



Annual Report

for the year ended 31 December 2024

BRAC INTERNATIONAL HOLDINGS B.V.

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Supervisory Board Report

The Supervisory Board has a supervisory role at BRAC International Holdings B.V. (hereinafter 'the Company' or 'BIHBV') and acts as an advisor for the Management Board and supervises the policies followed. The Supervisory Board upholds the principles of the Code of Good Governance for the Company and acts accordingly. The Supervisory Board's mandate and tasks are laid down in statutes. This report is prepared taking into account the guidance of RJ 405 but as this report is voluntary, it is not necessary to meet all these requirements.

Composition and Functioning of the Supervisory Board

The Supervisory Board is currently chaired by Mr. Stephen Rasmussen.

The Supervisory Board members are appointed by co-optation. The period of membership is four years, with eligibility for immediate reappointment as governed by the constitution. As the organisation values women's empowerment and diversity, two out of the four (50%) Supervisory Board members are female.

The following persons are the current members of the Supervisory Board:

	Name	Position	Nationality
1	Mr. Stephen Frederick Rasmussen (appointed on 1 July 2022)	Chair (effective from 8 May 2023)	United States of America
2	Ms. Amira Mosad Elmissiry (appointed on 1 January 2022)	Member	Zimbabwe
3	Mr. David K. Korslund (appointed on 12 July 2023)	Member	United States of America and The Netherlands
4	Ms. Isabelle Barres (appointed on 12 July 2023)	Member	United States of America and France

The Supervisory Board is charged with overseeing the policies pursued by the Management Board and approves the Company's annual report, consolidated financial statements, budget, and business plans.

The Supervisory Board members are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practices. In the discharge of its duties, the Supervisory Board is guided by the interests of the Company and its associated institutions and acts as an advisor to the Management Board. In doing so, the members confirm that:

- the Supervisory Board met six times in duly convened meetings (4 meetings) during the financial year;
- they oversee the Company's finance reporting process and monitor the control environment implemented;

- the Supervisory Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets, and the monitoring of performance; and
- they bring skills and experience from their spheres of business to complement the professional experience and skills of the management team.

The attendance of the Board members for 2024 is presented below:

	Name	21 March 2024	8 April 2024	June 30 and July 1 2024	9 September 2024	8 December 2024
1	Mr. Stephen Frederick Rasmussen	✓	✓	✓	✓	✓
2	Ms. Amira Mosad Elmissiry	✓	✓	✓	X	✓
3	Mr. David K. Korslund	✓	✓	✓	✓	✓
4	Ms. Isabelle Barres	✓	✓	✓	✓	X

The Supervisory Board in its Supervising Role

As a part of its governance role, the Supervisory Board performed the following activities:

- Approved 2024 audited annual report.
- Reviewed the auditors' report to understand the key audit issues of the Company.
- Reviewed the management letter provided by the auditors and discussed the internal control measures.
- Monitored the organisation's operating and financial performance along the achievement of its budget.
- Review the progress of the entity against the Growth for Impact Strategy.
- Reviewed and approved all strategic investments of the Company.
- Approved key funding initiatives
- The Board Chair visited the key subsidiary to understand major risks and guide the Management Board on key decisions.

The Company does not have a separate Audit and Risk Committee. The committee of the parent Stichting BRAC International ('the Committee') which comprises three (3) Supervisory Board members from Stichting BRAC International and one (1) Supervisory Board member from BIHBV, monitors and guides the sufficiency of measures to be taken for combating fraudulent practices and ensuring legal and regulatory compliance for Stichting BRAC International and all of its subsidiaries including BIHBV.

The Committee prepares advice for the Supervisory Board on the budget and annual report including the financial statements. This Committee also monitors the follow-up of items raised in internal and external audits and recommendations in the auditors' letter to management. Next to this, the Committee is responsible for the appointment, oversight, and monitoring of the qualification, independence, and performance of the internal audit department. The

Internal Audit department ensures through periodical checks, that the organisation is in compliance with internal policies and procedures and reports to the Committee its findings.

The other primary functions of the Committee are to assist the Supervisory Board in fulfilling its oversight responsibilities for:

- The financial reporting and budgeting processes;
- The system of internal controls and risk assessment;
- The compliance with legal and regulatory requirements; and
- The qualifications, independence, and performance of the external auditors.

The majority of the Committee's time has been spent on the following:

- Monitor the integrity of the Company's financial statements and external financial reporting.
- Review the effectiveness of the internal controls of the entity and its subsidiaries
- Monitor and review the activities and performance of both the Internal Audit function and external audit process.
- Monitor the adequacy and effectiveness of the risk management framework.
- Assess present and emerging risks and help to focus the Board's attention on key risks, especially in view of inflation and devaluation of currencies.
- Consider key accounting matters and areas of judgement and changes.
- Discuss specific matters tabled at the request of the Committee to allow the Committee to zoom in on topics of interest or concern.

Compensation

Members of the Supervisory Board do not receive compensation for their work. They are only paid an honorarium of USD 200 (two hundred) per meeting for attending Board and Board committee meetings and associated accommodation and travel expenses reimbursement.

Signing-off of Supervisory Board

On behalf of the Supervisory Board of BRAC International Holdings B.V.

The Hague, 2 July 2025

Mr. Stephen Frederick Rasmussen

Ms. Amira Mosad Elmissiry

Mr. David K. Korslund

Ms. Isabelle Barres

Management Board Report

The Management Board of BRAC International Holdings B.V. ('the Company' or 'BIHBV') hereby presents its Management Board Report and the financial statements for the year ended on 31 December 2024.

General Information

BRAC International Holdings B.V. was set up in 2010 as a private limited liability company under the laws of the Netherlands and is a wholly owned subsidiary of Stichting BRAC International (SBI). BIHBV is a socially responsible for-profit organisation that engages people in sustainable economic and income-generating activities. The core focus of BIHBV is to provide microfinance services to people, particularly women, living in poverty in rural and hard-to-reach areas to build their financial resilience and improve the quality of life for them and their families.

Our Identity

BRAC is an international development organisation founded in Bangladesh in 1972 that partners with over 100 million people living in inequality and poverty globally to create sustainable opportunities to realise their potential. BRAC's community-led, holistic approach is reflected in its unique integrated development model, which brings together social development, social enterprises, and humanitarian response for lasting, systemic change. BRAC is born and proven in the Global South and has become a world leader in developing and implementing cost-effective, evidence-based programmes at scale, focusing on communities in marginalised, extremely poor, or post-disaster settings worldwide. With a commitment to continuous learning, BRAC has a depth of experience and evidence that enables us to meet the needs of diverse communities with humility and courage. The development models developed by BRAC were proven to work in Bangladesh and countries outside of Bangladesh, and it was therefore decided to bring BRAC's international activities in Asia and Africa together under SBI and BIHBV.

BRAC first expanded its operations outside of Bangladesh in 2002. SBI, a non-profit foundation formed in the Netherlands, governs all BRAC's operating entities outside Bangladesh (except BRAC USA and BRAC Europe, the fundraising associates) with an objective to engage in charitable and social welfare activities in any country of the world. SBI achieves large-scale transformative change by empowering women and their families to overcome poverty and become self-reliant and resilient. SBI collaborates with local communities to innovate programmes integrating social development with market-based solutions.

BIHBV has microfinance institutions in seven countries outside Bangladesh - Myanmar, Tanzania, Rwanda, Uganda, Ghana, Liberia, and Sierra Leone. BIHBV fully owns or has control of these entities. A new company, BRAC Kenya Company Limited, was incorporated on 20 February 2024 and has applied for regulatory approvals to operate a microfinance business in Kenya. BIHBV previously had a subsidiary in Sri Lanka, which is now dormant.

BIHBV also has a branch office in Kenya, BRAC International Holdings B.V. Kenya, responsible for providing strategic and operational assistance to the seven institutions.

Together, the seven operating microfinance institutions serve approximately 921,000 (2023:830,000) clients, 96% of whom are women.

Our Vision

A world free from all forms of exploitation and discrimination, where everyone has an opportunity to realise their potential.

Our Mission

To empower people and communities in situations of poverty, illiteracy, disease, and social injustice. Our interventions aim to achieve large-scale positive changes through economic and social programmes that enable women and men to realise their potential.

Our Activities

The Company is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core activity of the Company is to provide a range of financial services responsibly to people at the bottom of the pyramid. It particularly focuses on women living in poverty in rural and hard-to-reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

The legal entities under the Company often operate in highly volatile and complex environments. These include navigating through the enduring political conflict in Myanmar and managing countries with higher inflation levels compared to the rest of the world. Despite the challenges and complexities, the Company remains committed to its mission to stand beside people and communities who need it the most.

In 2024, five of seven subsidiaries had a positive result after taxes: Those are Tanzania, Liberia, Myanmar, Sierra Leone, and Uganda. Tanzania, Liberia. Tanzania and Liberia paid dividends to BIHBV in 2024. The balance of profits and the related cash flows are reinvested into microfinance operations in the respective subsidiaries to expand the loan portfolio.

BIHBV utilises the dividends received from the entities to set up microfinance activities in new countries.

In some countries, the subsidiary shares the cost of establishment with the social development programmes operated by the legal entities under SBI. Sharing mechanisms are in line with local regulations and help to keep core costs at a minimum and thus maximise their reach and impact.

BIHBV has the role of managing and consolidating the financial results of the microfinance operations in seven countries. The consolidated financial statements include the financial data of the standalone parent organisation, its group companies, and other legal entities over which the Company has control.

Highlights from 2024

- The Company disbursed USD 478.5 million in loans in 2024 (2023: USD 417.9 million) and reached 921 thousand clients, an increase of nearly 91 thousand clients from 2023.

- The Company's net results (profit) stood at USD 5.9 million in 2024 against USD 5.1 million in 2023. The results were better due to improved performance in Uganda and a decline in losses in Rwanda.
- Gross Loan portfolio increased to USD 235 million in 2024 against USD 186 million in 2023. The improvement was led by strong performance in the Tanzania, Liberia, and Uganda subsidiaries.
- Portfolio at Risk (PAR>30) reduced to 2.4% from 4.02% in 2023, primarily due to write-offs in Myanmar and growth in the loan portfolio.
- Ghana operation completed one year of launch. At the end of 2024, the entity reached 4,626 clients in 6 branches.
- Successfully launched in the 2nd series of the Debt program. BIHBV launched the Debt program in 2022. The program is housed under its subsidiary BRAC International Finance B.V. (BIFBV), through which the Company raises funds from international investors by selling impact notes. The company raised USD 32.4 million under series 2, out of which USD 9 million was disbursed during the year.

Growth for Impact

In line with the BRAC Global Strategy to reach 250 million people by 2030, BIHBV management developed its Growth for Impact plan for the Company for the period 2020-2024, which was later extended by two years to 2026 due to the emergence of COVID-19. This ambitious agenda for the period endeavours to reach a net additional one million people and to expand into up to three countries. To tackle the colossal gap in financial inclusion for women, youth, and smallholder farmers, the plan also includes specific digital, youth, and agriculture finance strategies.

