain organization, and quantities and type of raw materials.

INTERNATIONAL PRINCIPLES

Our impact goes beyond our investments. To embrace our mission fully, we are committed to doing business in a responsible and sustainable way, guided by global standards and guidelines. These commitments are not prescribed by law but have been made on a voluntary basis by FMO N.V.

2X GLOBAL	**2X Global** FMO is a member of 2X Global, a field building organization for gender finance. Since 2018 FMO has also been a participant in the 2X Challenge, now an initiative of 2X Global. The 2X Challenge is a collective commitment of DFIs to mobilise gender lens investment in developing country markets.	Member
Adaptation & Resilience Investors Collaborative	**Accelerating Investment in Adaptation and Resilience** We are a signatory member to the Adaptation and Resilience Investors Collaborative, an international partnership of development finance organizations. We have committed to substantially increase investments in climate adaptation and resilience to support vulnerable developing and emerging countries.	Signatory
CENTER for FINANCIAL INCLUSION ACCION	**Client Protection Principles** FMO has adopted the CPP which set the minimum standards that end-customers should expect to receive when doing business with a financial service provider.	Adopter
CGAP	**Consultative Group to Assist the Poor** We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.	Member
UN CLIMATE CHANGE CONFERENCE UK 2021	**COP26 Joint Statement on Public Finance** We commit to supporting the clean energy transition and end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.	Signatory
CG DF CORPORATE GOVERNANCE DEVELOPMENT FRAMEWORK	**Corporate Governance Development Framework** We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.	Adopter
	Dutch Climate Accord We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord. In 2022, we published our Climate Action Plan, which is available on our website.	Signatory
EDFI	**EDFI Principles for Responsible Financing of Sustainable Development** FMO upholds the EDFI Principles for Responsible Financing of Sustainable Development.	Signatory
EDFI	**EDFI statement on climate and energy finance** We commit to this statement where EDFI group outlines shared commitments to phase out fossil fuels and mobilise private sector climate finance, aligning with Paris Agreement and high disclosure standards.	Signatory
EQUATOR PRINCIPLES	**Equator Principles** We have been implementing the Equator Principles (EP) since 2006. This risk management framework provides financial institutions with a minimum standard for due diligence and monitoring to determine, assess and manage environmental and social risks in projects. Our annual EP report is available online. 1	Signatory
EUROPEAN MICROFINANCE PLATFORM NETWORKING WITH THE SOUTH	**European Microfinance Platform** We are part of the e-MFP network to foster activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked through knowledge-sharing, partnership development and innovation.	Member
FATF	**Financial Action Task Force** We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.	Adopter
GIIN GLOBAL IMPACT INVESTING NETWORK	**Global Impact Investing Network** We support the GIIN because it is dedicated to increasing the scale and effectiveness of impact investing through knowledge sharing, best practice exchanges, and tools and resources production.	Member
GPCA Global Private Capital Association	**Global Private Capital Association** We are a member of the GPCA. This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.	Member

Global Reporting Initiative (GRI)	We report according to the standards defined by the GRI to help businesses and governments understand and communicate about their impact on critical sustainability issues.	Adopter
IFC Performance Standards	Our E&S approach is guided by the IFC Performance Standards of Environmental & Social Sustainability . This framework helps us understand, avoid and mitigate E&S risks and impacts, for example through stakeholder engagement and disclosure obligations of the customer in relation to project-level activities.	Adopter
ILO Standards	We follow the set of ILO legal instruments that set out basic principles and rights at work.	Adopter
IFRS Foundation - Integrated Reporting Framework	We follow the Integrated Reporting framework to produce our annual report. In line with this, we link our strategy and performance to the external environment and value creation in the longer term.	Adopter
Natural Capital Finance Alliance	We closely follow the developments of the NCFA initiative to integrate natural capital considerations into loans, public and private equity, and fixed income and insurance products.	Signatory
Netherlands Advisory Board on Impact Investing	FMO is an active member of the Netherlands Advisory Board (NAB) on Impact Investing - a foundation that is part of the Global Steering Group for impact investment and aims to accelerate the growth and improve the effectiveness of the Dutch impact investing market.	Member
OECD Guidelines for Multinational Enterprises	We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.	Adopter
Operating Principles for Impact Management	In 2019, FMO became a signatory to and advisory board member of the Operating Principles for Impact Management, a global initiative led by the IFC to increase the transparency and accountability of impact investing. FMO publishes a report every year to disclose how it has interpreted and applied these nine principles. These reports are available on our website.	Signatory
Partnership for Carbon Accounting Financials	We are one of the early adopters of PCAF, an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans and investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.	Signatory
Principles of Repsonsible Investment	FMO applies the six principles of the PRI: incorporating ESG into investment practices (Principle 1 and 2), disclosing on ESG issues (Principle 3), supporting acceptance and effective implementation of the principles (Principle 4 and 5), and reporting on progress (Principle 6). FMO's latest report is available on the PRI website.	Signatory
Sustainable Development Goals Charter	We joined the SDG Charter Network to foster cooperation between business, civil society and local governments in the Netherlands, in order to achieve the SDGs at home and abroad.	Signatory
Task Force on Climate-Related Financial Disclosures | TCFD	We have been reporting in line with TCFD guidelines since 2019, disclosing climate related risks and opportunities for FMO, as well as our work to embed climate related risks within FMO's risk framework. Please refer to the latest TCFD report available on our website for more information.	Signatory
The Paris Development Banks Statement on Gender Equality and Women's Empowerment	This statement calls for accelerating the realization of gender equality and the empowerment of all women and girls through the international financial system. We recognize our substantive role in the achievement of the SDGs.	Signatory
UN Guiding Principles on Business and Human Rights	We integrate the set of guidelines defined by the UN for states and companies to prevent, address and remedy human rights abuses in business operations.	Adopter
UNEP FI / EBF Working Group on Banking and Taxonomy	We are part of the UNEP Finance Initiative / European Banking Federation Working Group that assesses how the EU Taxonomy on Sustainable Activities can be implemented by banks and applied to selected banking products.	Member

	UNEP FI | Principles for responsible banking FMO reports every year on how it has progressed towards implementing these principles. These reports are available on our website	Signatory

1 After participating as an active member for more than 18 years in the Equator Principles, FMO has decided to discontinue its membership. More details can be found on the FMO website.

LIST OF ABBREVIATIONS

AC	Amortized Cost
AWS	Alliance for Water Stewardship
ASC	Aquaculture Stewardship Council
CD	Capacity Development
DFI	Development Finance Institution
DGIS	Directorate-General for International Cooperation
EAD	Exposure at Default
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
ExCo	Executive Committee
FSC	Forest Stewardship Council
FV	Fair Value
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
GHG	Green House Gas
Gwh/yr	GigaWatt hours per year
ha	Hectares
HFO	Heavy Fuel Oil
HRW	Human Rights Watch
IASB	International Accounting and Standards Board
IDF	Infrastructure Development Fund
IFRS	International Financial Reporting Standards
IPP	Independent Power Plant
FRC	Financial Risk Committee
LDC	Least Developed Country
LGD	Loss Given Default
MT	Mega Tonne
MW	Mega Watt
NGO	Non Governmental Organization
NPL	Non-Performing Loans - loans in default
NPV	Net Present Value
OCI	Other Comprehensive Income
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
PD	Probability of Default
PIM	Public Investment Management team within FMO
SDGs	Sustainable Development Goals
SHS	Solar Home Systems
SPPI	Solely Payments of Principal and Interest
SSA	Sub-Saharan Africa
tCO2eq	Tonnes of CO2 equivalent
VC	Venture Capital
VER	Voluntary Emission Rights
YE	Year End

Read more about	
CIO	www.climatefundmanagers.com/nl
FMO	www.fmo.nl/
ODA	www.rijksbegroting.nl/system/files/10/odaenoesodac-criteria.pdf
OECD	www.oecd.org/
SDGs	sustainabledevelopment.un.org

Annual accounts

Statement of financial position

At December 31, 2023

	Notes	2023	2022
Assets			
Banks	(1)	5,431	34,395
Current account with FMO	(2)	-	493
Short-term deposits	(3)	25,200	467
Derivatives financial instruments	(4)	11,302	12,154
Loan portfolio	(5)		
- of which: at Amortized cost		130,841	86,935
- of which: at Fair value through profit or loss		29,473	69,076
Equity investments	(6)	120,891	118,323
Other financial assets at FV		24,601	32,872
Other receivables	(7)	1,351	107
Total assets		**349,090**	**354,822**
Liabilities			
Current acount with FMO	(2)	48	-
Accrued liabilities	(8)	3,223	2,748
Provisions	(9)	409	231
Total liabilities		**3,680**	**2,979**
Fund capital			
Contribution DGIS previous years		414,516	394,516
Contribution DGIS current year		-	20,000
Total contribution DGIS		**414,516**	**414,516**
Other reserves		6,505	6,505
Undistributed results previous years		-69,178	-71,107
Net profit/(loss)		-6,433	1,929
Total fund capital	**(10)**	**345,410**	**351,843**
Total liabilities and fund capital		**349,090**	**354,822**
Irrevocable facilities	(17)	129,627	89,251
Total subsidy allocated to BP		462,012	462,012
Total subsidy withdrawn from DGIS		414,516	414,516
Subsidy available BP		**47,496**	**47,496**

Statement of comprehensive income

At December 31, 2023

	Notes	2023	2022
Income			
Interest income from financial instruments measured at AC		11,461	7,723
Interest income from financial instruments measured at FVPL		-1,166	3,829
Interest expenses from financial instruments measured at AC		-	-69
Total net interest income	(11)	10,295	11,483
Fee and commission income	(12)	1,256	551
Results from equity investments	(14)	-18,356	-14,947
Dividend income	(13)	82	2,153
Results from financial transactions	(15)	-23,967	24,016
Remuneration for services rendered		25	25
Other income		4	-
Total income		**-30,661**	**23,281**
Expenses			
Remuneration FMO		-9,456	-9,332
Capacity development expenses		-4,338	-2,514
Advisory costs		-900	-
Evaluation expenses		-183	-292
Total expenses	**(16)**	**-14,877**	**-12,138**
Impairments on			
Loans	(5)	39,291	-9,057
Loan commitments		-186	-157
Banks		-	-
Total impairments		**39,105**	**-9,214**
Net profit/(loss)		**-6,433**	**1,929**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/(loss)		**-6,433**	**1,929**

Statement of changes in fund capital

At December 31, 2023

	Contributed Fund capital	Other reserves	Undistributed results previous years	Net profit/ (loss)	Total fund capital
Balance at January 1, 2022	**394,516**	**6,505**	**-79,398**	**8,291**	**329,914**
Transfer profit/(loss) PY to Undistr. Results PY	-	-	8,291	-8,291	-
Contribution DGIS	20,000	-	-	-	20,000
Contribution FMO	-	-	-	-	-
Results current year	-	-	-	1,929	1,929
Net balance at December 31, 2022	**414,516**	**6,505**	**-71,107**	**1,929**	**351,843**
Balance at January 1, 2023	**414,516**	**6,505**	**-71,107**	**1,929**	**351,843**
Transfer profit/(loss) PY to Undistr. Results PY	-	-	1,929	-1,929	-
Contribution DGIS	-	-	-	-	-
Contribution FMO	-	-	-	-	-
Results current year	-	-	-	-6,433	-6,433
Net balance at December 31, 2023	**414,516**	**6,505**	**-69,178**	**-6,433**	**345,410**

Statement of cash flows

At December 31, 2023

	Notes	2023	2022
Cash flow from operating activities			
Inflows			
Interest received on loans		12,864	9,527
Repayments on loans	(5)	36,720	9,329
Sale and return of equity instruments to parties other than FMO		1,811	2,358
Results from equity investments		3	94
Dividends and fees received		245	2,729
Other financial assets repayments		-	11
Other received amounts		1,414	-
Outflows			
Disbursements on loans	(5)	-25,806	-28,063
Investments in equity instruments	(6)	-15,453	-13,109
Disbursements on development contributions		-3,881	-1,511
Management fees FMO		-9,456	-9,332
Other financial assets investments		-1,165	-2,272
Other paid amounts		-1,531	-335
Net cash from operating activities		**-4,235**	**-30,574**
Cash flow from financing activities			
Inflows			
Contribution DGIS current year	(10)	-	20,000
Net cash from financing activities		**-**	**20,000**
Net change in cash & cash equivalent		**-4,235**	**-10,574**
Position of cash at January 1 [1)]		35,355	44,178
Foreign exchange translation		-537	1,751
Position of cash at end of period [1)]		**30,583**	**35,355**

1 Cash includes current account with FMO.

Summary of material accounting policies

General information

Building Prospects (BP), the Fund, is established by the Dutch Ministry of Foreign Affairs in 2002 to support private investments in infrastructures in developing countries. FMO executes the Fund at the risk and expense of the Dutch State. The total subsidy received till date amounts to €462 million and the anticipated end date of the Fund is December 2028.

Basis of preparation

The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These annual accounts are based on the 'going concern' principle.

The annual accounts are prepared under the historical cost convention, except for:

- Equity investments, short-term deposits, all derivative instruments and other financial assets that are mandatorily measured at fair value through profit and loss.
- A part of the loan portfolio is mandatorily measured at fair value (refer to business model assessment and contractual cash flow assessment in this chapter below).

The material accounting policies adopted are set out below.

Adoption of new standards, interpretations and amendments

There are no new standards, interpretations or amendments adopted that have an impact on BP.

Issued but not yet adopted standards

BP has assessed the amendments and new standards and does not expect them to have a significant impact on these financial statements.

Significant estimates, assumptions and judgements

In preparing the annual accounts in conformity with IFRS, management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. The most relevant estimates and assumptions relate to:

- The determination of the fair value of financial instruments based on generally accepted modeled valuation techniques;
- The determination of the expected credit loss allowance in accordance with IFRS 9;

Information about judgements made in applying accounting policies are related to the following:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest;
- The inputs and calibration of the ECL model which include the various formulas and the choice of inputs, aging criteria and forward-looking information;

Foreign Currency translation

The Fund uses the euro as the unit for presenting its annual accounts. All amounts are denominated in thousands of euros unless stated otherwise. In accordance with IAS 21, foreign currency transactions are translated to euro at the exchange rate prevailing on the date of the transaction. At the statement of financial position date, monetary assets and liabilities are reported using the closing exchange rate. Non-monetary assets that are not measured at cost denominated in foreign currencies are reported using the exchange rate that existed when fair values were determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of profit or loss under 'Results from financial transactions'.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. When a gain or loss for non-monetary financial asset is recognized through FVOCI (fair value through other comprehensive income), any foreign exchange component of the gain or loss is also recognized through FVOCI.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value of financial instruments

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Amortized cost and gross carrying amount

The AC of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The *gross carrying amount* of a financial asset is the AC of a financial asset before adjusting for any expected credit loss allowance.

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through P&L (FVPL) or fair value through other comprehensive income (FVOCI).

A financial asset is measured at AC if it meets both of the following conditions and is not classified as at FVPL:

- 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 debt instrument is measured at FVOCI only if it meets both of the following conditions and is not measured at FVPL:

- 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 (SPPI) on the principal amount outstanding.

For equity investments that are not held for trading an irrevocable election exists (on an instrument-by-instrument basis) to present subsequent changes in fair value in OCI

All financial assets not classified and measured at AC or FVOCI as described above are measured at FVPL. In addition, on initial recognition The Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs related to financial assets, not measured at FVPL, are directly added to its fair value for initial recognition and therefore attributed directly to its acquisition.

Business model assessment

The Fund has made 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. The information that is considered includes:

- How the performance of the portfolio is evaluated and reported to management of the Fund;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets whose performance is based on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cashflow assessment

For the purpose of the contractual cash flow assessment, related to solely payments of principal and interest (SPPI), ‘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 Fund has considered the contractual terms of the instrument. This includes 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 Fund has considered among others:

- Contingent events that would change the amount and timing of cash flows – e.g. prepayment and extension features, loans with performance related cash flows;
- Features that modify the consideration for the time value of money – e.g. regulated interest rates, periodic reset of interest rates;
- Loans with convertibility and prepayment features;
- Terms that limit the Fund's claim to cash flows from specified assets – e.g. non-recourse assets;
- Contractually linked instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Fund accounts for the Day 1 profit or loss.

Reclassification

Financial assets can be only reclassified after initial recognition in very infrequent instances. This happens if the business model for managing financial assets has changed and this change is significant to the Fund's operations.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks, current account maintained with FMO and short-term deposits that usually mature in less than three months from the date of acquisition. Short-term deposits consist of money market funds which are measured at FVPL. These financial instruments are very liquid with high credit rating, and which are subject to an insignificant risk of changes in fair value. There is no restriction on these financial instruments and the Fund has on demand full access to the carrying amounts. Unrealized gains or losses on the money market funds (including foreign exchange results) are reported in the note 'Results from financial transactions'.

Derivative instruments

Derivative financial instruments are initially recognized at fair value on the date the Fund enters into a derivative contract and are subsequently remeasured at its fair value. Changes in the fair value of these derivative instruments are recognized immediately in profit and loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives

Part of the derivatives related to the asset portfolio concerns derivatives that are embedded in other financial instruments. Such combinations are known as hybrid instruments and arise predominantly from providing mezzanine loans and equity investments.

Derivatives embedded in host contracts, where the host is a financial asset in the scope of IFRS 9, are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification as set out in the section Financial assets-Classification.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit or loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. An assessment is carried out when the Fund first becomes party to the contract. When there is a change in the terms of the contract that significantly modifies the expected cash flows, the modification results in derecognition of the original instrument and leads to recognition of a new instrument again on the balance sheet.

Loans

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund.

Loans on the statement of financial position of the Fund include:

- Loans measured at AC which comply with the classification requirements for AC as indicated in the section Financial assets – classification. These loans are initially measured at cost, which is the fair value of the consideration paid, net of transaction costs incurred. Subsequently, the loans are measured at AC using the effective interest rate method.
- Loans mandatory measured at FVPL which do not comply with the classification requirements for AC as indicated in the section Financial assets – classification. These are measured at fair value with changes recognized immediately in the statement of profit or loss.

Equity investments

Equity investments on the statement of financial position of the Fund include:

- Equity investments are measured at FVPL. The Fund has a long-term view on these equity investments, usually selling its stake within a period of 5 to 10 years. Therefore, these investments are not held for trading and are measured at fair value with changes recognized immediately in the statement of profit or loss;
- Equity investments designated as at FVOCI. The designation is made, since these are held for long-term strategic purposes. These investments are measured at fair value. Dividends are recognized as income in profit and loss unless the dividend clearly represents a recovery part of the cost of the investment. Other net gains and losses are recognized in the fair value reserve (OCI) and are never reclassified to the statement of profit or loss.

Other financial assets at FV

Other financial assets reflect the Dutch State's investment in the Ventures Program. The Program is a structured entity and is a co-investment between FMO, the Dutch Government and the European Commission. Following the specific conditions, the asset is classified as “Other financial assets at fair value”.

These financial assets are accounted for at fair value through profit or loss. The underlying equity investments (financial assets) in the Ventures Program are measured mandatorily at FVPL and the valuation of these assets form the basis of the value attributable to the program's co-investors. Refer to the 'Fair value of financial assets and liabilities' note for the description of the valuation technique applied to these financial liabilities.

Revaluation of other financial assets is reported under 'Results from financial transactions'.

Financial assets – Impairment

The Fund estimates an allowance for expected credit losses for all financial assets and loan commitments (off balance items) in scope of IFRS 9 impairment assessment.

No impairment loss is recognized on equity investments.

Impairment stages: loans and banks

The Fund groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognized, an allowance is recognized based on a 12-month expected credit loss;
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, an allowance is recorded for the lifetime expected credit loss;
- Stage 3 – a lifetime expected credit loss is recognized for these loans. In addition, in Stage 3, interest income is accrued on the AC of the loan net of allowances.

ECL measurement

The Fund's ECL model is primarily an expert based model and this model is frequently benchmarked with other external sources if possible.

ECL measurement Stage 1 and Stage 2

IFRS 9 ECL allowance reflects unbiased, probability-weighted estimates based on loss expectations resulting from default events over either a maximum 12-month period from the reporting date or the remaining life of a financial instrument. The method used to calculate the ECL allowances for Stage 1 and Stage 2 assets are based on the following parameters:

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. The Fund uses a scorecard model based on quantitative and qualitative indicators to determine PDs. The output of the scorecard model is mapped to the Moody's PD master scale based on idealized default rates. A point in time adjustment is made to these PDs using a z-factor approach to account for the business cycle;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected drawdowns and accrued interest from missed payments;
- LGD: the Loss Given Default is an estimate of the Fund's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows or collateral that the Fund would expect to receive;
- Z-factor: the Z-factor is a correction factor to adjust the client PDs for current and expected future conditions. The Z-factor adjusts the current PD and PD two years into the future. GDP growth rates per country from the IMF, both current and forecasted, are used as the macro-economic driver to determine where each country is in the business cycle. Client PDs are subsequently adjusted upward or downward based on the country where they are operating.

Macro economic scenarios in PD estimates

In addition to the country-specific Z-factor adjustments to PD, the Fund applies probability-weighed scenarios to calculate final PD estimates in the ECL model. The scenarios are applied globally and are based on the vulnerability of emerging markets to prolonged economic downturn. The scenarios and their impact are based on IMF data and research along with historical default data in emerging markets

The three scenarios applied are:

- Positive scenario: Reduced vulnerability to an emerging market economic downturn;
- Base scenario: Vulnerability and accompanying losses based on the Fund's best estimate from risk models;
- Downturn scenario: Elevated vulnerability to an emerging market economic downturn.

ECL measurement Stage 3

The calculation of the expected loss for Stage 3 is different when compared to the Stage 1 and Stage 2 calculation. Reason for this is that loan-specific impairments provide a better estimate for Stage 3 loans in the Fund's diversified loan portfolio. The following steps are taken which serve as input for the Financial Risk Committee (FRC) to decide about the specific impairment level:

- Calculate probability weighted expected loss based on multiple scenarios including return to performing (and projected cash flows), restructuring, and write-off or sale;
- Based on these probability weights, a discount curve is generated and the discounted cashflow (DCF) model is used to determine the percentage to be applied on the outstanding amount of a loan;
- Take expected cash flows arising from liquidation processes and "firm offers" into account. The cashflows from "firm offers" serve as a cap for the provision (or a floor for the value of the loan).

Staging criteria and triggers

Financial instruments classified as low credit risk

The Fund considers all financial instruments with an investment grade rating (BBB- or better on the S&P scale or F10 or better on Fund's internal scale) to be classified as low credit risk. For these instruments, the low credit risk exemption is applied and irrespective of the change of credit risk (as long as it remains investment grade) a lifetime expected credit loss will not be recognized. This exemption lowers the monitoring requirements and reduces operational costs. This exemption is applied for 'Current Accounts with FMO'.