To achieve the mission and the associated social performance and financial targets, BIHBV management will strengthen and support the maturing of the microfinance entities in six strategic priority areas: responsible inclusive finance, innovative product development, digitisation, talent management, management development and decision-making, and funding. The strategic initiatives undertaken include systematically measuring and reporting on social performance management and client impact, developing innovative new loan products, digitising operations and channels, developing human resources, and ensuring adequate funding of the entity's operations.

As part of this objective, the BIHBV set up a new company in Kenya and applied for a DCP (digital credit provider) license. The company expects to receive the license by Q3 2025 and start operations at the end of 2025 or early 2026. In addition, the existing operational subsidiaries are also taking steps to achieve growth. The Group was able to reach 99,000 new clients in 2024.

Importantly, the Microfinance Growth for Impact plan serves as an entry point and platform for integrated programming with social development entities under SBI in countries where BIHBV currently operates. For example, the Mastercard Foundation Accelerating Impact for Young Women in Partnership with BRAC (AIM) will equip 1.2 million adolescent girls and young women, with age-appropriate entrepreneurship, employability, and life-skills training, and the tools to start and scale their own businesses leveraging the community outreach of the microfinance programme and targeting the same communities where the programme is present. The five-year AIM programme (2022-2026) applies BRAC's proven model using microfinance, youth empowerment, agriculture, and skills development to improve lives and livelihoods. The AIM programme covers seven African countries: Sierra Leone, Liberia, Uganda, Tanzania, Rwanda, Ghana, and Kenya.

Responsible Inclusive Finance

As part of being committed to the Client Protection Pathway, a framework outlining steps for financial service providers to protect clients, all microfinance entities are implementing the Universal Standards for Social and Environmental Performance Management (USSEPM), which includes the Client Protection (CP) Standards. The implementation of USSEPM helps entity management ensure that they have the right policies and practices in place to create the enabling foundation for target client value creation and mission achievement.

Self-assessment social audits, using the CERISE SPI5 tool, have been conducted by each country's Social and Environmental Performance Lead and were verified by a qualified auditor in seven countries. The CERISE SPI5 tool helps financial service providers to achieve their social mission by identifying and tracking USSEPM compliance gaps. Each entity has action plans, incorporated in its Annual Strategic Plan (ASP) and budget, to close these gaps. The entity management and leadership are accountable for implementing the action plans. Each quarter, the CERISE SPI5 audit tool is updated based on the progress made against the action plans and reported to the entity boards. As of December 2024, the average SPI5 compliance percentage of the seven microfinance entities was 80% (2023: 78%). The increase in average SPI5 compliance from 2023 to 2024 is marginal because of the inclusion of Ghana, which is a new entity and conducted its baseline audit for the first time in 2024, and the inclusion of environmental indicators in 2024.

The USSEPM, developed by CERISE and the Social Performance Task Force (SPTF) was revised in 2023 to promote environmental performance as a compulsory dimension, among other refinements. The new dimension provides the framework for assessing the environmental performance of financial services providers (FSPs) and offers a clear roadmap for FSPs like BIHBV entities to follow to achieve their social and environmental goals while meeting clients' needs. The USSEPM is thus a comprehensive manual of best practices that BIHBV will continue using in its social and environmental journey. In December 2023, BIHBV entities started to report on their environmental performance, setting the baseline to identify gaps. In line with client needs, local regulations, and the BIHBV Climate Position Paper (2023), entities can now use this baseline to begin putting actions in place to improve their environmental performance. The Climate Position Paper articulates the role and commitment to climate action for BIHBV and its entities, as a responsible financial service provider.

In addition to the systematic implementation of the USSEPM, the Company also has a systematic approach towards the achievement of a tangible long-term impact. To effectively realize its mission-driven impact, BIHBV has developed a theory of change to guide and drive the activities for all the microfinance entities and regularly assesses the progress along five stages of change using internally available data and by conducting Lean Data impact surveys. The Lean Data surveys, conducted by an independent third party, 60 Decibels, evaluate client poverty profiles, client satisfaction, and clients' social outcomes. Since 2019, these impact surveys have been conducted annually among the clients of all six subsidiaries (except Ghana, as it had only begun operations in 2023). This helps both the Company and subsidiary management define strategies for long-term positive impact and track the social performance of its institutions.

BIHBV rolled out a Financial and Digital Literacy Training programme to enhance financial awareness and resilience for its clients across five countries in Africa under the AIM programme partnership. In 2024, 208,000 clients were trained under this program

Innovative Product Development

Having scaled its early operations largely with Microfinance (uncollateralized, group loans only for women, hereinafter referred to as 'MF') and Small Enterprise loans (individual loans to both male and female business owners, hereinafter referred to as 'SEP'), the Company is focusing on expanding its core offering to young women (aged 18-35) and smallholder farmers. While some products are offered to both men and women, the Company always applies a gender lens in developing its products to ensure that they are tailored to women. Across all product innovation efforts, BIHBV employs a human-centred design (HCD) approach: continuously testing, learning, and refining products and services based on client feedback and practical experiences from the field. Simplicity, scalability, and sustainability are common threads across all product innovation efforts, ensuring that new and existing product offerings not only have a business case but are also able to generate transformative impact in the lives of the populations the Company seeks to serve.

Under the second edition of the Company's Agri-Finance Strategy (developed in 2020, updated in 2023), design, piloting, and/or scaling of tailored agriculture loans for women smallholder farmers continues across all entities (except Ghana). BIHBV expects to scale agrifinance to contribute at least 10% of its total global portfolio in the number of borrowers by 2028 across all markets. As of December 2024, agrifinance represents 10% of the total borrowers in BIHBV entities in Myanmar, Liberia, Rwanda, and Tanzania.

As part of AIM, human-centred design assessments were conducted in 2024 in Liberia, Sierra Leone, Rwanda, Tanzania, and Uganda to understand how microfinance products and services can be improved to be accessible to and appropriate for young women (aged 18-35), and to suggest what new products may need to be offered in the future to better meet their needs.

Alongside these strategic initiatives, the following products were developed, implemented, and/or reviewed and redesigned in 2024: deposit products (implementation of recommendations from 2023 savings review in Uganda; new savings product development and validation in Rwanda), implementation of SEP review recommendations in Rwanda, and piloting of new agrifinance product in Uganda.

Digitisation and IT

The objective of the Company's digital transformation strategy is to increase organisational efficiency, enhance customer experience, and reach more clients with appropriate digital financial services. Guided by the digital transformation strategic pillars, BIHBV has embarked on digitalization of the back-office and front-office processes (field operations) and is offering alternative delivery channels that enable clients to conveniently access existing products and services. Digital Field Application (DFA) is currently fully scaled in Rwanda, Liberia, and Ghana.

The Temenos T24 Core Banking System, used for the registration, monitoring, and accounting of savings and loans, went live in July 2022 with the first entity, the subsidiary in Rwanda. In 2023, Ghana's subsidiary started its operation in T24, and Tanzania's subsidiary successfully migrated to the system. In 2022, BIHBV selected the US-based Qlik Sense software for data analytics and hired Diagonal, an India-based IT consulting service provider, to build the reports and dashboards from several BRAC data sources and transfer knowledge to the BRAC International Microfinance (BI MF) IT team. The Company is also implementing the Data Analysis and Reporting System (DARS). This system will build BIHBV's capacity to efficiently use data to understand its clients better, target clients with products and services tailored to their needs, and manage operational and staff performance to accelerate both

growth and impact. The development will be in multiple phases. Phase 1 is to ensure the availability of required reports to manage and oversee operational management in all operational entities. Phase 1 is expected to be completed by 2025.

As of December 2024, the data analytics and reporting system (DARS) is live in Uganda, Sierra Leone, Myanmar, and Liberia.

Talent Management and Leadership Development

In 2024, BIHBV and its microfinance entities advanced key priorities under the Talent Management Strategy, focusing on leadership development, succession planning, performance management, and talent mobility.

A major milestone was the launch of a Balanced Scorecard (BSC)-based performance management system, designed to improve goal setting and align performance with the Growth for Impact strategy across four pillars: Programs & Outreach; Partnerships & Resource Optimisation; Process, Policy & System; and People & Culture.

Capacity-building efforts were strengthened through a blended learning pilot for frontline staff, combining the Learning Management System (LMS), which offers over 7,000 courses, with instructor-led training to improve their collaboration skills. Across entities, staff completed mandatory LMS courses on strategic thinking, relationship-building, among others, integrating technical and soft skills to enhance leadership effectiveness.

To strengthen the leadership pipeline and meet operational demands, BI MF introduced a redesigned succession planning framework, launching the Branch Manager Trainee Internal and Area Manager Trainee Internal pools at subsidiaries in Rwanda, Sierra Leone and Liberia. In parallel, BI MF strengthened its commitment to advancing women in leadership through the Women in Leadership Development Programme, launching the six-month 'Aspire Journey' for the first cohort of eight emerging women leaders across its entities.

At the senior leadership level, a six-month Leadership Capacity Building Programme was developed for the Microfinance Management Team (MMT), with implementation planned for 2025, aiming to enhance strategic execution, people leadership, and stakeholder engagement. MMT is the key management team at the subsidiary level.

Finally, to foster cross-border talent mobility and structured knowledge exchange, BI MF secured approval for a comprehensive Global Mobility Policy developed by SBI for the Group, set for adoption in 2025. This policy will enable international assignments, secondments, and leadership development, further reinforcing a culture of collaboration and shared learning across BI MF's global microfinance network.

Funding

In 2024, a total of USD 61.5 million (2023: USD 39.9 million) was raised by all BIHBV microfinance entities through a mix of local borrowings, from the Debt Programme, and bilateral international lenders.

Following the successful launch of the Debt Program (via BIFBV), a second funding round commenced in 2024, raising USD 32.3 million with the Series 1 investors, Global Partnerships and Proparco, along with two new investors, the Belgian Investment Company for Developing Countries (BIO) and Ceniart, to strengthen the financial resilience of the African Microfinance Institutions of BIHBV. Out of this, USD 9 million was withdrawn and disbursed to the three operating entities in Tanzania, Liberia, and Sierra Leone.

The programme continues to combine fundraising efforts centrally at BIFBV level, allowing investors to underwrite multiple MFIs in one transaction, benefitting our smaller MFIs from the strength and scale of the larger MFIs.

Keeping the future fundraising goal in mind, periodic investor engagement events and regular communications are being conducted to create a pool of supportive and interested investors who are likely to participate in the upcoming series.