No material significant increase in credit risk since origination (Stage 1)

All loans which have not had a significant increase in credit risk since contract origination are allocated to Stage 1 with an ECL allowance recognized equal to the expected credit loss over the next 12 months. The interest revenue of these assets is based on the gross amount

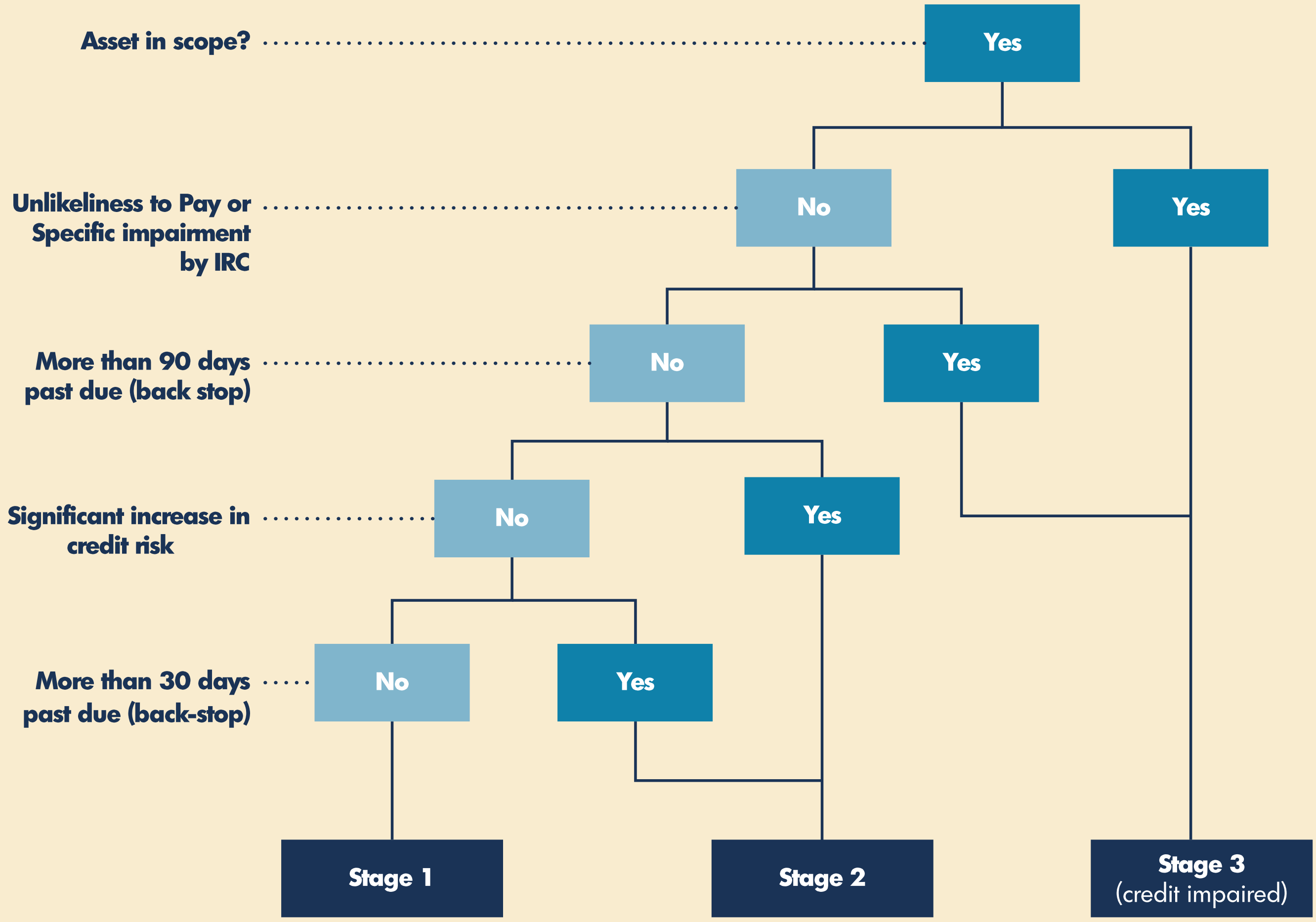
Significant increase in credit risk (Stage 2)
IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognized based on their lifetime ECLs. The Fund considers whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. Interest revenue for these financial assets is based on the gross amount. This assessment is based on either one of the following items:

- The fact that an early warning signal has triggered financial difficulty following a transfer to the watchlist;
- The fact that the financial asset is 30 days past due or more on any material obligation to the Fund, including fees and excluding on charge expenses (unless reasonable information and supportable information is available demonstrating that the client can service its debt).

Definition of default (Stage 3)
A financial asset is considered as default when any of the following occurs:

- The client is past due more than 90 days on any material obligation to the Fund, including fees (excluding on-charged expenses);
- The Fund judges that the client is unlikely to pay its credit obligation to the Fund due to occurrence of credit risk deterioration and the FRC decides on a specific impairment on individual basis. The triggers for deciding on specific impairment include among others bankruptcy, days of past due, central bank intervention, distressed restructuring or any material adverse change or development that is likely to result in a diminished recovery of debt;

The following diagram provides a high level overview of the IFRS 9 impairment approach at the Fund.



Reversed staging
Reversed staging relates to criteria which trigger a stage transfer to Stage 1 for loans which are in Stage 3 or Stage 2. The following conditions must apply for a transfer to stages representing lower risk:

- Loans which are in stage 3 will revert to stage 2 when the specific impairment is released by the FRC and there are no obligations past due for more than 90 days;
- Loans which are in stage 2 will only revert to stage 1 when there is no indication of financial difficulty and the exposure is removed from watchlist, the regulatory forbearance probation period of minimum two years has passed and no material amounts are past due for more than 30 days.

Written-off financial assets
A write-off is made when a claim is deemed non-collectible, when the Fund has no reasonable prospects of recovery after, among others, enforcement of collateral or legal enforcement with means of lawsuits. Furthermore, a write-off is performed when the loan is being forgiven by the Fund. There are no automatic triggers, which would lead to a write-off of the loan; specific impaired loans are assessed on individual basis depending on their circumstances. Generally, when the impairment percentage exceeds 95%, the FRC is advised to consider a write-off.

Write-offs are charged against previously booked impairments. If no specific impairment is recorded on basis of FRC decision making from the past, the write-off is included directly in the profit and loss account under 'Impairments'.

Modification of financial assets
The Fund has defined specific events-based triggers, related to the type of restructuring being carried out in order to determine whether a specific change in contractual terms gives rise to derecognition or modification, instead of relying only on a quantitative threshold related to differences in net present value (NPV).

Modification of terms and conditions arise from lending operations where the Fund enters into arrangements with clients, which implies modifications to existing contractual cash flows or terms and conditions. Such arrangements are usually initiated by the Fund when financial difficulty occurs or is expected with a borrower. The purpose of such an arrangement is usually to collect original debt over different terms and conditions from the borrower. Modifications may include extending the tenor, changing interest rate percentages or their timing, or changing of interest margin.

During the modification assessment, the Fund will evaluate whether the modification event leads to a derecognition of the asset or to a modification accounting treatment. Generally, loans that are sold to a third party or are written off lead to a derecognition. When existing debt is converted into equity, a derecognition of the debt will occur and be recognized again on the statement of financial position as equity. For modifications in interest percentages or tenor changes of existing amortized cost loans do not pass the SPPI test, the loan will also be derecognised and will be recognised as new loans on the Fund's statement of financial position according to the new classification.

When modification measures relate to changes in interest percentages or extensions of tenors and the loan is at amortized cost, the Fund will recalculate the gross carrying amount of the financial asset by discounting the modified expected cash flows using the original effective interest rate and recognizes the difference in the gross carrying amount as a modification gain or loss in profit and loss. However, when the NPV of the original loan is substantially different than the NPV of the modified loan, the original loan is derecognized and re-recognized on the statement of financial position. The Fund considers a variance of greater than 10% as substantially different.

Modification of contractual terms versus forbearance
Forbearance is not an IFRS term, but relates to arrangements with clients which imply modifications to existing terms and conditions due to financial difficulties of the client. Financial difficulties include, among others, prospects of bankruptcy or central bank intervention. Forbearance must include concessions to the borrower such as release of securities or changes in payment covenants that implies giving away payment rights. Forbearance measures do not necessarily lead to changes in contractual cash flows (e.g. waiver of specific covenant breaches).

Theoretically modification of contractual cash flows or terms and conditions, does not necessarily apply to clients in financial difficulties or performed due to potential higher credit risk. However for the Fund, a modification of the contractual terms is usually initiated when financial difficulty occurs or is expected. Therefore only in exceptional cases, changes in modifications of contractual terms not following from credit risk related triggers, will not lead to forbearance e.g. in case of an environmental covenant breach. For the Fund, generally modifications will follow from financial difficulties of the borrower and will be classified as forborne assets.

Provisions
Provisions are recognized when:

- The Fund has a present legal or constructive obligation as a result of past events; and
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

Provisions are recognised for loan commitments.

Contributed Fund Capital
The contributed capital contains the subsidies provided by the Dutch State to finance the portfolio of loans and equity investments.

Other reserves
Other reserves includes the reserve adjustments that arose out of the transition to IFRS 9 from IAS 39 in the financial year beginning 1 January 2018. This includes the transfer of previous available-for-sale reserves as well differences in measurement arising on transition.

Undistributed results previous years
The undistributed results consist of the part of the annual results that the Fund is accumulating to maintain the recoverability of the Fund.

Profit and Loss

Net interest income: interest income and expense
Interest income and interest expenses from financial instruments measured at AC are recognized in the profit and loss account for all interest-bearing financial instruments on an accrual basis using the 'effective interest' method based on the fair value at inception. Interest income and interest expenses also include amortized discounts, premiums on financial instruments and interest related to derivatives.

When a financial asset measured at AC is credit-impaired and regarded as Stage 3, interest income is calculated by applying the effective interest rate to the net carrying value of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

Interest income from loans measured at FVPL is recognized under 'Interest income from financial instruments measured at FVPL

Fee and commission income and expense
The Fund earns fees from a diverse range of services. The revenue recognition for financial service fees depends on the purpose for which the fees are charged and the basis of accounting for the associated financial instrument. Fees that are part of a financial instrument carried at fair value are recognized in the profit and loss account. Fee income that is part of a financial instrument carried at AC can be divided into three categories:

- *Fees that are an integral part of the effective interest rate of a financial instrument (IFRS 9)*
  These fees (such as front-end fees) are generally treated as an adjustment to the effective interest rate. When the facility is not used and the commitment period expires, the fee is recognized at the moment of expiration. However, when the financial instrument is to be measured at fair value subsequent to its initial recognition, the fees are recognized as interest-income;
- *Fees earned when services are provided (IFRS 15)*
  Fees charged by the Fund for servicing a loan (such as administration fees and agency fees) are recognized as revenue when the services are provided. Portfolio and other management advisory and service fees are recognized in line with the periods and the agreed services of the applicable service contracts;
- *Fees that are earned on the execution of a significant act (IFRS 15)*
  These fees (such as arrangement fees) are recognized as revenue when the significant act has been completed.

Dividend income
Dividends are recognized in dividend income when a dividend is declared. The dividend receivable is recorded at declaration date.

Results from equity investments
Gains and losses in valuation of the equity investment portfolio are recognized under 'Results from equity investments'. These gains and losses include foreign exchange results of equity investments which are measured at fair value.

Results from financial transactions
Results from financial transactions include foreign exchange results (excluding foreign exchange results related to equity investments measured at fair value) driven by changes in the market. Furthermore, the valuation gains and losses related to loans measured at fair value and the investment in the Ventures Program are recognized in the profit and loss immediately under 'Results from financial transactions'.

Capacity development expenses and contributions

Development contributions disbursed to recipients are recognized as an expense in the profit and loss account when the Fund incurs an irrevocable obligation to disburse the amount. Development contributions which contain repayment rights which meet the recognition criteria of an asset are treated in accordance with the policy on financial assets described above. Development contributions which do not contain a right to payment that meets the asset recognition criteria are recognized as an expense in the profit and loss account when the Fund incurs an irrevocable obligation to disburse the amount.

Taxation

The BP programme contributes to the overall income of the Ministry of Foreign Affairs and this income is considered business income subject to corporate income tax. No separate tax calculation is performed for BP in the preparation of the annual financial statements. The results of the Fund are included in the Ministry's overall calculation of tax payable. The Ministry’s overall calculation of tax payable is not allocated back to BP as an expense.

Statement of cash flows

The statement of cash flows from operations are presented using the direct method.

Undrawn loan commitments

The Fund issues loan commitments.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Fund is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL allowances are disclosed in Note 17.

Notes to the annual accounts

1. Banks

	2023	2022
Banks	5,431	34,395
Balance at December 31	**5,431**	**34,395**

The cash on bank accounts can be freely disposed of. All banks are classified as Stage 1.

2. Current account with FMO

	2023	2022
Current account with FMO	-48	493
Balance at December 31	**-48**	**493**

The current account which can be freely disposed of.

3. Short-term deposits

Short-term deposits are very liquid accounts with high credit ratings and are subject to an insignificant risk of changes in fair value. The Fund has on demand full access to the carrying amounts.

	2023	2022
Money market funds	25,200	467
Balance at December 31	**25,200**	**467**

4. Derivatives

The following tables present the fair value of derivatives which are related to the loan portfolio.

At December 31, 2023	Notional amounts	Fair value assets	Fair value liabilities
Derivatives related to asset portfolio	-	11,302	-

At December 31, 2022	Notional amounts	Fair value assets	Fair value liabilities
Derivatives related to asset portfolio	-	12,154	-

5. Loan portfolio

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund. The tables below present the movement in loans during 2022 and 2023.