Research and Development

The BRAC ethos is underpinned by a steadfast belief that sustainable impact at scale can be achieved by listening to and learning directly from the clients it aims to serve. The BRAC way is starting small, piloting and perfecting the idea with rigorous monitoring and evaluation, and scaling up for impact. As such, this learning agenda is embedded in each of BIHBV's strategic priority areas. Following the principles of human-centred design, clients' needs are prioritized at every stage of the innovation cycle, from initial research and planning, taking regular feedback from clients, to piloting and scaling up any new initiative. During the year, a total of USD 112,176 was spent on research and development.

Communications and Knowledge Management

In 2024, the Company's communications team supported entities in developing strategic communications plans, launching internal and external campaigns, and strengthening their national-level visibility. The team continued the quarterly newsletter, first introduced in 2023, to provide regular updates to internal and external partners.

Two webinars were hosted in partnership with FinDev Gateway, alongside the publication of two blogs: one on FinDev Gateway, highlighting how financial literacy is empowering women across five countries, and another on the BRAC International website marking World MSME Day (World Micro, Small, and Medium Enterprises Day). The team supported two press releases, one announcing BI MF's Series 2 funding, and another marking the official launch of BRAC Ghana Savings and Loans Ltd (BGSL), while supporting the organisation of the launch event. Additionally, three op-eds were published in national newspapers in Sierra Leone, Liberia, and Tanzania, authored by the respective CEOs, contributing to thought leadership and visibility at the country level.

Knowledge management and grants coordinators in Uganda, Rwanda, Tanzania, Liberia, and Sierra Leone continued scaling BRAC's Learning-by-Doing approach. The knowledge management team supported the design, review, and scaling of financial literacy training for microfinance clients and supported the entities in integrated programming for youth (as part of the AIM programme) with documentation, coordination, and management. BIHBV's onboarding programme for all staff members was expanded to include modules on the Company's priorities and activities around Social and Environmental Performance Management, Client Protection, and the Learning by Doing approach.

Environmental, Social and Governance (ESG) compliance

The European Commission ("Commission") published a Competitiveness Compass ("Compass") for the EU in January 2025, which set out the Commission's plans for the next 5 years to enhance the competitiveness of the European Union. Thereafter, on 26 February 2025, the European Commission published the Omnibus Package of proposed changes to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), as well as the Carbon Border Adjustment Mechanism (CBAM). This was done in line with the objective stated under the Compass to simplify sustainability regulations in the EU and reduce the burden of reporting for companies by a significant margin

in order to unlock their true potential and enhance competitiveness in the European economic region. The formal reporting requirement for BIHBV will start in 2028, for the year ended 2027. In the meantime, BIHBV has engaged a consultant to conduct a double materiality exercise, which will determine the reporting requirements for BIHBV. BIHBV's materiality assessment will integrate both impact materiality (effects on the environment and society) and financial materiality (impacts on BIHBV's financial position) as mandated by European Sustainability Reporting Standards (ESRS). This ensures comprehensive disclosure on all significant sustainability topics.

The management has determined the timeline below to be fully compliant with the ESG reporting requirements.

2025: Complete the double materiality assessment and agree on prioritised metrics

2026-2027: Set up reporting frameworks and processes, and start collecting the required data

2028: Begin reporting on prioritized ESG metrics.

2030: Achieve full ESRS compliance.

Country-Specific Information

EAST AFRICA

BRAC Uganda Bank Ltd (BUBL)

The outstanding gross loans increased by 11% from USD 49.4 million in 2023 to USD 54.9 million in 2024. This growth was supported by the increase in the number of borrowers from 178,188 in 2023 to 183,403 in 2024 and loans disbursed, which recorded an 8% growth from USD 114.2 million in 2023 to USD 123.1 million in 2024. The resulting net operating income was USD 2.28 million higher than the prior year. Portfolio at Risk (PAR)>30 stayed mostly stable during the year at 4.27% (3.62% in 2023). Voluntary saving significantly grew by 65% (USD 13.1 million), mostly due to the intermediation of the security deposit into the savings portfolio with the approval of the Bank of Uganda. The BUBL's liquidity position is strong, and there is adequate liquidity to run the operations.

BRAC Tanzania Finance Ltd (BTFL)

The Group's largest microfinance entity continued its growth trajectory in 2024. By the end of 2024, BTFL had 401,964 borrowers, up from 358,984 in the same period in 2023 (12% increase), and an outstanding loan portfolio of USD 104 million, up from USD 79 million in 2023, registering a 32% increase. Profit after tax declined by 24% due to an increase in interest expense because of increased borrowing to support growth in disbursements (USD 21 million), recalibrating the staff-related cost by aligning with the market to enhance productivity, and a loss on derivatives valuation due to a sudden appreciation of the Tanzanian shilling.

BRAC Rwanda Microfinance Company Plc (BRMCP)

BRAC Rwanda continued on the path of improvement. The number of borrowers served increased by 24% from 31,257 in 2023 to 38,679 in 2024. Similarly, the number of savers increased by 33%, reaching 92,636. The loan portfolio increased to USD 5.6 million (USD 3.8 million in 2023) with a total of USD 13.1 million disbursed in 2024, compared to USD 9.6 million in 2023. BRMCP was able to mobilise additional savings, and savings mobilised from clients increased to USD 1.3 million (2023: USD 974 thousand), showing a 33% increase. The entity was also able to reduce its loss significantly by nearly 50% in 2024. The BRMCP's liquidity position is adequate, and planned pipelines are expected to support portfolio growth in 2025.

WEST AFRICA

BRAC Liberia Microfinance Company Ltd (BLMCL)

The number of borrowers increased by 36% to reach 106,407 borrowers by the end of 2024. Disbursements also increased to USD 58.4 million by the end of 2024, compared to USD 45.4 million in 2023. The outstanding loans increased to USD 22.8 million from USD 15.3 million in 2023, resulting in a 49% growth. PAR>30 continued to be low at 0.43%. BLMCL extended its outreach program by opening nine new branches in 2024. The entity continues to be profitable, although it has slightly decreased from last year. The decline in profit is mostly due to an increase in operational costs based on country inflation, new branch opening and additional training costs, and licensing costs incurred as preparation for core banking implementation. The entity has adequate liquidity, and with its funding pipeline, it will be able to achieve its target for 2025. The entity has adequate liquidity, and with the pipeline, it will be able to achieve its target for 2025.

BRAC Microfinance Sierra Leone Ltd (BMSLL)

The entity experienced a slight increase in its borrower base in 2024 (70,827, 2023: 69,870). The loan disbursement increased by 34% to USD 30.7 million as against USD 22.9 million in 2023. The loan outstanding grew from USD 10.1 million in 2023 to USD 13.8 million in 2024. The economy is still under hyperinflation. However, the entity was still able to reach a net profit after accounting for the hyperinflation adjustment from a loss situation last year.

BRAC Ghana Savings and Loans Ltd (BGSL)

BGSL started its operation in November 2023 with one branch. As of December 2024, BGSL has 6 branches and caters to a client base of 4,626 and savers of 7306. The entity has additional branch approval at the start of 2025, and if all goes to plan, expects to increase its borrower base to 23,000. As of December, BGSL has reached a loan outstanding of USD 0.9 million. Deposits mobilised from savers amount to USD 0.1 million. BIHBV has committed USD 7.9 million investment into the subsidiary, out of which USD 4.9 million has been disbursed up to 2024 (out of this USD 2 million has been contributed during 2024 financial year).

ASIA

BRAC Myanmar Microfinance Co. Ltd (BMMCL)

Despite the economic turbulence, exchange market volatility, regulatory inconsistencies, and a weaker domestic economy, Myanmar was able to keep its borrower base intact. Although BMMCL closed 4 branches in 2024, it still caters to a client base of 115,353 (2023: 113,007). BMMCL managed to disburse loans totalling USD 59.1 million in 2024 (2023: USD 52.9 million). The PAR>30 ratio improved significantly from 13.18% in 2023 to 3.71% in 2024, as most of the pre-COVID loans were written off. BMMCL has significantly increased its voluntary savings deposits from customers in 2024 by mobilising USD 6.3 million by the end of 2024 (2023: USD 3.0 million).

Since 2022, the subsidiary cannot make any payments in foreign currency due to an overall restriction in the banking sector by the regulator. The regulator also controls the exchange rate movement which is not driven by market

The impact of these risks has been assessed by making scenario analyses, mostly factoring in the impact of the potential FX devaluation at the entity. The BMMCL board and management, alongside the BIHBV board and management, will continue to monitor and evaluate the evolving situation.

Financial and Non-Financial Operational Performance

Financial Highlights

The Group's financial performance during the year ended 31 December 2024 is as follows:

- Interest Income on loans and advances increased by 13% to USD 93.86 million in 2024 (USD 83.43 million in 2023), backed by growth in loans and advances to customers.
- Interest and similar expenses increased by 26% in 2024 to USD 24.64 million (2023: USD 19.54 million) on account of an increase in total borrowings, loss on derivatives and Fx losses on monetary assets.
- Credit loss expenses increased to USD 5.8 million (2023: USD 3.4 million) by 71%. In 2024, the management has taken an increased loss rate for stage 3 loans, looking at the evolving challenges of the operational entities, market conditions, and increased write-offs.
- Operating expenses increased by 15% to USD 74.5 million in 2024 (USD 64.9 million in 2023). This increase relates to an increase in staff-related costs, training, and development costs due to branch increases, capacity building across all the entities, an increase in digitalization and IT costs, and the overall impact of inflation on all of the operating entities.
- The group continued to use hyperinflationary accounting for Sierra Leone and used it for the first time in Ghana as the three-year cumulative rate of inflation exceeded 100% at the end of 2024. The balance sheet and profit and loss (P&L) statement are adjusted to reflect the current purchasing power at the reporting date. These are non-cash adjustments. The impact for 2024 stands at USD 1 million (USD 2.3 million for 2023).
- The result after tax increased to USD 7.0 million (USD 5.1 million in 2023).
- Gross loans to customers increased by 26% to USD 233.4 million in 2024 (USD 185 million in 2023).
- Cash and cash equivalents decreased by 16% to USD 60.24 million in 2024 (USD 71.9 million in 2023). The cash movements have been disclosed in the cash flow statement.
- Current liabilities increased by 40% to USD 158.7 million (USD 113.6 million in 2023), driven by an increase in deposits from savings products and an increase in the current portion of the borrowings
- Current assets increased by 16% to USD 313.1 million (USD 269.3 million in 2023), mainly due to an increase in disbursement of loans in all the subsidiaries

Financial Position as per Balance Sheet and Profit and Loss Account

- Operating self-sufficiency (operating income/total cost) slightly decreased to 112% (115% in 2023) due to increased operating expenses.
- Return on performing assets (net income before tax/average total assets) is stable at 4% (5% in 2023).
- Return on equity (net income before tax/total equity) is 11% (14% in 2023). This is due to an increase in operating expenses in 2024.
- Cash position indicator (cash and deposits into banks/average total assets) is 19% (25% in 2023) as more cash was deployed to grow the disbursements.
- Impairment reserve ratio (impairment reserve/gross loan to customer) is 3% (4% in 2023). The impairment reserve decreased as PAR has come down from last year.
- The solvency ratio [(result after tax + depreciation and amortization) / (total non-current and current liability)] of the Company in 2024 is 4.4 (4.0 in 2023) due to improved performance.

- The quick ratio [(current assets – inventories)/current liabilities] of the Group is 2.0 (2.4 in 2023). It shows the Group has sufficient strength to manage its current liabilities.

Operational Highlights

	2024	2023
Number of total borrowers	921,243	829,791
Percentage of female borrowers	96%	96%
Number of savers	924,878	776,250
Number of branches	550	534
Principal outstanding (USD million)	235	186
Client deposits (USD million)	41.06	24.19
Disbursement for the year (USD million)	479	418
Average loan per borrower (USD)	382	350
PAR > 30 days	2.42%	4.02%
Total assets (USD million)	341.7	293.3
Total equity (USD million)	117.4	107.1
Total interest-bearing debt (USD million)	132.4	114.7
Net results (USD million)	5.9	5.1
Number of total staff	7,001	6,384
Number of female staff	6,086	5,366

Outlook for 2025

The Company's theme for 2024 was '**Growing with Grit: Powering The Potential Of People To Achieve Impact at Scale**' – emphasizing the intention of doubling down on the Growth for Impact ambition by empowering people - both clients and staff. In line with this theme, major progress was made in developing the first BIHBV Talent Management Strategy, implementing revised salary structures in countries, and launching the Women in Leadership Development program in partnership with Stichting BRAC International.

In 2025 the core priorities for BIHBV are:

Self-Sufficiency and Sustainability:

- Ensure sustainable and meaningful growth to the target market
- Improve savings mobilisation
- Finding efficiencies in operations for scale

Delivery of the AIM Programme to realise BRAC's mission and vision: unlocking entrepreneurship and economic empowerment for young women

Talent Development and Management:

- Developing staff: staff training and retention
- Talent management and succession planning
- Building on shared knowledge and learning (centers of excellence and experience)

Doing Digital Transformation Right:

- Identifying and building capacity/resources needed to complete digital projects and deliver the cost-efficiencies and impact of IT investments

Responsible Inclusive Finance

The Company will continue to strengthen and support its microfinance institutions to provide responsible, client-centric, inclusive financial solutions. The entities will continue to close gaps identified in their audits and documented in the action plans, to increase compliance with the USSEPM and CPPs and to achieve the targets set out in their Annual Strategic Plans. The annual client impact survey will be completed in seven entities, to continue to help management to track the social impact over time and provide valuable feedback to further refine and ensure client-centric offerings and operations. BIHBV entities will continue to be part of the 60 decibels microfinance index.

Under the Financial and Digital Literacy Training programme, BIHBV expects to train 146,000 clients in 2025.

Environmental Performance

Based on the BIHBV Climate Position paper and the benchmarks on Environmental Performance set in 2024, each entity will develop its environmental strategy in 2025. The focus of these strategies is to enhance the resilience and adaptation capacity of the clients who are vulnerable to climate risks. BIHBV will provide support and guidance to its MF entities in implementing this commitment by collaborating with the larger BRAC network, 3rd party partner organisations, and by mobilising grant funding and appropriate investments.

Innovative Product Development

A product innovation objective under the Growth for Impact plan is to tackle the colossal gap in financial inclusion for youth and smallholder farmers through youth and agriculture strategies. Building on the momentum created in the past years, BIHBV will continue to support its entities by 1) scaling the Agri finance products and adding value-added services in line with the Agri finance 2.0 strategy, and 2) making its offerings more youth-friendly under the AIM partnership. In addition, BIHBV will review savings mobilisation strategies and redefine individual lending products.

Digitisation and IT

In 2025, BIHBV entities in East Africa, particularly BUBL and BTFL, will further enhance convenient access to loans and savings by scaling alternative delivery channels to additional branches. BTFL plans to scale mobile money repayments to all of its branches while starting a digital wallet disbursement pilot. BUBL plans to strengthen its agent banking pilot and scale up USSD-based mobile banking services. The entities will continue to use learnings and customer feedback and strengthen the capacity of clients to use these channels through digital financial literacy training.

BTFL, BMSLL, and BUBL are preparing to pilot the Digital Field Application in 2025. A key IT objective in 2025 is to strengthen the systems, including cybersecurity, and implement the core banking systems in additional countries.

Funding

The Debt Programme, managed by BRAC International Finance B.V., is expected to play a key role in mobilising external funding for the Company's microfinance institutions. The Company has finalised its five-year microfinance funding strategy, which includes refinancing, financing for growth, and expansion into new countries.

In 2025, the balance fund raised under Series 2 (USD 27.2 million) is expected to be withdrawn and disbursed to four operating entities: Tanzania, Uganda, Liberia, and Sierra Leone)

Talent Management and Leadership Development

In alignment with the 2025 Annual Strategic Plan, BRAC International Microfinance (BI MF) will continue advancing its Talent Management Strategy, focusing on succession planning, leadership development, performance management, and the rollout of the newly approved Global Mobility Policy and Compensation and Benefits Strategy.

To strengthen leadership capacity, two key initiatives will launch in 2025: the Leadership Capacity Development Programme for the Microfinance Management Team (MMT), designed to enhance six core leadership competencies; and the implementation of the Global Mobility Policy, which will enable international assignments, secondments, and cross-entity knowledge exchange, thus promoting talent mobility, career growth, development of internal talent pipelines for critical management roles and staff retention.

Building on this, BI MF will continue reinforcing staffing capacity for frontline leadership by scaling the Branch Manager Trainee Internal and Area Manager Trainee Internal pools. Additionally, BI MF will apply lessons learned to support business continuity and operational resilience across its entities. Complementing these efforts, a redesigned quarterly performance-based incentive scheme will be piloted to boost frontline staff productivity and motivation.

The Company has a senior management team that oversees dedicated operational staff. At the entity level, day-to-day management is entrusted to the country CEO, who is assisted by the heads of divisions, departments, and units.

Business Operations

All microfinance institutions in East and West Africa will continue their Growth for Impact trajectory. The Group expects to increase in client base from 921 thousand to close to 1.1 million in 2025. Tanzania is expected to lead the growth with an additional 45 thousand new clients, followed by Uganda (36 thousand) and Liberia (17 thousand). The Group also expects to receive the license for the Kenya operation by Q3 2025.

All the entities (except Rwanda, Ghana, and Kenya (if license is granted)) are expected to be profitable.

Code of Conduct

The Company follows a set of codes of conduct to operate in a multicultural environment. This Code of Conduct is based upon the principles of BRAC in Bangladesh as adopted by Stichting BRAC International and is also implemented for the Company by the Human Resources department of the organisation. The Human Resources department is the custodian of the codes of conduct (shared as part of orientation materials for new staff and available in central HR folders) and is responsible for overall supervision, implementation, and practice across the organisation. The codes of conduct are mandatory, all staff sign a declaration that they have read and will adhere to the Code of Conduct.

The general codes of conduct include HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management, and sexual harassment elimination in the organisation. Safeguarding policies have been updated so that incidents are reported and investigated, with remedial actions taken where necessary.

Significant Risks and Uncertainties

Risks and uncertainties are an integral part of operations for any kind of organisation. For the Company, significant risks and uncertainties mainly revolve around instability and uncertainties in the post-conflict and in-conflict countries where the Company has operations. The organisation is taking necessary measures to handle this continuously, based on a risk management framework. The general policy is to mitigate and avoid risks. No activities for trading and/or speculation are executed.

The risk management concept of the company, as determined by the ultimate parent – SBI – and is based on the 'Three Lines of Defence' model, to shield against risks that might threaten the achievement of goals.

- The first line is the front-line business operations units, which are fully responsible for all the risks in their respective areas of activities and have to ensure that effective controls are in place.
- The second line of defence consists of Risk Management and Compliance functions within SBI, and the role is to provide oversight, guidance, and monitoring of the first line's risk management activities. The second line sets policies, standards, and procedures, and conducts training and awareness and risk assessments. Additionally, they ensure that the first line complies with applicable laws, regulations, and internal policies.
- The third line of defence is the Internal Audit function, which provides objective and independent assurance. Their key responsibility is to assess whether the first- and second-line functions are operating effectively and provide assurance to senior management and the board of directors. It performs risk-based and general audits to ensure that the internal controls and risk management system, including risk management policy, are effective and efficient.

Stichting BRAC International, including BIHBV, has a Risk Management Policy and Framework based on ISO 31000: 2018 that works as a strategic management tool to generate value across the organisation as an integral part of good management practice and corporate governance. According to the Risk Management Policy and Framework, the risk governance structure comprises of 3 (three) significant stakeholders – the Audit and Risk Committee of the Supervisory Board (comprised of supervisory board members from both SBI and BIHBV), the Senior Management Team at the SBI and BIHBV and the Group Internal Audit Function.

The Risk Management function was restructured in 2024. Previously, the Risk Management team used to report to the Director of Finance of SBI and worked closely with the management teams of all subsidiaries under SBI and BIHBV. However, to strengthen the risk management function, it has now been merged with organisational performance and reports to the Executive Director of SBI.

The Risk Management Committee at the management level reviews the risk management update every quarter and makes necessary changes in the risk components and risk ratings as necessary. The risk management reports are presented to the Audit and Risk Committee of SBI, as well as to the Supervisory Board as appropriate.

The risk register at the country level is updated on a quarterly basis with the help of the risk management focal at the country level, with the country management teams actively working on the risk register and taking the necessary measures that are part of the mitigation plans. The country management teams also periodically review and update on the status of the mitigation measures.

In the SBI Risk Management framework, there are seven (7) categories of risks. Major risks in each category are reported along with the mitigation approach. The risks at SBI are reported on a 5x5 matrix, where the risks are plotted according to their likelihood and severity. The SBI Risk Management framework comprises seven risk categories: (1) strategic, (2) financial, (3) operational, (4) legal and compliance, (5) safeguarding, (6) environmental, and (7) information technology.

As of the reporting date, operations in Myanmar are considered a major risk area of concern, considering the unstable political and market environment and which is impacting its operations. In addition, the restriction on making international payments is also impacting the fundraising capability of the operation and making it fully dependent on local funding. The vulnerability of the Myanmar kyat (MMK) against the USD also poses a significant risk for the sustainability of Myanmar's operation (detailed in the currency risk section).

The BMMCL board and the company directors have assessed the ability of BMMCL to continue as a going concern and have no reason to believe the business will not be a going concern in the next 12 months from the date of this annual report.

Strategic Risks

The strategic risks are mainly identified from an organisational sustainability point of view in a country, such as the risk of loss of reputation leading to business failure and loss of secured funding due to changes in priorities of the lending institutions. Mitigation of strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the microfinance teams of the countries and the head office.