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2023
Balance at January 1	**172,142**	**69,076**	**241,218**
Disbursements	25,160	646	25,806
Interest capitalization	-	1,139	1,139
Conversion from Loans versus Equity	-	-7,285	-7,285
Sale of loans	-	-	-
Repayments	-12,522	-24,198	-36,720
Write-offs	-9,487	-181	-9,668
Derecognized and/or restructured loans	-	-	-
Changes in amortizable fees	-306	-	-306
Changes in fair value	10	-3,532	-3,522
Changes in accrued income	241	-4,591	-4,350
Exchange rate differences	-5,484	-1,601	-7,085
Balance at December 31	**169,754**	**29,473**	**199,227**
Impairment	-38,913	-	-38,913
Net balance at December 31	**130,841**	**29,473**	**160,314**

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2022
Balance at January 1	**178,935**	**63,666**	**242,601**
Disbursements	20,205	7,858	28,063
Interest capitalization	44	1,345	1,389
Conversion from Loans versus Equity	-	-1,380	-1,380
Sale of loans	-	-	-
Repayments	-8,340	-989	-9,329
Write-offs	-26,605	-	-26,605
Derecognized and/or restructured loans	-	-	-
Changes in amortizable fees	188	-	188
Changes in fair value	-	-5,842	-5,842
Changes in accrued income	-28	491	463
Exchange rate differences	7,743	3,927	11,670
Balance at December 31	**172,142**	**69,076**	**241,218**
Impairment	-85,207	-	-85,207
Net balance at December 31	**86,935**	**69,076**	**156,011**

The contractual amount of assets that were written off during the period (2023: 9.7 million, 2022: 26.6 million) are still subject to enforcement activity. There were no recoveries from written off loans (2022: €0.0 million).

The following tables summarize the loans segmented by sector and by geographical area:

	2023					
Loans segmented by sector	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total 2023**	**Total 2022**
Financial Institutions	-	-	-	660	660	669
Energy	20,335	-	41,950	15,416	77,701	43,386
Agribusiness	37,826	21,176	1,990	13,439	74,431	92,127
Infrastructure, Manufacturing and Services	4,859	-	2,705	-42	7,522	19,829
Net balance at December 31	**63,020**	**21,176**	**46,645**	**29,473**	**160,314**	**156,011**

	2023					
Loans segmented by geographical area	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total 2023**	**Total 2022**
Africa	30,999	4,439	42,861	9,592	87,891	65,532
Asia	23,087	3,757	1,079	4,540	32,463	42,054
Latin America & the Carribbean	-	12,980	2,705	6,252	21,937	28,542
Europe & Central Asia	-64	-	-	-	-64	-
Non - region specific	8,998	-	-	9,089	18,087	19,883
Net balance at December 31	**63,020**	**21,176**	**46,645**	**29,473**	**160,314**	**156,011**

	2023	2022
Gross amount of loans to companies in which the Fund has equity investments	28,730	28,029
Gross amount of subordinated loans	52,172	79,208

The movements in the gross carrying amounts and ECL for the loan porfolio at AC are as follows:

Changes in loans to the private sector at AC in 2023	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross amount	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**
At December 31, 2022	48,988	-803	25,888	-1,686	97,266	-82,718	172,142	-85,207
Additions	24,933	-692	-	-	-	-	24,933	-692
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-4,221	14	-1,425	55	-6,855	1,688	-12,501	1,757
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-4,751	326	4,751	-326	-	-	-	-
Transfers to Stage 3	-	-	-1,145	442	1,145	-442	-	-
Modifications of financial assets (including derecognition)	-	-	-3,471	-	3,678	-	207	-
Changes in risk profile not related to transfers	-	240	-	-768	-	34,125	-	33,597
Amounts written off	-	-	-	-	-9,487	9,487	-9,487	9,487
Changes in amortizable fees	-382	-	27	-	48	-	-307	-
Changes in accrued income	790	-	-412	-	-137	-	241	-
Foreign exchange adjustments	-1,432	10	-854	100	-3,188	2,035	-5,474	2,145
At December 31, 2023	**63,925**	**-905**	**23,359**	**-2,183**	**82,470**	**-35,825**	**169,754**	**-38,913**

Changes in loans to the private sector at AC in 2022	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross amount	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**
At December 31, 2021	35,142	-556	24,251	-1,694	119,542	-96,145	178,935	-98,395
Additions	15,286	-383	4,919	-	-	-	20,205	-383
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-2,900	266	-4,663	8	-777	3,024	-8,340	3,298
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Modifications of financial assets (including derecognition)	44	-	-	-	-	-	44	-
Changes in risk profile not related to transfers	-	-115	-	90	-	-11,601	-	-11,626
Amounts written off	-	-	-	-	-26,499	26,499	-26,499	26,499
Changes in amortizable fees	13	-	-15	-	190	-	188	-
Changes in accrued income	222	-	363	-	-614	-	-29	-
Foreign exchange adjustments	1,181	-15	1,033	-90	5,424	-4,495	7,638	-4,600
At December 31, 2022	**48,988**	**-803**	**25,888**	**-1,686**	**97,266**	**-82,718**	**172,142**	**-85,207**

Total impairments on loans in the profit and loss account	**2023**	**2022**
Additions / exposure derecognised or matured/lapsed (excluding write - offs)	1,065	2,915
Changes in risk profile (including changes in accounting estimates)[1]	33,597	-11,626
Other	4,629	-346
Balance at December 31	**39,291**	**-9,057**

1 The changes in risk profile amount for 2023 includes the reversal of EUR 25m of previously recorded impairments on a non-performing exposure which has shown significantly improved prospects of recovery due to a positive court ruling. In addition, the amount also includes a EUR 9m reversal of impairments relating to the restructuring of an existing non-performing exposure.

The table below shows the values of the IMF GDP forecasts used in each of the economic scenarios for the ECL calculations of the top 10 countries where the Fund operates. The upside and downside scenario calculations are derived from the base case scenario, adjusted based on an indicator of public debt to GDP in emerging markets.

IMF GDP % Growth Forecasts	2023	2024
Benin	5.5%	6.3%
Sudan (The)	3.5%	0.0%
Togo	6.2%	5.3%
Kenya	5.1%	5.3%
Sri Lanka [1]	n/a	n/a
India	6.3%	6.3%
Myanmar	3.3%	2.6%
Cote D Ivoire	6.5%	6.6%
Ghana	1.1%	2.7%
Jordan	2.7%	2.7%

1 IMF had no forecasts of GDP growth rates available for Sri Lanka.

The following tables outline the impact of multiple scenarios on the ECL allowance.

Note that macroeconomic scenarios have been updated by using the latest available information by the IMF, as published in October 2023.

ECL allowance

December 31, 2023	Total unweighted amount per ECL scenario	Probability	Loans to the private sector 1	Total
ECL Scenario:				
Upside	38,012	2%	760	760
Base case	39,322	50%	19,661	19,661
Downside	40,823	48%	19,595	19,595
Total		**100%**	**40,016**	**40,016**

1 Loans to the private sector include amounts related to ECL allowances for off balance loan commitments

ECL allowance

December 31, 2022	Total unweighted amount per ECL scenario	Probability	Loans to the private sector 1	Total
ECL Scenario:				
Upside	84,538	2%	1,691	1,691
Base case	85,324	50%	42,662	42,662
Downside	86,713	48%	41,622	41,622
Total	**256,575**	**100%**	**85,975**	**85,975**

1 Loans to the private sector include amounts related to ECL allowances for off balance loan commitments

The table below represents sensitivity of ECL stage 2 allowance for the loan portfolio and loan commitments.

December 31, 2023

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Loan commitments	Total
More than 30 days past due	-	-	-
Deterioration in credit risk rating - financial difficulties	-2,183	-	-2,183
Total	**-2,183**	**-**	**-2,183**

December 31, 2022

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Loan commitments	Total
More than 30 days past due	-	-	-
Deterioration in credit risk rating - financial difficulties	-1,686	-	-1,686
Total	**-1,686**	**-**	**-1,686**

We also refer to our accounting policy on macro-economic scenarios on PD estimates.

6. Equity investments

The equity investments in developing countries are for the Fund's account and risk. The movements in fair value of the equity investments are summarized in the following table.

	Equity investments measured at FVPL
Net balance at January 1, 2023	118,323
Purchases and contributions	15,453
Conversion from loans or development contributions	7,285
Return of Capital	-1,815
Changes in fair value	-18,355
Other	-
Net balance at December 31, 2023	**120,891**

	Equity investments measured at FVPL
Net balance at January 1, 2022	140,217
Purchases and contributions	13,109
Conversion from loans or development contributions	1,380
Return of Capital	-2,456
Changes in fair value	-14,943
Other	-18,984
Net balance at December 31, 2022	**118,323**

The following table summarizes the equity investments segmented by sector:

	2023	2022
Energy	35,416	40,189
Agribusiness	41,340	30,249
Multi-Sector Fund Investments	17,977	25,500
Infrastructure, Manufacturing, Services	26,158	22,385
Net balance at December 31	**120,891**	**118,323**

7. Other receivables

Fee receivables primarily relate to front-end fees.

	2023	2022
Fee receivables	1,351	107
Balance at December 31	**1,351**	**107**

8. Accrued liabilities

Accrued liabilities relate mainly to CD expenses.

	2023	2022
Suspense account	27	10
Accrued costs capacity development	3,196	2,738
Balance at December 31	**3,223**	**2,748**

9. Provisions

	2023	2022
Allowance for loan commitments	409	231
Balance at December 31	**409**	**231**

10. Contributed fund capital and other reserves

	2023	2022
Contributed Fund Capital		
Contribution DGIS previous years	414,516	394,516
Contribution DGIS current year	-	20,000
Balance at December 31	**414,516**	**414,516**

	2023	2022
Other reserves	6,505	6,505
Balance at 31 December	**6,505**	**6,505**

Undistributed results	2023	2022
Balance at January 1	-71,107	-79,398
Addition: Net profit/loss	1,929	8,291
Balance at December 31	**-69,178**	**-71,107**

11. Net interest income

Interest income

	2023	2022
Interest income related to banks	296	-
Interest on loans measured at AC	11,165	7,723
Total interest income from financial instruments measured at AC	**11,461**	**7,723**
Interest on loans measured at FVPL	-1,682	3,804
Interest on short-term deposits	516	25
Total interest income from financial instruments measured at FVPL	**-1,166**	**3,829**
Total net interest income	**10,295**	**11,552**

Interest on loans measured at FVPL in 2023 contains a deduction of € 4.3 million relating to contractually waived interest upon repayment by a specific borrower.

Interest expenses

	2023	2022
Interest expenses related to banks (assets)	-	-69
Total interest expenses	**-**	**-69**

12. Fee and commission income

	2023	2022
Prepayment fees	1,178	479
Administration fees	68	36
Other fees (like arrangement, cancellation and waiver fees)	10	36
Total fee and commission income	**1,256**	**551**

13. Dividend income

	2023	2022
Dividend income direct investments	-	2,063
Dividend income fund investments	82	90
Total dividend income	**82**	**2,153**

14. Results from equity investments

	2023	2022
Results from equity investments		
Unrealized results from FX conversions - cost price	-5,763	7,587
Unrealized results from FX conversions - capital results	1,954	-714
Unrealized results from capital results	-14,546	-21,817
Results from Fair value re-measurements	**-18,355**	**-14,944**
Results from sales		
Realized results	3	94
Release unrealized results	-4	-97
Net results from sales	**-1**	**-3**
Total results from equity investments	**-18,356**	**-14,947**

15. Results from financial transactions

	2023	2022
Results on sales and valuations of FVPL loans	-8,240	-5,842
Results on sales and valuations of AC loans	-	-
Results on sale and valuation of embedded derivatives related to asset portfolio	-275	8,999
Foreign exchange results	-6,017	9,233
Results on Ventures Program	-9,435	11,626
Total results from financial transactions	**-23,967**	**24,016**

16. Operating expenses

Remuneration FMO concerns the management fees paid to FMO. Capacity development expenses relate to development contributions contracted with beneficiaries in terms of the fund's objectives. Advisory costs are related to consultancy services provided by legal advisors. Evaluation costs are expenses made during frequent investigations and controls of existing investments and costs related to due diligence of new projects.

	2023	2022
Remuneration FMO	-9,456	-9,332
Capacity development expenses	-4,338	-2,514
Advisory costs	-900	-
Evaluation expenses	-183	-292
Total expenses	**-14,877**	**-12,138**

17. Off-Balance Sheet information

To meet the financial needs of borrowers, the Fund enters into various irrevocable commitments (loan commitments, equity commitments). Though these obligations are not recognized on the balance sheet, they do obtain Credit Risk similar to the loan portfolio. Therefore, provisions are calculated for loan commitments according to ECL measurement methodology. Refer to the 'Accounting Policy' chapter.

Nominal amounts for irrevocable facilities is as follows:

	2023	2022
Irrevocable facilities		
Contractual commitments for disbursements of:		
Loans	63,786	28,041
Development contributions	-	590
Equity investments	65,841	60,620
Total irrevocable facilities	**129,627**	**89,251**

The movement in exposure and ECL allowances for commitments of AC loans is as follows:

Movement of loan commitments in 2023	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Nominal amount	**ECL allowance**	**Nominal amount**	**ECL allowance**	**Nominal amount**	**ECL allowance**	**Nominal amount**	**ECL allowance**
At January 1, 2023	15,081	-231	-	-	-	-	15,081	-231
Additions	64,184	-456	-	-	-	-21	64,184	-477
Exposures derecognised or matured (excluding write-offs)	-25,229	370	-	-	-	21	-25,229	391
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-100	-	-	-	-	-	-100
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-1,720	8	-	-	-	-	-1,720	8
At December 31, 2023	**52,316**	**-409**	**-**	**-**	**-**	**-**	**52,316**	**-409**

Movement of loan commitments in 2022	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Nominal amount	**ECL allowance**	**Nominal amount**	**ECL allowance**	**Nominal amount**	**ECL allowance**	**Nominal amount**	**ECL allowance**
At January 1, 2022	22,341	-73	-	-	-	-	22,341	-73
Additions	33,471	-144	-	-	-	-	33,471	-144
Exposures derecognised or matured (excluding write-offs)	-41,614	172	-	-	-	-	-41,614	172
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-184	-	-	-	-	-	-184
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	883	-2	-	-	-	-	883	-2
At December 31, 2022	**15,081**	**-231**	**-**	**-**	**-**	**-**	**15,081**	**-231**

18. Analysis of financial assets and liabilities by measurement basis

The significant accounting policies summary describes how financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized. The following table gives a breakdown of the carrying amounts of the financial assets and financial liabilities by category as defined by balance sheet heading.

December 31, 2023	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	25,200	-	25,200
Derivative financial instruments	11,302	-	11,302
Loan portfolio	29,473	-	29,473
Equity investments	120,891	-	120,891
Other financial assets at FV	24,601	-	24,601
Total	**211,467**	**-**	**211,467**
Financial assets not measured at fair value			
Banks	-	5,431	5,431
Loan portfolio	-	130,841	130,841
Current accounts with FMO	-	-	-
Other receivables	-	1,351	1,351
Total	**-**	**137,623**	**137,623**
Financial liabilities not measured at fair value			
Current accounts with FMO	-	48	48
Provisions	-	409	409
Accrued liabilities	-	3,223	3,223
Total	**-**	**3,680**	**3,680**

December 31, 2022	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	467	-	467
Derivative financial instruments	12,154	-	12,154
Loan portfolio	69,076	-	69,076
Equity investments	118,323	-	118,323
Other financial assets at FV	32,872	-	32,872
Total	**232,892**	**-**	**232,892**
Financial assets not measured at fair value			
Banks	-	34,395	34,395
Loan portfolio	-	86,935	86,935
Current accounts with FMO	-	493	493
Other receivables	-	107	107
Total	**-**	**121,930**	**121,930**
Financial liabilities not measured at fair value			
Provisions	-	231	231
Accrued liabilities	-	2,748	2,748
Total	**-**	**2,979**	**2,979**

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on lowest level input that is significant to the fair value measurement as a whole, as follows:
Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation process

For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the Fund has a valuation process in place to decide its valuation policies and procedures and analyze changes in fair value measurement from period to period.

The Fund’s fair value methodology and governance over its methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the Financial Risk Committee (FRC). The FRC approves the fair values measured including the valuation techniques and other significant input parameters used.

Valuation technique

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument (level 1). A market is regarded as active if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Valuation techniques include:

- Recent broker / price quotations
- Discounted cash flow model
- Option-pricing models

The techniques incorporate current market and contractual prices, time to expiry, yield curves and volatility of the underlying instrument. Inputs used in pricing models are market observable (level 2) or are not market observable (level 3). A substantial part of fair value (level 3) is based on net asset values.

Equity investments are measured at fair value when a quoted market price in an active market is available or when fair value can be estimated reliably by using a valuation technique. The main part of the fair value measurement related to equity investments (level 3) is based on net asset values of investment funds as reported by the fund manager and are based on advanced valuation methods and practices. When available, these fund managers value the underlying investments based on quoted prices, if not available multiples are applied as input for the valuation. For the valuation process of the equity investments we further refer to the accounting policies within these Annual Accounts as well as section 'Equity Risk', part of the Risk Management chapter. The determination of the timing of transfers is embedded in the quarterly valuation process, and is therefore recorded at the end of each reporting period.

Other financial assets carried at FVPL represent amounts attributable to the Dutch State in return for their co-investment in the FMO Ventures Program. The amount attributable to co-investors is based on a predefined value sharing waterfall which utilizes the values of the underlying investments in the program. The underlying investments in the program are valued using the existing equity investment fair valuation techniques described in the paragraphs above. The waterfall calculation defines the timing and amount of distributions to respective co-investors and is therefore applied to estimate the fair values of the related financial asset.

The table below presents the carrying value and estimated fair value of non fair value financial assets and liabilities.

	2023		2022	
At December 31	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Banks	5,431	5,431	34,395	34,395
Loan portfolio	130,841	126,902	86,935	82,345
Total non fair value financial assets	**136,272**	**132,333**	**121,330**	**116,740**

The following table gives an overview of the financial instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	25,200	-	-	25,200
Derivative financial instruments	-	-	11,302	11,302
Loan portfolio mandatory at FVPL	-	-	29,473	29,473
Equity investments	-	-	120,891	120,891
Other financial assets at FV [1]	-	-	24,601	24,601
Total financial assets at FVPL	**25,200**	**-**	**186,267**	**211,467**

1 The valuation of the Other financial assets is related to VC and the valuation is derived from the waterfall.

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	467	-	-	467
Derivative financial instruments	-	-	12,154	12,154
Loan portfolio mandatory at FVPL	-	-	69,076	69,076
Equity investments	-	-	118,323	118,323
Other financial assets at FV	-	-	32,872	32,872
Total financial assets at FVPL	**467**	**-**	**199,553**	**200,020**

The following table shows the movements of financial assets measured at fair value based on level 3.

	Derivative financial instruments	Loan portfolio	Equity investments	Total
Balance at January 1, 2023	**12,154**	**69,076**	**118,323**	**199,553**
Total gains or losses				
· In profit and loss (changes in fair value)	-	-3,522	-14,546	-18,068
Purchases/disbursements	-	646	15,453	16,099
Sales/repayments	-469	-24,198	-1,815	-26,482
Interest Capitalization	-	1,139	-	1,139
Write-offs		-181	-	
Accrued income	-	-4,591	-	-4,591
Exchange rate differences	-383	-1,611	-3,809	-5,803
Conversion from loans to equity	-	-7,285	7,285	-
Other	-	-	-	-
Balance at December 31, 2023	**11,302**	**29,473**	**120,891**	**161,666**

	Derivative financial instruments	Loan portfolio	Equity investments	Total
Balance at January 1, 2022	2,988	63,666	140,217	206,871
Total gains or losses				
· In profit and loss (changes in fair value)	-	-5,842	-21,816	-27,658
Purchases/disbursements	9,000	7,858	13,109	29,967
Sales/repayments	-	-989	-2,456	-3,445
Interest Capitalization	-	1,345	-	1,345
Accrued income	-	491	-	491
Exchange rate differences	166	3,927	6,873	10,966
Conversion from loans to equity	-	-1,380	1,380	-
Other	-	-	-18,984	-18,984
Balance at December 31, 2022	**12,154**	**69,076**	**118,323**	**199,553**

Type of debt investment	Fair value at December 31, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	15,598	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/lower fair value of approx €0.7m.
	4,973	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch wil result 0.5% increase/ decrease
	1,222	Credit impairment	n/a	n/a
Debt Funds	7,680	Net Asset Value	n/a	n/a
Total	**29,473**			

There are no amounts for development contributions which are recognized as loans in 2023 (2022: €3.0 million).

Type of equity investment	Fair value at December 31, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity based on the significant unobservable inputs
Private equity fund investments	60,188	Net Asset Value	n/a	n/a
Private equity direct investments	10,086	Recent transactions	Based on at arm's length recent transactions	n/a
	36,486	Book multiples	1.0 – 1.0	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €4 million.
	2,814	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 10.0)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €0 million.
	5,804	Discounted Cash Flow (DCF)	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €1 million.
	5,513	Put option	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €1 million.
Total	**120,891**			

19. Related party information

The Fund defines the Dutch Government, FMO and its Management Board and Supervisory Board as related parties.

Dutch Government

The Dutch Ministry of Foreign Affairs, Directoraat-Generaal Internationale Samenwerking (DGIS) sets up and administers the Building Prospects fund, according to the Dutch Government's development agenda. DGIS is the main contributor to Building Prospects, providing funding upon FMO's request (2023: €0 million; 2022: €20 million).

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO")

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in agribusiness, food & water, energy, financial institutions and Dutch business focus areas to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO's shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor's.

FMO has been entrusted by the Dutch Government to execute the mandates of the Funds. Currently MASSIF, Building Prospects, Access to Energy – I, FOM and the Land Use Facility of the Dutch Fund for Climate and Development (DFCD) are under FMO's direct management; the execution of Access to Energy – II and the other facilities of DFCD are performed by third parties under FMO's supervision.

FMO charges a management fee to the Dutch Ministry of Foreign Affairs and it is reimbursed accordingly from the subsidy amount of Building Prospects. The management fee amounts up to €9 million in 2023 (2022: €9 million). BP has sold no loan or equity exposure to FMO in 2023 or 2022.

20. Subsequent events

There have been no significant subsequent events between the balance sheet date and the date of approval of these accounts which would be reported by the Fund.