Operational and Non-Financial Risks

Operational risks are mainly identified from day-to-day operations, such as human resource management, functional relationships with local governments, and adoption of local cultural norms. Operational risks are mitigated through constant monitoring by the group microfinance team through communication, visits, and follow-ups.

Legal and Compliance

The risks associated with the external environment are beyond the Company's control. These types of risks, such as the impact of climate change, natural and man-made disasters, and sudden changes in governmental or legal regulations or regulatory requirements are mostly having precautionary measures as risk mitigation and are mostly based on learnings from previous experience. Maintaining good relationships and rapport building with government agencies and lending institutions are the most common mitigation activities.

The Supervisory Board of the Company has approved and adopted an updated Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) policy developed by the parent foundation in February 2024. The policy dictates that BIHBV and its employees shall: a) Not knowingly launder money and shall have adequate procedures and controls to ensure that its business is not misused for money laundering and/or terrorist financing; b) Not process

a transaction unless it believes that it has a legitimate purpose; c) Report suspicious transactions by applicable laws; d) Not split transactions to avoid government identification and reporting requirements or any policy of the concerned authority/party; e) Not knowingly record false names or other false information; f) Co- operate with local regulators and law enforcement bodies and f) Maintain records following the law and concerned authorities.

Each subsidiary at the country level has its own AML/CFT policy in line with the group policy, which takes into consideration the local laws and regulations as appropriate.

As a result of monitoring, AGD bank (a lender with whom BMMCL has been in a local currency loan agreement since April 2020) was identified as having been added to the OFAC SDN sanctions list in March 2023. Additional checks were undertaken, and external advice was sought to ensure that appropriate steps were taken to mitigate risk and arrive at an acceptable level of risk as deemed by the management of the Company. The loan was fully repaid on 24 February 2024 by BMMCL, and there is no further relationship with AGD bank thereafter.

Safeguarding Risk

As part of its commitment to building a safeguarding culture aligned with BRAC's vision of a world free from discrimination and exploitation, BRAC adheres to six safeguarding standards around governance, people practices, programming, partnering, risk management, and reporting. To achieve these, the Company has adopted a comprehensive Safeguarding policy and a set of sub-policies concerning the safeguarding of specific groups in specific programmes.

Information Technology

Information technology risks related to technological disruption, data privacy, supplier and vendor management are being mitigated via business continuity management plans for disasters, project management capacity enhancement in IT function through ongoing and continuous training, including project management training, and ongoing implementation of market-leading software with state-of-the-art security features and well-defined third-party service contract and licence clauses. The group has updated its IT policy by including mitigation processes relating to cybersecurity risks. The monthly IT Steering Committee is being held with an agenda that encompasses potential threats, business disruption, data privacy, strengthening IT services, and IT roadmaps are being discussed. A global Cyber Security Response team has been set up, combining BRAC Bangladesh and SBI to create a task force for BRAC-wide cybersecurity protocol. Application and operating system patches have been successfully tested in Ghana, Tanzania, and Rwanda; meanwhile, testing is ongoing in Sierra Leone and Uganda, and is expected to be deployed in production by Jun'25. Ongoing efforts are being made to implement an advanced security solution aimed at enhancing monitoring and threat detection capabilities. The implementation is expected to be completed by Aug'25.

Financial Risks

The financial risk management policy seeks to identify, appraise, and monitor the risks identified by the Company whilst taking specific measures to manage its interest rate, foreign exchange, liquidity, and credit risks. The organisation does not, however, engage in speculative transactions or take speculative positions, and when affected by adverse movements, has sought the assistance of donors.

Credit Risk

Credit risk arises principally from the Company's loans and receivables, financial fixed assets, trade and other receivables, and cash. The credit risk is spread over a large number of counterparties (banks, customers, and other third parties). Management has an internal process to review and monitor these counterparties upfront in order to mitigate the credit risk.

The Company records and maintains accurate information with regard to the identity of its customers in the operation of their accounts. The Company strictly avoids the opening of anonymous accounts. Through the KYC programme of the Company keeps a record of the following information with respect to its customers:

- Identification and verification of customer and beneficial owner;
- Nature of customer business;
- Authenticity of the identity documents provided by the customer;
- Legal documents relating to the business (where applicable); and
- Sources of funds/income.

Currency Risk

The Company is exposed to currency risk denominated in a currency other than the respective functional currencies of subsidiaries. The functional currencies in the subsidiaries are their respective local currency, and at the group level, the US dollar (USD) is the functional and presentation currency of the Company. The Company and its subsidiaries strive to match foreign currency payables and receivables in such a manner that the currency risk is minimised, if not mitigated entirely. In the case of high-inflation economies, aligning receivables and payables is extremely difficult, and management seeks to access local currency funding as much as possible. Subsidiaries are obliged to mitigate against currency risk for debt secured through BRAC International Finance B.V. through any effective means available to them. To date, the subsidiaries have used FX forward and cross-currency swap contracts, as well as back-to-back/parallel loan structures with local banks.

Interest Rate Risk and Cash Flow Risk

The Company's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members and voluntary savings deposits, which provides greater certainty about cash flows. In several cases, the Company can prepay its borrowings, which mitigates against the risk of falling interest rates. The Company holds fixed deposits, but these are relatively short-term and can be requested upon demand. The Company does not engage in speculative transactions or take speculative positions on interest rates.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Overall responsibility for the management of market risks rests with the CEOs. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Mitigation measures include limits on open foreign currency positions, ensuring loans are secured from lenders at prevailing market prices, and monitoring the pricing of loans extended to borrowers for competitiveness relative to the wider market.

Liquidity Risk

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met in a timely and cost-effective manner. The risk arises from both the difference between the magnitude of assets and liabilities and the mismatch in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company, and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated, and necessary arrangements are put in place to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institution facilities.

The Company manages its debt maturity profile, operating cash flows, and the availability of funding to meet all refinancing, repayment, and funding needs. As part of its overall liquidity management, the organisation maintains a sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions. The management team members also review the periodic cash flow forecast and overall liquidity needs to ensure adequate financing of operations.

Fraud Risk Analysis and Non-Compliance

The Company's management takes appropriate actions against identified fraud through an Investigation Review Committee (IRC). Fraud risk and non-compliance are evaluated through effective review by Internal Audit teams and Monitoring and Evaluation teams to ensure staff compliance with the Company's policies, including the Code of Conduct and Whistleblower policy as outlined in Human Resources Policies and Procedures (HRPP).

The Company also has zero tolerance for any unethical, illegal, or unprofessional conduct and maintains a zero appetite for association with any disreputable individuals.

The Company is also implementing a Standard Operating Procedure (SOP) to monitor and screen for AML/CFT breaches in relation to its AML/CFT Policy. Each subsidiary has its own separate AML/CFT Policy, which is implemented in the country and follows the same standards and SOP as the SBI AML/CFT Policy (see under Legal and Compliance above). The Company uses sanctions screening before engaging with external parties, which reduces the risk ensures compliance with international and local sanctions regulations, preventing violations that can lead to penalties and legal issues.

Financial Reporting Risks

Risks related to false reporting to stakeholders (such as investors and financial institutions) and a lack of sound financial policy, systems, and processes are being mitigated through multi-layered internal control systems.

Financial ratios and loan covenants are monitored monthly by the subsidiaries and shared with BIHBV on a quarterly basis. The management at the subsidiary level takes measures in case of suspected non-compliance to avoid breaches and reaches out to the BIHBV in case

of need. Proactive communication is maintained with lenders, and measures to be taken will depend on the covenant that is in breach.

The in-country Internal Audit team carries out audits at a branch level throughout the year, while the Internal Audit team at the head office performs a country-office audit annually. In addition to financial risk, the Internal Audit team also audits control compliance to address strategic and operational risks. The entity management team is updated with the audit findings and recommendations on a monthly basis. The Internal Audit team at the head office reports to the Finance, Audit, and Risk Committee, maintaining full independence from management.

The Internal Audit department ensures, through periodical checks, that the organisation is in compliance with internal policies and procedures and reports to the Audit Committee its findings.

Climate Risks

The Group faces climate risks in both its Asian and African markets, primarily in the form of physical and transition risks, which can impact operations and market conditions. Physical risks such as storms, floods, heavy rains, and droughts are common in the countries where we operate. During the year, Sierra Leone experienced significant heavy rains, and Tanzania experienced drought, which affected field operations and the livelihoods of clients. These climate-related challenges are expected to intensify in the future, posing operational and economic risks.

Transition risks arise from evolving climate regulations and greenhouse gas (GHG) emission policies. Currently, regulatory frameworks in our markets are not highly stringent. However, under a 2°C scenario, climate-related regulatory requirements are expected to become stricter, increasing compliance obligations for financial institutions. Adapting to these regulatory changes will be crucial to ensuring operational stability and long-term sustainability.

The Company issued its climate position paper in 2023, and in 2024, it started a baseline of where it stands on the USSEPM environmental standards (dimension 7/green index) and other ESG requirements.

Governance

In line with the guidelines for corporate governance in the Netherlands, the Company adopted a two-tier governance structure to create a clear division between executive and supervisory responsibilities.

Diversity

For the Management Board, the Company intends to maintain gender diversity in the near future. Directors are selected and appointed based on their qualifications and professional experience.

As at 31 December 2024, the Management Board of the Company comprised two members, Ms. Bridget Dougherty (Managing Director) and Mr. Abhijit Gupta (Finance Director).

At the end of 2024, there were four Supervisory Board members, two women and two men.

Management Board's Responsibility Statement

In the discharge of their duties, the Directors are guided by the interests of the Company and the business carried on by the Company.

The Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the consolidated balance sheet as at 31 December 2024, the consolidated profit and loss account, and the consolidated cash flow statement for the year, the notes to the consolidated financial statements for the year ended 2024 and the Company financial statements.

The Management Board's responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Management Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Company has open and constructive communication methods to inform all stakeholders on a regular and proactive basis.

The directors have assessed the organisation's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Subsequent events

On March 28, 2025, Myanmar consolidated entity was struck by a devastating 7.7-magnitude earthquake centered in the central region near the borders of Sagaing and Mandalay. The strongest earthquake in decades resulted in over 3,600 deaths and more than 5,000 injuries and destroyed or damaged nearly 49,000 homes. The earthquake affected 23 branch offices of the Myanmar consolidated entity, out of which six were seriously affected. Based on the initial assessment, around 4,811 clients were affected directly or indirectly by the earthquake. Out of them, around 1,000 clients lost their business with an outstanding portfolio of around USD 200,000. The management has provided initial food and cash support to the affected clients and is now working with severely affected clients, focusing on business recovery.