Risk management

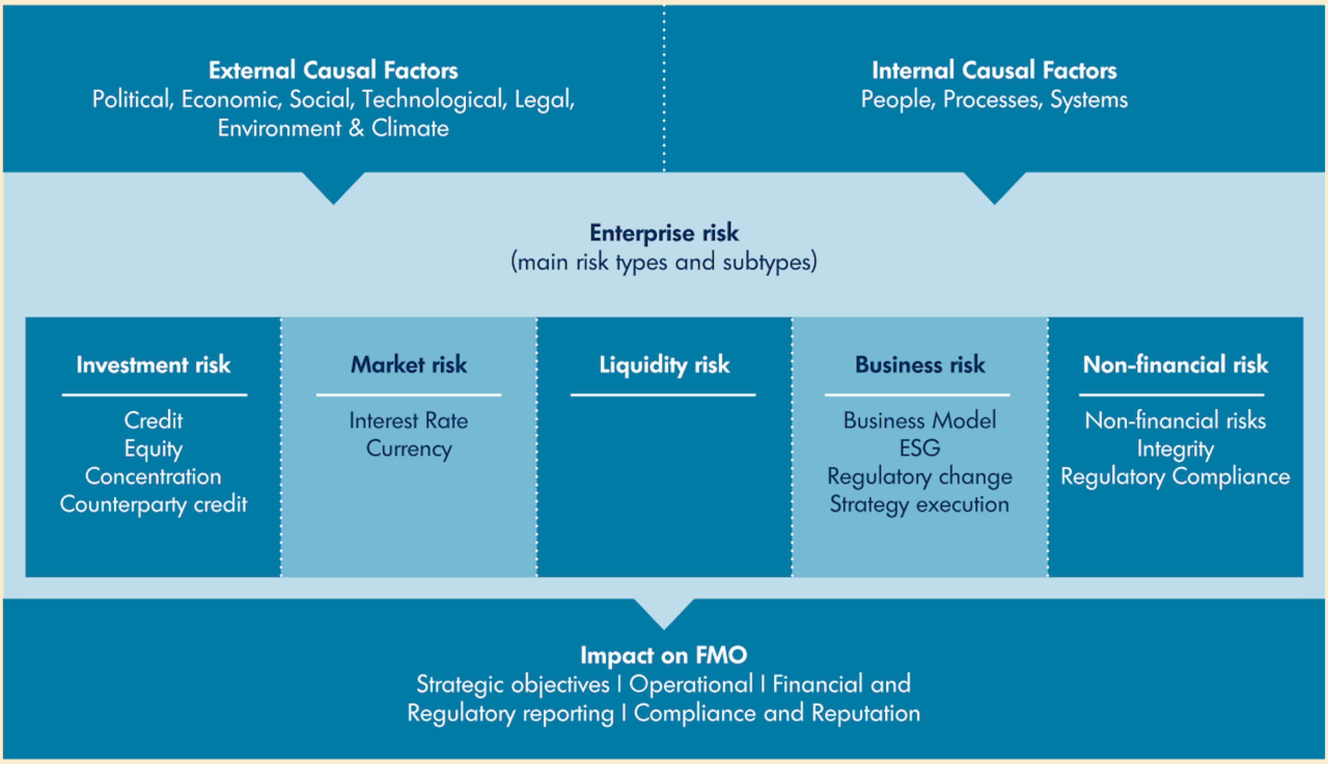
Organization of risk management

For FMO, acting in its role as Fund Manager (hereafter 'FMO') to be able to carry out the Fund's strategy, it is essential to have an adequate risk management system in place to identify, measure, monitor and mitigate financial and non-financial risks. Building Prospects (hereafter 'the Fund') has a pre-defined risk appetite translated into limits for group, customer, country, region, and currencies exposures. Limit usages are monitored monthly and for each proposed transaction.

The Fund Manager reviews each transaction and provides consent to eligible proposals. The Investment Committee, comprising of senior representatives of several departments, reviews financing proposals for new transactions. Each financing proposal is assessed in terms of specific counterparty, product risk as well as country risk. All financing proposals are accompanied by the advice of the Credit department. This department is responsible for credit risk assessment of both new transactions and the existing portfolio. For small exposures, Credit department has the authority to review new transactions.

In addition, financial exposures in emerging markets are subject to a periodic review, which are in general executed annually. Exposures that require specific attention are reviewed by the Financial Risk Committee (FRC). The larger and higher risk exposures are accompanied by the advice of the Credit department. If the financial risk committee concludes that a customer has difficulty in meeting its payment obligations, the customer is transferred to the Special Operations department – responsible for the management of distressed assets – where it is intensely monitored.

Risk taxonomy framework FMO



Risk appetite & governance

The Fund actively seeks to take risk stemming from debt and equity investments in private institutions in developing countries. This risk profile is supported by maintaining prudent levels of capital and liquidity and strong diversification of the portfolio across regions and sectors.

Capital management

The Fund aims to optimize development impact. This can only be achieved with a sound financial framework in place, combining a healthy long-term revolvability of ≥100% and sound capital adequacy. Therefore, FMO seeks to maintain a strong capital position for the Fund. The Fund’s structure is based on a 100% contribution from the Dutch government. Total contribution from the Dutch government is €414.5 million at 31 December 2023 (31 December 2022: €414.5 million). Total fund capital – which is the sum of the contribution by the government, undistributed results from previous years, results from the current year, development contribution and evaluation costs – decreased to €345.4 million in 2023 (2022: €351.8 million).

Financial risk

Credit risk

Definition

Credit risk is defined as the risk that the bank will suffer an economic loss because a customer fails to meet its obligations in accordance with agreed terms.

Risk appetite & governance

Adverse changes in credit quality can develop within FMO’s emerging market loan portfolio due to specific customer and product risk, or risks relating to the country in which the customer conducts its business. The main source of credit risk arises from investments in emerging markets and off-balance instruments such as loan commitments and guarantees.

Credit risk management is important when selecting and monitoring projects. In this process, a set of investment criteria per sector and product is used that reflects minimum standards for the required financial strength of FMO’s customers. This is further supported by credit risk models that are used for risk quantification, calculations of expected credit loss allowance, and the determination of economic capital use per transaction. Funding decisions depend on the risk profile of the customer and financing instrument. As part of regular credit monitoring, FMO customers are subject to annual reviews at a minimum. Customers that are identified as having financial difficulties fall under an intensified monitoring regime to proactively manage loans before they become non-performing, including quarterly portfolio monitoring meetings. For distressed assets, the Special Operations department actively manages workout and restructuring.

FMO has set internal appetite levels for non-performing exposures and specific impairments on loans. If any of the metrics exceed the appetite levels, Credit will assess the underlying movements and analyze trends per sector, geography, and any other parameter. Credit will also consider market developments and peer group benchmarks. Based on the analysis, Credit will propose mitigating measures to the FRC. If any of the indicators deteriorate further, the Risk department will be involved to assess to what extent the trend is threatening FMO’s capital and liquidity ratios.

Exposures & credit scoring

The Fund offers loans in emerging market countries. Strong diversification within the Fund’s emerging market portfolio is ensured through stringent limits on individual counterparties (single customer limit of 10% of the Fund’s capital), countries and sectors (max. 40% of the annually available budget to be invested in one sector, fund, or country).

The following table shows BP's total gross exposure to credit risk at year-end. The exposures, including derivatives, are shown gross, before impairments and the effect of mitigation using third-party guarantees, master netting, or collateral agreements. Regarding derivative financial instruments, only the ones with positive market values are presented. The maximum exposure to credit risk increased during the year to €343.7 million at year-end 2023 (2022: €335.5 million).

Maximum exposure to credit risk

	2023	2022
On balance		
Banks	5,431	34,395
Short-term deposits	25,200	467
Derivative financial instruments	11,302	12,154
Loans to private sector		
-of which: Amortized cost	170,560	172,667
-of which: Fair value through profit or loss	49,872	86,593
Current account with FMO	-	493
Other receivables	1,351	107
Total on-balance	**263,716**	**306,876**
Off-balance		
Irrevocable facilities	63,786	28,631
Total off-balance	**63,786**	**28,631**
Total credit risk exposure	**327,502**	**335,509**

Credit risk from loans in emerging market countries arises from a combination of counterparty risk, country risk and product specific risks. These types of risk are assessed during the credit approval and credit review process and administrated via internal scorecards. The lending process is based on formalized and strict procedures. Decisions on authorizations depend on both the amount of economic capital and the risk profile of the financing instrument. For distressed assets, the Special Operations department applies an advanced workout and restructuring approach.

In measuring the credit risk of the emerging market portfolio at counterparty level, the main parameters are the credit quality of counterparties and the expected recovery ratio in case of defaults. Counterparty credit quality is measured by scoring counterparties on various dimensions of financial strength. Based on these scores, FMO assigns ratings to each counterparty on an internal scale from F1 (lowest risk) to F20 (default), equivalent to a scale from AAA to C ratings.

Credit quality analysis

In addition to on balance loans, irrevocable facilities (off-balance) represent commitments to extend finance to customers and consist of contracts signed but not disbursed yet which are usually not immediately and fully drawn.

The following tables provide insights in the credit risk allocation of loan portfolio and loan commitments according to internal ratings.

Loan portfolio at December 31, 2023 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	142	-	-	-	142
F11-F13 (BB-,BB,BB+)	30,056	-	-	11,481	41,537
F14-F16 (B-,B,B+)	22,570	13,829	-	16,817	53,216
F17 and lower (CCC+ and lower)	11,754	9,627	82,582	21,255	125,218
Sub-total	**64,522**	**23,456**	**82,582**	**49,553**	**220,113**
Less: amortizable fees	-597	-97	-112	-	-806
Less: ECL allowance	-905	-2,183	-35,825	-	-38,913
Plus: FV adjustments	-	-	-	-20,080	-20,080
Carrying value	**63,020**	**21,176**	**46,645**	**29,473**	**160,314**

Loans commitments at December 31, 2023 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other[1]	Total
F1-F10 (BBB- and higher)	364	-	-	-	364
F11-F13 (BB-,BB,BB+)	12,206	-	-	-	12,206
F14-F16 (B-,B,B+)	37,640	-	-	11,243	48,883
F17 and lower (CCC+ and lower)	2,106	-	-	226	2,333
Total nominal amount	**52,316**	**-**	**-**	**11,469**	**63,786**
ECL allowance	-409	-	-	-	-409
Total	**51,907**	**-**	**-**	**11,469**	**63,377**

1 Other loan commitments consist of transactions for which no ECL is calculated.

Loan portfolio at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	24,829	-	-	12,539	37,368
F14-F16 (B-,B,B+)	17,138	14,672	-	31,620	63,430
F17 and lower (CCC+ and lower)	7,254	11,387	97,387	42,434	158,462
Sub-total	**49,221**	**26,059**	**97,387**	**86,593**	**259,260**
Less: amortizable fees	-233	-171	-121	-	-525
Less: ECL allowance	-803	-1,686	-82,718	-	-85,207
Plus: FV adjustments	-	-	-	-17,517	-17,517
Carrying value	**48,185**	**24,202**	**14,548**	**69,076**	**156,011**

Loans commitments at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other[1]	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	4,333	4,333
F14-F16 (B-,B,B+)	11,867	-	-	7,861	19,728
F17 and lower (CCC+ and lower)	3,214	-	-	1,356	4,570
Total nominal amount	**15,081**	**-**	**-**	**13,550**	**28,631**
ECL allowance	-231	-	-	-	-231
Total	**14,850**	**-**	**-**	**13,550**	**28,400**

1 Other loan commitments consist of transactions for which no ECL is calculated.

Non-performing exposures

A customer is considered non-performing when it is not probable that the customer will be able to pay his payment obligations in full without realization of collateral or calling on a guarantee, regardless of the existence of any past-due amount or the number of days past due.

This situation is considered to have occurred when one or more of the following conditions apply:

- The customer is past due more than 90 days on any outstanding facility;
- An unlikeliness to pay (UTP) trigger is in place that automatically leads to NPE;
- An impairment analysis, done upon a UTP trigger that possibly leads to NPE, results in an impairment higher than 12.5% on any outstanding facility;
- There are additional criteria for a customer to enter NPE status in case of Forbearance. If a customer with (No) Financial Difficulty - Forbearance status under probation is extended additional forbearance measures/ concessions or becomes more than 30 days past-due, it shall be classified as non-performing. This only applies if the customer has been non-performing while it was forborne.

NPE is applied at customer level.

The Fund's NPL ratio decreased from 51.6% (2022) to 44.8% (2023).

Loans past due and impairments 2023

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	60,694	23,456	4,448	49,553	138,151
Loans past due:				-	
-Past due up to 30 days	3,828	-	-	-	3,828
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	78,134	-	78,134
Subtotal	**64,522**	**23,456**	**82,582**	**49,553**	**220,113**
Less: amortizable fees	-597	-97	-112	-	-806
Less: ECL allowance	-905	-2,183	-35,825	-	-38,913
Plus FV adjustments	-	-	-	-20,080	-20,080
Carrying value	**63,020**	**21,176**	**46,645**	**29,473**	**160,314**

Loans past due and impairments 2022

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	47,080	26,059	-	86,593	159,732
Loans past due:					
-Past due up to 30 days	2,141	-	-	-	2,141
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	97,387	-	97,387
Subtotal	**49,221**	**26,059**	**97,387**	**86,593**	**259,260**
Less: amortizable fees	-233	-171	-121	-	-525
Less: ECL allowance	-803	-1,686	-82,718	-	-85,207
Plus FV adjustments	-	-	-	-17,517	-17,517
Carrying value	**48,185**	**24,202**	**14,548**	**69,076**	**156,011**

Stage 3 loans - ECL distributed by regions and sectors

At December 31, 2023	Energy	Agribusiness	Infrastructure, Manufacturing, Services	Total
Africa	-4,482	-23,017	-	-27,499
Asia	-	-6,260	-	-6,260
Latin America & the Caribbean	-	-	-2,066	-2,066
Total	**-4,482**	**-29,277**	**-2,066**	**-35,825**

Stage 3 loans - ECL distributed by regions and sectors

At December 31, 2022	Energy	Agribusiness	Infrastructure, Manufacturing, Services	Total
Africa	-50,459	-20,619	-	-71,078
Asia	-	-8,387	-	-8,387
Latin America & the Caribbean	-	-	-3,253	-3,253
Total	**-50,459**	**-29,006**	**-3,253**	**-82,718**

Modified financial assets

Changes in terms and conditions usually include extending the maturity, changing the interest margin and changing the timing of interest payments. When the terms and conditions are modified due to financial difficulties, these loans are qualified as forborne. Refer to paragraph related to 'Modification of financial assets' in Accounting Policies section

The watch-list process and the Credit department review modified loans periodically. When a loan is deemed no longer collectible, it is written off against the related loss allowance. In 2023, there were two write-offs for a total amount of €9.7 million (2022: €26.6 million).

The following table provides a summary of the Fund's forborne assets, both classified as performing and not, as of December 31.

2023	Loans to the private sector (Amortised Cost)	Loans to the private sector (Fair value)	*Total*
Performing	87,978	42,621	130,599
of which: performing but past due > 30 days and <=90 days	-	-	0
of which: performing forborne	63,436	5,210	68,646
Non Performing	82,582	7,251	89,833
of which: non performing forborne	49,606	5,210	54,816
of which: impaired	33,429	-	33,429
Gross exposure	170,560	49,872	220,432
Less: amortizable fees	-806	-	-806
Less: ECL allowance	-38,913	-	-38,913
Plus: fair value adjustments	-	-20,399	-20,399
Carrying amount at December 31	**130,841**	**29,473**	**160,314**

2022	Loans to the private sector (Amortised Cost)	Loans to the private sector (Fair value)	Total
Performing	75,279	50,254	125,533
of which: performing but past due > 30 days and <=90 days	-	-	-
of which: performing forborne	14,672	-	-
Non Performing	97,388	36,339	133,727
of which: non performing forborne	33,928	14,989	48,917
of which: impaired	33,928	-	-
Gross exposure	172,667	86,593	259,260
Less: amortizable fees	-525	-	-
Less: ECL allowance	-85,207	-	-
Plus: fair value adjustments	-	-17,517	-
Carrying amount at December 31	**86,935**	**69,076**	**156,011**

Equity risk

Definition

Equity risk is the risk that the fair value of an equity investment decreases. It also includes exit risk, which is the risk that Fund’s stake cannot be sold for a reasonable price and in a sufficiently liquid market.

Risk appetite & governance
The Fund takes a long-term view of its equity portfolio, aiming to sell its equity stake within a period of five to ten years. The Fund can accommodate an increase in the average holding period of its equity investments and wait for markets to improve again to realize exits. The fund has no deadlines regarding the exit date of our equity investments. Equity investments are assessed by the FRC in terms of specific obligor as well as country risk. The financial risk committee assesses the valuation of the majority of equity investments quarterly. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio on December 31, 2023, amounts to €120.9 million (2022: €118.3 million).

Equity portfolio distributed by region and sector

At December 31, 2023	Energy		Agribusiness		Multi-Sector Fund Investments		Infrastructure, Manufacturing, Services		Total	
	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds
Africa	15,652	8,752	7,880	7,375	-	6,663	5,374	-	28,906	22,790
Asia	9,581	-	-	9,366	-	6,482	-	-	9,581	15,848
Latin America & the Caribbean	-	-	-	12,468	-	-	-	-	-	12,468
Europe & Central Asia	-	-	-	-	-	3,470	-	-	-	3,470
Non-region specific	1,432	-	-	4,249	-	1,363	20,784	-	22,216	5,612
Total	**26,665**	**8,752**	**7,880**	**33,458**	**-**	**17,978**	**26,158**	**-**	**60,703**	**60,188**

Equity portfolio distributed by region and sector

At December 31, 2022	Energy		Agribusiness		Multi-Sector Fund Investments		Infrastructure, Manufacturing, Services		Total	
	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds
Africa	17,604	9,453	2,022	3,068	-	9,507	4,726	-	24,352	22,028
Asia	9,519	-	-	10,832	-	7,600	-	-	9,519	18,432
Latin America & the Caribbean	-	-	-	9,798	-	-	-	-	-	9,798
Europe & Central Asia	-	-	-	-	-	1,105	-	-	-	1,105
Non-region specific	3,613	-	-	4,529	-	4,173	20,774	-	24,387	8,702
Total	**30,736**	**9,453**	**2,022**	**28,227**	**-**	**22,385**	**25,500**	**-**	**58,258**	**60,065**

Concentration risk
Definition
Concentration risk is the risk that the fund's exposures are too concentrated within or across different risk categories. Concentration risk may trigger losses large enough to threaten the fund's health or ability to maintain its core operations or trigger a material change in our risk profile.

Risk appetite & governance
Strong diversification within the fund's emerging market portfolio is ensured through stringent limits on individual counterparties (single and group risk limits), sectors, countries, and regions. These limits are monitored by Risk, reviewed regularly, and approved by the FRC, the Managing Board, and the Supervisory Board. Diversification across countries, sectors, and individual counterparties is a key strategy to safeguard the credit quality of the portfolio.

Country, regional and sector exposures
Country risk arises from country-specific events that adversely impact the Fund's exposure in a specific country. Within FMO, country risk is broadly defined. It includes all relevant factors that have a common impact on the Fund's portfolio in a country such as economic, banking and currency crises, sovereign default and political risk events. The assessment of the country rating is based on a benchmark of external rating agencies and other external information.

In the fund risk appetite, the country risk exposure for BP is set at a maximum of 40% of the total portfolio.

FMO recognizes that the impact of country risk differs across the financial products it offers. Building Prospects has several investments which cover multiple countries, which are labeled as regional investments. Noteworthy changes in country ratings include upgrades of the Global region to F14 (2022: F15) and Armenia to F13 (2022: F14). Furthermore, the country ratings have been downgraded for Bangladesh to F14 (2022: F13) and Ethiopia to F20 (2022: F18)

The following tables present how the Fund's loan portfolio is concentrated according to country ratings. The comparison with FMO demonstrates that loan portfolio of the Fund is concentrated in countries with higher ratings and is relatively prone to higher credit risk.

Overview country ratings BP Portfolio

Indicative external rating equivalent 2023	BP (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	8.1	3.8
F10 (BBB-)	7.4	7.2
F11 (BB+)	0.0	2.9
F12 (BB)	0.0	8.6
F13 (BB-)	4.5	18.5
F14 (B+)	35.9	13.1
F15 (B)	8.3	17.9
F16 (B-)	17.4	13.9
F17 and lower (CCC+ and lower ratings)	18.4	14.1
Total	**100.0**	**100.0**

Overview country ratings BP Portfolio

Indicative external rating equivalent 2022	BP (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	8.8	3.9
F10 (BBB-)	2.5	6.4
F11 (BB+)	0.0	2.6
F12 (BB)	0.0	10.9
F13 (BB-)	5.2	8.6
F14 (B+)	17.6	13.7
F15 (B)	22.1	29.6
F16 (B-)	19.9	8.8
F17 and lower (CCC+ and lower ratings)	23.8	15.5
Total	**100.0**	**100.0**

Gross exposure of loan portfolio distributed by region and sector

	Financial Institutions	Energy	Agribusiness	Infrastructure, Manufacturing, Services	Total
At December 31, 2023					
Africa	669	66,204	54,244	4,860	125,977
Asia	-	9,317	35,068	-	44,385
Latin America & the Caribbean	-	-	23,833	4,818	28,651
Non-region specific	-	9,975	11,444	-	21,419
Total	**669**	**101,673**	**124,589**	**9,678**	**220,432**
At December 31, 2022					
Africa	669	73,682	62,612	6,457	143,420
Asia	-	9,868	29,767	21,349	60,984
Latin America & the Caribbean	-	3,000	24,708	7,214	34,922
Non-region specific		8,191	11,743	-	19,934
Total	**669**	**94,741**	**128,830**	**35,020**	**259,260**

Single and group risk exposures

In the fund risk appetite the maximum customer exposure for BP is set at 10% of the total portfolio.

Counterparty credit risk
Credit risk in the treasury portfolio stems from bank account holdings and placements in money market instruments to manage the liquidity in the Fund. The Risk department approves each obligor to which the Fund is exposed through its treasury activities and sets a maximum limit for the credit exposure of that obligor. Depending on the obligor's short and long-term rating, limits are set for the total and long-term exposure. The Fund pursues a conservative investment policy.

Liquidity risk
Definition
Liquidity risk is defined as the risk for FMO not being able to fulfill its financial obligations due to insufficient availability of liquid means.

Risk appetite and governance
The Fund aims to maintain adequate liquidity buffers, enough to support the implementation of the Fund's development agenda and impact objectives while avoiding putting pressure on Dutch Ministry of Foreign Affairs DGIS subsidy budget allocated to the Fund. To realize this ambition, the Fund benefits from the experience of FMO's treasury and risk management functions in managing the liquidity risk, which primarily involves periodical forecasting of the Fund's liquidity position under normal and stress scenarios. During these periodical exercises, the assumptions underlying the liquidity model are reviewed. Changes in expected cashflows, stemming from updated portfolio management strategies and changes in the Fund's operating environment, are reflected in the said assumptions. As a result of the forecasting activity, the predicted liquidity shortfall is avoided through arrangements in investments portfolio. If possible this is done through the utilisation of the subsidies available from the budget allocated to the Fund by the Dutch Ministry of Foreign Affairs DGIS ('beschikkingsruimte'); and lastly, through the request of a loan from FMO, not exceeding 10% of the Fund's net committed portfolio. In requesting subsidies that will be made available to the Fund's utilization from Dutch Ministry of Foreign Affairs, the Fund administrators strictly follow the Ministry's directives.

Market risk
Market Risk is the risk that the value and/or the earnings of the bank decline because of unfavorable market movements. At FMO, this includes interest rate risk and currency risk.

Interest rate risk in the banking book
Definition
Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly influence the fair value of fixed interest balance sheet items and affect fund's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).

Exposures
The interest rate risk limits were not breached in 2023. The following table summarizes the interest repricing characteristics for Fund's assets and liabilities.

Interest re-pricing characteristics

December 31, 2023	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	5,431	-	-	-	-	5,431
Current account with FMO	-	-	-	-	-	-
Short-term deposits	25,200	-	-	-	-	25,200
Derivative financial instruments1	11,302	-	-	-	-	11,302
Loan portfolio						
-of which: Amortized cost	22,371	31,546	16,696	60,227	-	130,841
-of which: Fair value through profit or loss	5,743	1,176	1,731	20,823	-	29,473
Equity investments: Fair value through profit or loss	-	-	-	-	120,891	120,891
Other financial assets at FV	-	-	-	-	24,601	24,601
Other receivables	-	-	-	-	1,351	1,351
Total assets	**70,048**	**32,723**	**18,427**	**81,050**	**146,843**	**349,090**
Liabilities and Fund capital						
Current acount with FMO	-	-	-	-	48	48
Accrued liabilities	-	-	-	-	3,223	3,223
Provisions	-	-	-	-	409	409
Other liabilities	-	-	-	-	-	-
Fund Capital	-	-	-	-	345,410	345,410
Total liabilities and Fund capital	**-**	**-**	**-**	**-**	**349,090**	**349,090**
Interest sensitivity gap 2023	**70,048**	**32,723**	**18,427**	**81,050**	**-202,247**	

Interest re-pricing characteristics

December 31, 2022	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	34,395	-	-	-	-	34,395
Short-term deposits	467	-	-	-	-	467
Derivative financial instruments1	12,154	-	-	-	-	12,154
Loan portfolio						
-of which: Amortized cost	5,508	40,206	-303	41,524	-	86,935
-of which: Fair value through profit or loss	5,861	21,508	12,570	29,137	-	69,076
Equity investments: Fair value through profit or loss	-	-	-	-	118,323	118,323
Investments in associates	-	-	-	-	-	-
Other financial assets at FV	-	-	-	-	32,872	32,872
Current accounts with State funds and other programs	-	-	-	-	493	493
Other receivables	-	-	-	-	107	107
Total assets	**58,385**	**61,714**	**12,267**	**70,661**	**151,795**	**354,822**
Liabilities and Fund capital						
Accrued liabilities	-	-	-	-	2,748	2,748
Provisions	-	-	-	-	231	231
Other liabilities	-	-	-	-	-	-
Fund Capital	-	-	-	-	351,843	351,843
Total liabilities and Fund capital	**-**	**-**	**-**	**-**	**354,822**	**354,822**
Interest sensitivity gap 2022	**58,385**	**61,714**	**12,267**	**70,661**	**-203,027**	

Currency risk

Definition

Currency risk is defined as the risk that changes in foreign currency exchange rates have an adverse effect on the value of the Fund's financial position and future cash flows. The Fund also reviews currency risk in terms of impact on the capital ratios.