As of 1 April 2025, BIHBV acquired the outstanding principal debt and interest amounting to USD 2.2 million from FMO. Such debt has been initiated by the Myanmar consolidated entity from FMO in previous years. During the subsequent period, the borrower has been assigned from the Myanmar consolidated entity to BIHBV. The Company made a payment of USD 400 thousand for this assignment.

On 5 June 2025, BRAC Kenya Limited (BKL) received a Digital Credit Provider (DCP) license from the Central Bank of Kenya. With this license, BKL can operate as a credit-only microfinance institution.

Subsequent to the reporting date, in June 2025, consolidated entity BRAC Sierra Leone Microfinance Limited breached the required PAR 30 ratio under its financing agreements with International lenders. The Group has obtained waivers from the banks in respect of this covenant breach until December 2025.

During the year 2024, Uganda consolidated entity received a directive from the Bank of Uganda to cease the accrual of management fees for services received from BIHBV. As a result, from April 2024, BIHBV did not recognise management fee income, although the Company continued to provide services to the Uganda consolidated entity under the service level agreement and sent invoices. As of December 2024, the unaccrued management fee amounts to USD 484,838. On May 20, 2025, the Bank of Uganda provided its non-objection to the payment of management fees to BIHBV.

On 22 May 2025, BRAC Tanzania Finance Limited declared a USD 3.3 million dividend to BIHBV. The dividend was declared subsequent to the reporting date.

Signing-Off of Management Board

The Management Board prepared the financial statements and recommended that the 2024 Annual Report be adopted in the Annual General Meeting.

The Hague, 2 July 2025

Ms. Bridget Dougherty

Mr. Abhijit Gupta

Consolidated Balance Sheet

as at 31 December 2024

(before appropriation of result)

		2024		2023	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	3	4,279,219		5,119,850	
Tangible fixed assets	4	5,178,039		4,811,032	
Financial fixed assets	5	19,164,342		14,036,812	
			28,621,600		23,967,694
Current assets					
Inventories	6	734,866		310,075	
Loans to customers	7	233,350,214		184,782,430	
Trade and other receivables	8	18,815,164		12,231,725	
Cash and cash equivalents	9	60,239,922		71,984,107	
			313,140,166		269,308,337
			341,761,766		293,276,031
Group equity					
Shareholder's equity	10		108,460,839		99,596,973
Minority Interest	10		8,930,817		7,525,720
			117,391,656		107,122,693
Non-current liabilities	11		65,635,385		72,554,374
Current liabilities					
Donor funds	12	6,649,841		4,506,756	
Loan Security Fund	12	28,491,533		30,934,315	
Deposits from savers	12	41,063,075		24,189,799	
Current portion of the borrowings	11	66,772,998		42,211,622	
Other current liabilities	12	15,757,278		11,756,472	
			158,734,725		113,598,964
			341,761,766		293,276,031

The notes on pages 32 to 77 are an integral part of these consolidated financial statements.

Consolidated Profit and Loss Account for the year ended 31 December 2024

	z	2024		2023	
		USD	USD	USD	USD
Interest income	14	93,863,456		83,431,883	
Other interests and similar income	15	12,222,414		11,085,873	
Interest and similar income		106,085,870		94,517,386	
Interest and similar expenses	16	(24,635,757)		(20,674,527) ¹	
Net interest income		81,450,113		73,843,229¹	
Other operating income	17	12,125,534		9,527,037 ¹	
Total operating income		93,575,647		83,370,266¹	
Expected Credit Loss Expenses	7 & 9	(5,847,699)		(3,395,077)	
Net operating income			87,727,948		79,975,189¹
Cost of outsourced work and other external cost	18	(24,786,827)		(21,292,351)	
Wages and salaries	19	(35,608,698)		(31,551,617)	
Social security and pension charges	20	(4,686,833)		(3,681,653)	
Amortisation and depreciation on intangible and tangible fixed assets	3&4	(2,726,499)		(2,459,763)	
Other operating expenses	21	(6,669,977)		(5,963,847) ¹	
Total Operating Expenses			(74,478,834)		(64,949,231)¹
Result Before Tax			13,249,114		15,025,958¹
Net Loss/Gain on Monetary Assets	2.31		(972,344)		(2,380,177)
Tax on result	23		(5,219,706)		(7,573,688)
Result after tax			7,057,064		5,072,093¹
Minority interests			(1,148,737)		38,357
Net result			5,908,327		5,110,450¹

¹ Adjusted for comparison purposes. Reference is made to the note 2.1

The notes on pages 32 to 77 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2024

	2024		2023
	USD	USD	USD
Consolidated net result after attributable to the Company		5,908,327	5,110,450 ¹
Translation differences on foreign participating interests	2,169,916	(5,674,496) ¹	
Total of items recognised directly in shareholders' equity of the Company as part of the group entity		<u>2,169,916</u>	<u>(5,674,496) ¹</u>
Comprehensive result		<u>8,078,243</u>	<u>(564,046) ¹</u>

¹ Adjusted for comparison purposes. Reference is made to the note 2.1

The notes on pages 32 to 77 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2024

		2024		2023	
		USD	USD	USD	USD
Net result			5,908,327		5,110,450¹
Adjusted for:					
– Depreciation/amortisation/other value adjustments	3&4	2,726,499		2,459,763	
– Impairment losses on loans	7	5,586,293		3,395,077	
– Fair value movement on financial assets	15, 16	1,595,870		(2,704,047)	
– Interest expenses	16	16,820,791		15,614,451	
– Service charge income	16	(93,863,456)		(83,431,883) ¹	
– Bank interest income	15	(2,163,306)		(1,775,518)	
– Tax on result from ordinary activities	23	5,219,706		7,573,688	
– Change in minority interest result		1,148,737		(38,357)	
– Other movement in borrowings		(503,393)		532,780	
– Other movement in financial fixed assets		(6,994,347)		3,900,000	
– Changes in working capital:					
✓ Change in inventories		(424,791)		14,603	
✓ Change in other receivables		(6,583,439)		(2,619,272)	
✓ Change in other liabilities		20,461,624		8,080,766 ¹	
			(56,973,212)		(48,997,949) ¹
Cash flow from operations			(51,064,885)		(43,887,499)¹
Loans to customers distributed	7	(478,552,708)		(417,992,893)	
Loans to customers repayment	7	429,463,883		385,288,018	
Interest income Received	7	94,067,443		81,195,620 ¹	
Interest paid – borrowings		(13,675,919)		(13,429,892)	
Interest paid to savers and program participants		(2,973,165)		(1,883,395)	
Income tax paid		(5,278,651)		(5,530,994)	
Bank interest income received	15	2,163,306		1,775,518	
			25,214,189		29,421,982 ¹
Cash flow from operating activities (carried forward)			(25,850,696)		(14,465,517)¹

		2024		2023	
		USD	USD	USD	USD
Brought forward			(25,850,696)		(14,465,517)¹
Amount paid for acquisition:					
– Tangible fixed assets	4	(2,031,128)		(2,338,735)	
– Intangible fixed assets	3	(42,182)		(952,911)	
– Capital work in progress		-		(359,587)	
Amount Received to the sale					
– Tangible fixed assets	4	73,019		728,675 ¹	
– Capital WIP	3	15,089		-	
Cash flow from investing activities			(1,985,202)		(2,922,558)¹
Increase in borrowings	11	61,524,437		39,850,389	
Repayment of borrowings	11	(45,779,933)		(24,774,306)	
Share Premium contribution	30	300,000		500,000	
Cash flow from financing activities			16,044,504		15,576,083
Net cash flow			(11,791,394)		(1,811,992)¹
Exchange rate and translation differences on cash and cash equivalents			47,209		238,066¹
Changes in cash and cash equivalents			<u>(11,744,185)</u>		<u>(1,573,927)</u>
Cash and cash equivalents as at the beginning of the financial year			71,984,107		73,558,034
Changes in cash and cash equivalents			<u>(11,744,185)</u>		<u>(1,573,927)</u>
Cash and cash equivalents as at the end of the financial year			<u>60,239,922</u>		<u>71,984,107</u>

¹ Adjusted for comparison purposes. Reference is made to note 2.1

The notes on pages 32 to 77 are an integral part of these consolidated financial statements.

Notes to the 2024 Consolidated Financial Statements

1. The Reporting Entity

BRAC International Holdings B.V. ('BIHBV' or 'the Company'), having its legal address in The Hague and its office address at Zuid Hollandlaan 7, 2596 AL, The Hague, The Netherlands, is a private limited liability company under Dutch law and is registered as a financial holding under number 34393125 in the Chamber of Commerce.

The Company is a wholly-owned subsidiary of Stichting BRAC International ('SBI'), who is the ultimate shareholder of the Company. SBI is registered as a foundation organised and existing under the laws of the Netherlands.

In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands to govern all international BRAC programs (microfinance and development activities) outside Bangladesh ('BRAC') with the objective of engaging in charitable and social welfare activities in any country of the world.

These financial statements contain the financial information of both the Company and the consolidated companies of the Company ('the Group').

BRAC International Holdings B.V.'s vision is in line with the vision of its parent Stichting BRAC International and BRAC Bangladesh, that they develop into a just, enlightened, healthy, and democratic society free from hunger, poverty, environmental degradation, and all forms of exploitation based on age, sex and ethnicity. To achieve this vision, BRAC International Holdings B.V., through its subsidiaries uses a comprehensive approach to poverty reduction, which strategically links programmes in economic development (microfinance and social enterprise) to create and protect the livelihoods of people living in poverty.

The Company's business model strongly reflects its philosophy. The core elements of the business model are BRAC's community outreach-based delivery methodology and its unwavering focus on borrowers, especially women, at the bottom of the economic pyramid. These two principles, which distinguish the Company and its subsidiaries from other microfinance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

1.1 Financial Reporting Period

The financial statements are for the year from 1 January 2024 to 31 December 2024. The comparatives consist of the year 2023, which ended as at 31 December 2023. Refer to the note on accounting policies, paragraph 'General' for the changes made in the comparative figures.

1.2 Basis of Preparation

The consolidated financial statements of the Company are part of the statutory financial statements of the Company and have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. The impairments of loans granted and other receivables are measured in accordance with IFRS 9 as allowed by Dutch Accounting Standard Board.

The accounting policies applied for measuring assets and liabilities and the determination of results are based on the historical cost convention, except for investment in Triodos Microfinance Fund and derivatives, which have been measured at fair value. Additionally, the financial information of the subsidiaries operating in a hyperinflationary economy has been adjusted to reflect its current purchasing power.

The Company applied hyperinflationary accounting for its subsidiaries in Sierra Leone and Ghana in 2024 due to the fact that the three-year cumulative inflation in that country exceeded 100% and as a result, the economy is termed as hyperinflationary. (Hyperinflation was also applied in 2023 for SL.)

1.3 Going Concern

These financial statements of the Company have been prepared on the basis of the going concern assumption.

2. Accounting Policies for the Measurement of Assets and Liabilities and the Determination of the Result

2.1 General

The figures for 2023 have been reclassified for comparison purposes and increased transparency, resulting in a better reflection of the operations of the Company. reclassifications are as follows:

- Foreign exchange gains and losses on monetary assets and liabilities, in the amount of USD 1,411,512 was previously presented on the net basis under “Translation differences on foreign participating interests” in the consolidated statement of comprehensive income. This amount has been reclassified to the consolidated profit and loss account under “Other interest and similar income” in amount of USD 1,125,948 and “Interest and similar expense” in amount of USD 2,537,461.
- In addition to the above, the translation difference (loss) on foreign participating interests in the amount of USD 5,674,496 has been separately presented in the consolidated statement of comprehensive income.
- As a result of the above, the Other comprehensive result for the 2023 financial year has been adjusted by USD 5,674,496 resulting to change of previously reported Comprehensive income in the amount of USD 5,110,450 to Comprehensive loss in the amount of USD 564,046.
- Furthermore, other operating income and other operating expenses have been adjusted for USD 314,781 to account for secretariat expenses that were previously unrecorded in the Profit and Loss Account.
- The consolidated cash flow statement has been adjusted respectively. In addition, “Interest income received” in amount of USD 81,195,620 has been presented as cash inflow from operating activities and respective adjustment for non-cash transactions included as “Service charge income” in amount of USD 83,431,883. Previously such

cash flow has been presented on net basis as “Change in Interest Receivable” in amount of USD (2,236,263).

Assets and liabilities are measured at nominal value unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks related to the asset or liability being transferred to a third party. Further, assets and liabilities are no longer recognised in the balance sheet if economic benefits are no longer probable and/or cannot be measured reliably anymore. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the Company does not have legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Company has provided the services to the customer based upon the finance agreements.

2.2 Functional and Presentation Currency

The financial statements are presented in United States dollars (USD), which is the Company's functional currency.

2.3 Use of Estimates and Judgements

The preparation of financial statements in conformity with the Dutch Civil Code requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form

Policy	Judgements	Estimates
Allowance of ECL on loans to customers	• Identification of staging of the loan portfolio. • Criteria for a significant increase in credit risk. • Identification of credit-impaired loans	• Back testing to calculate the historical loss rate. • Forward looking trends estimate. • Identifying impact of macroeconomic factors • Management estimates to calculate loss rates of credit impaired loans
Hyperinflation	• Determining whether the economy of a country meets the criteria for hyperinflation as per DAS 122. • Selection of appropriate sources for (CPI)s.	• Estimation of CPI rates.

the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and the future periods, if the revision affects both current and future periods.

The following accounting policies are in the opinion of management the most critical in preparing these financial statements and require judgments, estimates, and assumptions:

2.4 Consolidation Principles

Consolidation Scope

The consolidated financial statements include the financial information of the Company, its group companies, and other companies over which the Company can exercise control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies

are participating interests in which the Company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result, will provide the Company with more or less influence.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

Consolidation Method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of the result of the group.

In the consolidated financial statements, intragroup shareholdings, debts, receivables, and transactions are eliminated. Also, the results of transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Company has less than 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Subsidiaries are consolidated in full, whereby the minority interest is presented separately within equity. If losses to be allocated to the minority interest exceed the minority interest within the equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder. The minority interest in the result is deducted from the group result on a separate line item in the consolidated profit and loss account.

BRAC International Holdings B.V. has participating interest, directly or indirectly, in the following companies:

Name	Legal address	2024 share of interest %	2023 share of interest %
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100
BRAC Kenya Company Limited	Nairobi, Kenya	100	-
BRAC International Holdings B.V., Kenya	Nairobi, Kenya	Branch	Branch

BRAC Uganda Bank Ltd continues to be consolidated fully, despite having a 49% shareholding, as the Company continues to exercise control over the entity. Given that the Company can appoint the majority of the members of the Board of Directors of BRAC Uganda Bank Ltd, the entity is considered to meet the definition of a 'subsidiary' under Dutch law.

BIHBV set up a new company in Kenya (BRAC Kenya Company Limited) in February 2024 to start microfinance operations in Kenya. The company applied for a digital credit provider license in June 2024. The application is still under review by the regulator.

BIHBV holds control over BRAC Zanzibar Finance via BRAC Tanzania Finance Limited. Brac Tanzania Finance has taken over 100% shares from BRAC Zanzibar Finance Limited in 2022.

The entity in Sri Lanka is a dormant entity since 2014.

Business combinations under common control

A business combination is a transaction whereby the group obtains control over the assets and liabilities, and activities of the acquired party.

A business combination under common control is a business combination of an entity that is under common control with the acquirer. Such business combinations are also referred to as common control transactions.

Business combinations under common control are accounted for using the 'carry-over accounting' method

2.5 Principles for the Translation of Foreign Currency

Transactions in Foreign Currencies

At initial recognition, transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the profit and loss account in the period in which the exchange difference arises, except for exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into the functional currency at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into the functional currency at the exchange rate at the time when the actual current value was determined.

Foreign Operations

The assets and liabilities that are part of the net investment in a foreign operation are translated into the presentation currency at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into the presentation currency at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity.

A group company that has received a loan from the parent recognises any translation differences in the profit and loss account, even if the loan is regarded by the parent as part of a net investment in a foreign operation.

2.6 Financial Instruments

Financial instruments include investments in shares, trade, and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables, and other amounts payable. These financial statements contain the following financial instruments: investment in shares, deposits, loans to customers, trade and other receivables, cash and cash equivalent balances, and other financial liabilities.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability, or equity instrument.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Loans to Customers and Trade and other receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less provision for expected credit losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans originated by the Group by providing finance directly to borrowers are categorised as loans to group members or individuals and are carried at amortised cost on the basis of the effective interest method.

Non-Current and Current Liabilities and Other Financial Commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account. This also includes the savings deposits from clients.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Derivatives

The Company uses derivative financial instruments, such as cross currency and interest swaps. Such derivative financial instruments are initially recognized at fair value on the date

on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of every financial reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains and/or losses are recognized in the profit and loss account.

Determination of Fair Value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and independent from each other.

The fair value of listed financial instruments is determined on the basis of the exit price.

The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

The fair value of derivatives involving the exchange of collateral is determined by discounting the cash flows to present value, applying a risk-free swap curve. This is used because the credit and liquidity risk is mitigated by the collateral exchange.

The fair value of derivatives that do not involve exchange of collateral is determined by discounting the cash flows to present value, applying the relevant swap curve plus credit and liquidity surcharges.

Offsetting Financial Instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

2.7 Intangible Fixed Assets

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible fixed assets are stated at acquisition or construction cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included in the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

The accounting principles for the recognition of an impairment are included under the section Impairments of fixed assets.

The capitalised amount is amortised on a straight-line basis over the terms of the contract.

Software Licences

Software licences are stated at cost less accumulated amortisation and impairment losses. The capitalised amount is amortised on a straight-line basis during the term of the contract.

Prepayments on Intangible Fixed Assets

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised. No amortisation is recognized over the capital work in progress.

2.8 Tangible Fixed Assets

Recognition and Measurement

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Land and buildings, plant and equipment, and other fixed operating assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, plus other costs that are necessary to get the asset to its location and condition for its intended use.

Donor grants for specific assets are deferred and released to the profit and loss account in accordance with the depreciation period of the related assets.

Gains and losses on the disposal of an item of tangible fixed assets are determined by comparing the proceeds from disposal with the carrying value of the tangible fixed assets and recognised net with other income in profit or loss.

Depreciation

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account any estimated residual value of the individual assets. No depreciation is recognised on land, tangible fixed assets under construction and prepayments on tangible fixed assets. Depreciation starts as soon as the asset is available for its intended use and ends at decommissioning or divestment. and

The estimated depreciation rates for the current and comparative periods are as follows:

	2024	2023
	%	%
Land and buildings	5	5
Plant and equipment	20	20
Computer and peripherals	33.33	33.33
Motor vehicles	20	20
Other	10	10

Assets that are taken out of service are stated at the lower of book value or net realisable value.

2.9 Financial Fixed Assets

Participating Interests with Significant Influence

Participating interests where significant influence can be exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and

financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated on the basis of the Company's accounting policies. If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

This provision is primarily charged to the non-current receivables on the respective participating interest that can be regarded as part of the net investment, and for the remainder, it is presented under provisions.

Participating Interests with No Significant Influence

Participating interests where no significant influence can be exercised are measured at current value (fair value via the profit and loss statement).

Other Financial Fixed Assets

The further accounting policies for other financial fixed assets are included under the heading financial instruments and Corporate Income tax.

Dividends

Dividends are accounted for in the period in which they are declared. Dividends from participating interests that are carried at cost are recognised as income from participating interests (under financial income) in the period in which the dividends become payable.

2.10 Impairment of fixed assets

Intangible, tangible, and financial fixed assets are assessed at each reporting date to determine whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

Contrary to what is stated before, at each reporting date, the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet; and
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

2.11 Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

2.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the expenses for acquisition, plus other expenditure to bring the inventories to their present location and condition. Net realisable value is based on the most reliable estimate of the amount the inventories will generate at the most, fewer costs still to make.

Finished goods are carried at the lower of cost price and fair value in accordance with the first-in, first-out (FIFO) principle and market value.

The measurement of inventories includes possible impairments that arise on the balance sheet date.

2.13 Expected Credit loss in loans and advances

The Group followed the guidance of IFRS 9, which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. The Group recognises loss allowances for ECLs on financial assets measured at amortised cost (loans to customers, cash and cash equivalents, and trade and other receivables). It requires the Group to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios, using the probability weightings applied to them and the associated impact on ECL.

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio.

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost (loans to customers, cash and cash equivalents, and trade and other receivables). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the

entity in accordance with the contract and the cash flows that the Group expects to receive). The Group measures loss allowances at an amount equal to lifetime ECLs.

The company reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statements. Judgment is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. To determine the ECL, the Group used a 4-step approach.

Step-1

Determination of Staging

The Group monitors the changes in credit risk in order to allocate the exposure to the correct staging bucket. Given the nature of the Group's loan exposures (generally short-term exposures, <12 months), no distinction has been made between stage 1 (12 months ECL) and stage 2 loans (lifetime ECL) for calculating the ECL provision. The current loans overdue below 31 days are considered stage 1. Any loans overdue for 31–90 days are recognised as stage 2 loans. Loans overdue for more than 90 days are recognized as stage 3 loans.

Step-2

ECL based on backtesting

To avoid the complexity of calculating the separate probabilities of default and loss given default, the Group uses a 'loss rate approach' for the measurement of ECL under IFRS 9. Using this approach, the group used loss-rate statistics based on the net amounts written off over the last five years (Gross write-off less subsequent recovery) over the total amount of loan disbursements. The historical loss rates include the impact of security deposits, which are adjusted with overdue amounts before loans are written off. The average loss rate is then used on all Stage 1 and 2 loans to calculate the ECL on back-testing rates.