Risk appetite and governance

The Fund offers debt, equity and guarantee instruments in denominated in USD, EUR and partly in emerging market currencies, while the main source of funding to the Fund, subsidies received from Dutch Ministry of Foreign Affairs is in EUR. The Fund targets to invest in USD as a risk-averse alternative to investing in local currencies when possible; additionally, cash inflows denominated in local currencies are converted to hard currencies when received. Due to its commitment to the implementation of the Fund’s development agenda and impact objectives, the Fund does not exclusively look for investments that counter-balance this currency risk exposure in its portfolio; the Fund also does not use derivatives and other financial instruments to hedge against the currency risk, and avoids bearing the cost of these engineered measures. The Fund does not take active positions in any currency for the purpose of making a profit.

Exposures

Individual and total open currency positions were within risk appetite in 2023. The table below illustrates that the currency risk sensitivity gap per December 2023 is almost completely part of fund's equity investments and investments in associates.

Currency risk exposure (at carrying values)

December 31, 2023	EUR	USD	KES	XOF	Other	Total
Assets						
Banks	2,748	2,683	-	-	-	5,431
Current account with FMO	-	-	-	-	-	-
Short-term deposits	3,500	21,700	-	-	-	25,200
Derivative financial instruments	-	11,302	-	-	-	11,302
Loan portfolio						
-of which: Amortized cost	29,139	96,591	5,111	-	-	130,841
-of which: Fair value through profit or loss	1,074	28,399	-	-	-	29,473
Equity investments	7,923	109,507	-	2,982	479	120,891
Other financial assets at FV	24,601	-	-	-	-	24,601
Other receivables	1,156	194	1	-	-	1,351
Total assets	**70,141**	**270,376**	**5,112**	**2,982**	**479**	**349,090**
Liabilities and Fund capital						
Current acount with FMO	48	-	-	-	-	48
Accrued liabilities	2,517	706	-	-	-	3,223
Provisions	76	303	30	-	-	409
Other liabilities	-	-	-	-	-	-
Fund Capital	345,410	-	-	-	-	345,410
Total liabilities and Fund capital	**348,051**	**1,009**	**30**	**-**	**-**	**349,090**
Currency sensitivity gap 2023		269,367	5,082	2,982	479	
Currency sensitivity gap 2023 excluding equity investments and investments in associates		159,860	5,082	-	-	

Currency risk exposure (at carrying values)

December 31, 2022	EUR	USD	XOF	Other	Total
Assets					
Banks	29,764	4,631	-	-	34,395
Short-term deposits	-	467	-	-	467
Derivative financial instruments	-	12,154	-	-	12,154
Loan portfolio					
-of which: Amortized cost	28,554	58,381	-	-	86,935
-of which: Fair value through profit or loss	2,949	66,127	-	-	69,076
Equity investments: Fair value through profit or loss	9,732	105,159	2,976	456	118,323
Investments in associates	-	-	-	-	-
Current account with state funds	493	-	-	-	493
Other receivables	32	75	-	-	107
Other financial assets at FV	32,872	-	-	-	32,872
Total assets	**104,396**	**246,994**	**2,976**	**456**	**354,822**
Liabilities and Fund capital					
Accrued liabilities	2,748	-	-	-	2,748
Provisions	187	44	-	-	231
Other liabilities	-	-	-	-	-
Fund Capital	351,843	-	-	-	351,843
Total liabilities and Fund capital	**354,778**	**44**	**-**	**-**	**354,822**
Currency sensitivity gap 2022		246,950	2,976	456	
Currency sensitivity gap 2022 excluding equity investments and investments in associates		141,791	-	-	

Sensitivity of profit & loss account and fund capital to main foreign currencies

	IFRS 9 December 31, 2023	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity**
USD value increase of 10%	26,937	-
USD value decrease of 10%	-26,937	-
KES value increase of 10%	508	-
KES value decrease of 10%	-508	-
XOF value increase of 10%	298	-
XOF value decrease of 10%	-298	-

Sensitivity of profit & loss account and fund capital to main foreign currencies

	IFRS 9 December 31, 2022	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity**
USD value increase of 10%	24,695	-
USD value decrease of 10%	-24,695	-
XOF value increase of 10%	298	-
XOF value decrease of 10%	-298	-

Business risk

Environmental, social and governance risk

Definition

Environmental & Social (E&S) risk refers to the risk posed by (potential) adverse impact of the FMO investments on the environment, their employees and workers, communities, and other stakeholders which may affect FMO's customers. Corporate Governance (CG) risks refer primarily to risk to customers' business and - as a result - to FMO.

Risk appetite and governance
The Fund has an appetite for managed risk in portfolio, accepting ESG performance below standards when starting to work with a customer, with the goal that performance is brought in line with our ESG risk mitigation requirements within a credible and reasonable period. ESG risks are mitigated through environmental and social action plans and monitoring. The risk appetite for deviations from the exclusion list and human rights violations is zero.

As part of the investment process, all customers are screened on ESG risk and categorizes them according to the ESG risk that their activities represent. FMO assesses in detail customers with a high ESG risk category to identify ESG impact and risks and to assess the quality of existing risk management and mitigation measures. Due diligence also includes an analysis of contextual and human rights risk. In case of gaps in ESG risk management, FMO works with customers to develop and implement an Action Plan to avoid adverse ESG impacts and/or to improve ESG risk management over time. Key ESG risk items are tracked during the tenor of the engagement. FMO's ESG risk management support to customers is an important part of development impact ambitions.

In addition, for customers with a high ESG category, FMO monitors customer performance on key ESG risk themes (against the IFC Performance Standards) using the ESG Performance Tracker (ESG-PT). The ESG-PT keeps track of key ESG risks and customer performance level, enabling FMO to have a portfolio-wide view of its ESG risks.

Non-financial risk

Operational risk
Definition
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks, excluding strategic risks. This is the Basel definition of operational risk, which covers a wide range of non-financial risks.

FMO adopted the Operational Risk Data Exchange Association (ORX) risk taxonomy to structure all non-financial risk types, such as people, data, model, technology, third party, information and cyber security, business continuity, statutory reporting, transaction execution, et cetera. FMO uses the terms operational risk and non-financial risk interchangeably.

Risk appetite and governance
FMO is cautious about non-financial risks. We do not seek them as they have no direct material reward in terms of return/ income generation, but they are inherent to our business. We prefer safe options, with low inherent risk, even if they limit rewards or lead to higher costs. There is no appetite for high residual risk.

First and second line functions work closely together to understand the full and varied spectrum of non-financial risks, and to focus their risk and control efforts on meaningful and material risks. Risk identification and assessment draws on multiple sources of data, such as topic-specific risk-assessments, results of half-yearly control monitoring and testing rounds, internal loss data and root cause analysis, audit results, supervisory findings, and key risk indicators. Policies and operating procedures clarify control standards, accountabilities, and mandate training on key risks.

Management of the first line is responsible for understanding risks and implementing and operating internal controls in the day-to-day business processes. Key controls are monitored and tested twice a year. The first line performs these responsibilities in line with the risk management framework, using the methods and tools provided by the second-line Operational Risk function. The Operational Risk function challenges and advises the first line, performs oversight and maintains the Integrated Control Framework.

Risk events will occur, despite the implementation of internal controls. Risk events can result in losses, non-compliance, misstatements in the financial reports, and reputational damage. Risk events are centrally registered and reviewed and classified by the Operational Risk team. Root cause analyses of high-concern risk events require approval by the Non-financial Risk Committee and follow-up of remediating actions is tracked and reported.

Non-financial Risk metrics are reported on a quarterly basis. These metrics cover operational risks, such as the amount of loss per quarter, timely follow-up of remediating actions by management, and specific metrics for all non-financial risk subtypes. All departmental directors evaluate the operational risks in their area of responsibility and sign a departmental in control statement at year end.

Financial economic crime risk
Definition
Financial Economic Crime Risk is the risk that FMO, its subsidiaries, investments, customers and/or employees are involved or used for any non-violent crime that has a financial component, even though at times such transactions may be hidden or not socially perceived as criminal.

During 2023, FMO continued to enhance the maturity of its financial economic crime (FEC) framework through building the team, strengthening our policies and procedures and continuous monitoring of performance.

Financial economic crime framework

FMO's financial economic crime (FEC) procedures include, amongst others, screening of customers on compliance with applicable anti-money laundering, counter financing of terrorism and international sanctions laws and regulations. Due diligence is performed on customers, which includes checks such as verifying the ultimate beneficial owners of the customer we finance, identifying politically exposed persons and screening against mandatory international sanction lists. These checks are also performed regularly during the relationship with existing customers. FMO Fund's customers are included in FMO's procedures to mitigate the financial economic crime risk.

In January, FMO received the results of DNB's assessment of the effectiveness and efficiency of FMO's sanctions screening systems. Based on the results of the examination, DNB assessed that the overall functioning of these screening systems is currently 'sufficient'. FMO is also conducting training programs for its employees to raise awareness on sanctions. Further, FMO continues to remind its customers of the importance of sanctions compliance.

Also, in 2023, FMO has reviewed its Systematic Integrity Risk Analysis (SIRA) framework based on lessons learned from past SIRAs. This review resulted in an adjusted approach for 2023 and 2024: the (companywide) SIRA will be data driven and will enable FMO to identify its top integrity risks, level of risk mitigation and need for follow up actions.

FMO continues to work on strengthening the risk culture and creating awareness on FEC, (intended) unusual transactions and anti-bribery and corruption practices. In 2023, all FMO employees were required to complete the compliance e-learning that addresses personal integrity topics, such as bribery and corruption. In addition, new investment staff were also required to complete the KYC e-learning as part of their onboarding. All new investment staff were also required to undertake additional training related to the FEC program and remediation project.

In August of 2023, it was reported that, as a result of late notifications of unusual transactions to the Financial Intelligence Unit (FIU) in 2021 and 2022, DNB decided on enforcement measures. DNB is currently re-assessing these measures upon request of FMO (by means of objection). FMO's related Financial Economic Crime (FEC) framework enhancement program – which involved a full KYC file remediation – was finalized at the end of 2021. During 2023, FMO focused on continuous improvement of its FEC framework, through (amongst others) periodic review of policies and procedures, training, and monitoring of performance.

General Data Protection Act (GDPR)

The follow-up GDPR project, which was initiated in January 2023, has been finalized. Additional technical and organizational controls have been implemented to further strengthen personal data security. To keep risk awareness on top of mind, several training sessions were organized, for departments across the three lines. This will continue in 2024. The outcome of the 2023 GDPR pillar reassessment by EY Belgium on behalf of the EC is positive. FMO fulfils the requirements with regard to the protection of personal data. Overseas representative offices are fully in scope.

EY
Building a better working world

Independent auditor's report

To: the management board of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Report on the audit of the financial statements for the year ended 31 December 2023 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2023 of Building Prospects (hereinafter: BP or The Fund), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of BP as at 31 December 2023, and of its result and its cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:
- The Statement of Financial Position as at 31 December 2023
- The Statement of Comprehensive Income for the year ended 31 December 2023
- The Statement of Changes in Fund Capital
- The Statement of Cash Flows for the year ended 31 December 2023
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of BP in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report
- At a glance
- Performance on our strategy
- International principles
- List of abbreviations
- Annexes

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a fund to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 25 April 2024

Ernst & Young Accountants LLP

signed by J.G. Kolsters

Colophon

Contact details Should you have any feedback or questions, please feel free to contact us.

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