ECL on Forward-looking

The forward-looking element of the ECL model is constructed by looking at the trend in net write-off information from the prior three years and applying a projected loss rate in order to anticipate any increase /decrease in future losses.

Step 3

ECL on Stage 3 loans

The Group considers a loan to be credit-impaired when it is overdue for more than 90 days. The ECL applied to net stage 3 loans on the write-off rate from each of the brackets. The rates are below:

Overdue age	Loss rate used	
	2024	2023
91-180 days	50%	31%
181-365 days	100%	43%
365+ days	100%	52%

In 2024, the management used a standard loss rate of 50% for all loans between 91-180 days and 100% for loans over 180 days to standardize the risk approach for the Group. The loss rates are based on the management's estimation of the increased risk of the overall

microfinance operation and on the market environment. The loss rates are higher than the average loss rate for actual write-offs for each bucket.

Step-4

Management Overlay

The Group used a loss rate approach where management used an estimated Loss rate on the net outstanding portfolio. These rates were based on management's understanding of perceived risks in the market and their experience of managing clients at the ground level. The estimated ECL based on the loss rate was then compared with the total ECL derived under (Stage 1-3) and if the estimated ECL on the loss rate method is higher than the difference is booked as management overlay.

2.14 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include highly liquid investments with less than 90 days' maturity from the date of acquisition, which are payable on demand, as well as cash in hand, deposits held at call with banks, subject to sweeping arrangements.

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is considered in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Cash and cash equivalents that are not readily available to the Company within 12 months are presented under financial fixed assets.

2.15 Shareholders' Equity

Issued financial instruments that are designated as equity instruments by virtue of the legal reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Issued financial instruments that are designated as a financial liability by virtue of the legal reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

2.16 Share Premium

Amounts contributed by the shareholder(s) of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire shares of the Company.

Costs and capital taxes associated with the issue of shares that are not capitalised are deducted from the share premium, after considering tax effects. If the share premium is insufficient for such deductions, the amounts are deducted from retained earnings.

2.17 Foreign Currency Translation Reserve

Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this legal reserve.

2.18 Minority Interests

Minority interests are measured at the third party's share in the net value of the identifiable assets, liabilities of a consolidated entity, determined in accordance with the Company's measurement principles .

2.19 Non-Current Liabilities

The recognition and measurement of non-current liabilities is explained under the heading 'Financial Instruments'.

2.20 Current Liabilities

The recognition and measurement of current liabilities is explained under the heading 'Financial Instruments'.

2.21 Income

Interest Income on Loans and Advances

Interest income is recognised in the profit and loss account based on the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset. When calculating the effective interest rate, the company shall estimate cash flows considering all contractual terms of the financial instrument, but shall not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate of a financial instrument, including transaction costs, and all other premiums or discounts where applicable.

Interest income on loans and advances on regular loans, that is, loans where no amounts are overdue as at the end of the reporting period, is recognised on an accrual basis as income. The recognition of Interest income on loans and advances ceases when the loan is transferred to a non-interest-bearing loan. The table below summarises the BRAC Interest recognition policy:

Loan Maturity	BRAC Credit Management
Within the maturity period	Current loan
12 months after the maturity period	Late loans
+12 months after the maturity period	Non-Interest-Bearing loan

Cash flows from receipts of interest are presented as cash flows from operating activities.

Interest Expenses and Similar Charges

Interest expenses and similar charges such as premium, discount and redemption premiums are recognised based on Effective Interest Rate method.

The allocation of these interest expenses on the loan is the effective interest rate that is recognised in the profit and loss account. On the balance sheet, the amortised value of the debt(s) is recognised (on balance).

Any premiums and discounts on issued debt form part of amortised cost of the financial liability and subsequently part of effective interest rate.

Other interests and similar Income

Other interests and similar income include admission and assessment fees from clients and commission income, fair value gain/(loss) on hedge items & equity investment, and Foreign exchange gains. The aforementioned fees are recognised on receipt as the admission and sale constitute a satisfactory performance obligation.

The Group collects fees for the death risk. These fees cover the settlement of the outstanding loan amount and other financial assistance if a borrower dies or becomes disabled. The collections are recognised upfront as income, and a liability is recognised in the balance sheet for the claims resulting from these funds.

Donor Grants and Grant Income

All donor grants received are initially recognised as grant received in advance at fair value and recorded as liabilities.

Donor grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as grant income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate for.

When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

BRAC normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organisations and gets selected based on merit. The program delivery fee received from the donor is recorded as part of grant income.

Other Income

Other income includes gains made due to early repayment of loans, costs recovered from staff as rent against the share of space and utilities

2.22 Costs of Outsourced Work and Other External Costs

This includes costs incurred in order to generate operating income, insofar as these costs have been charged by third parties and are not to be regarded as costs of raw materials and consumables.

2.23 Employee Benefits

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

For benefits with accumulating rights, such as bonuses, the projected costs are taken into account during employment. An expected payment resulting from profit-sharing and bonus

payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

The Company also operates an employee bonus incentive scheme. The provision for employee bonus and or incentive is based on a predetermined company policy and is recognised in other accruals. The accrual for employee bonus and or incentive is expected to be settled within 12 months.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

2.24 Pensions

Foreign Pension Plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Company, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans).

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date.

Dutch Pension Plans

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in the future.

In addition, a provision is included as of the balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments, and that it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff, and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at the balance sheet date.

For any surplus at the pension fund as at the balance sheet date, a receivable is recognised if the Company has the power to withdraw this surplus, if it is likely that the surplus will flow to the Company, and if the receivable can be reliably determined.

2.25 Corporate Income Tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differs from their values for tax purposes (tax base), this results in temporary differences.

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax liability is recognised, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts, and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

2.26 Share in Result of Participating Interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

The results of participating interests acquired or sold during the financial year are measured in the group result from the date of acquisition or until the date of sale, respectively.

2.27 Leasing

The Company may enter into financial and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee is classified as a finance lease. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form. The Company has only entered into an operating lease agreement. At the inception of an arrangement, the Company assesses whether the lease classifies as a finance or operating lease.

Financial Leases

If the Company acts as a lessee in a finance lease, at the inception of the lease, the leased asset (and the related obligation) is accounted for in the balance sheet at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The accounting principles for the subsequent measurement of the leased property are described under the heading 'Tangible fixed assets'. If there is no reasonable certainty that the Company will obtain ownership of a leased property at the end of the lease term, the property is depreciated over the shorter of the lease term and the useful life of the property. The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges during the lease term are allocated to each period so that it results in a constant periodic interest rate over the remaining net liability with regard to the financial lease. Conditional lease payments are recognised as an expense in the period that the conditions of payment are met.

Operating Leases

If the Company acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised in the profit and loss account on a straight-line basis over the lease term.

2.28 Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash, demand deposits and highly liquid financial asset that are readily convertible to a known amount of cash without a significant risk of changes in value.

Cash flows in foreign currency are translated into US dollars using the average rate of exchange for the year. Foreign exchange differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

Receipts and payments of interest, receipts of dividends, and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities.

2.29 Related Party Transactions

Transactions with related parties are disclosed to the extent that the transactions were not at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Related parties comprise directors, subsidiaries, and shareholders (s) of BRAC International Holding B.V., BRAC Bangladesh (including related BRAC entities), and key management personnel of the Company and companies with common ownership and/or directors.

2.30 Discontinued operation

In order to recognise a business segment as a discontinued operation upon disposal of the segment in question, the Company defines a business segment as part of a unit in which the activities and cash flow are largely dependent on other activities.

2.31 Hyperinflation

In presenting the results and financial position of any overseas operation whose reporting currency is deemed to be hyperinflationary, adjustments are made to reflect current price levels.

Under accounting standards, consolidated financial statements prepared based on historical cost must be adjusted with the current purchasing power when operations are in an economy with hyperinflation. This involves applying a general price index that enables the financial information of the subsidiaries operating in a hyperinflationary economy to be presented in the measuring unit in force at the reporting date. All non-monetary assets and liabilities of the subsidiaries operating in a hyperinflationary economy must therefore be adjusted for inflation in order to reflect changes in purchasing power at the reporting date.

Similarly, the profit and loss account is adjusted for inflation during the period. Monetary items do not need to be restated/adjusted as they already reflect purchasing power at the reporting date. Accounting standards do not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment. In accordance with Dutch GAAP, an economy with cumulative 3-year inflation approaching 100% or more is deemed hyper-inflationary and requires hyper-inflation accounting to be applied.

BRAC International Holdings B.V. operates in seven countries across Asia and Africa and monitors the inflation rates in an inflation dashboard, which is used as one indication of the existence of hyperinflation, together with an assessment of other economic conditions.

Ghana and Sierra Leone have exceeded the three-year cumulative rate of inflation of 100% by the end of 2024 and 2023. The general price index used by BIHBV for purposes of measuring inflation movements is the Consumer Price Index ('CPI') of the specific country and is obtained from the entity's central bank website.

BIHBV has used hyperinflationary adjustments under Dutch GAAP (DAS 122) for both subsidiaries' financial information.

The application of hyperinflation accounting includes the following adjustments:

- Adjustment of historical cost non-monetary assets, liabilities, and stated capital for the change in purchasing power caused by inflation from the date of initial recognition or contribution to the balance sheet date;
- Adjustment or contribution of the profit and loss account for inflation during the year;
- The profit and loss account is translated at the year-end foreign exchange rate instead of a monthly average rate;
- A net monetary gain or loss adjustment, recognised in the profit and loss account, to reflect the impact of inflation on holding monetary assets and liabilities in local currency; and
- Adjustment in the cash flow statement to reflect the current purchasing power.

On the first application of hyperinflationary accounting, non-monetary items were translated at the start of the financial year for the effect of (hyper)inflation from the dates on which the assets were acquired and liabilities were incurred. The difference with the previous measurement was recognised in equity.

The impact of the implementation of hyperinflation in the consolidated financial statements of the BIHBV is as follows:

Consolidated Balance Sheet **Amounts in USD**

Particulars	Historical	Impact of hyperinflation	Adjusted
Total Assets	341,626,837	134,928	341,761,765

Total Liabilities	224,370,110	-	224,370,110
Total Equity	117,256,728	134,928	117,391,656

Consolidated Profit and loss account Amounts in USD

Particulars	Historical	Impact of hyperinflation	Adjusted
Profit for the year	6,937,464	(1,029,137)	5,908,327

Breakdown of P&L Impact for hyperinflationary accounting:

Particulars	Amount in USD		
	Sierra Leone	Ghana	Total
(Loss) /Gain on Net monetary position	(668,993)	(278,129)	(947,122)
Impact of CPI adjustment on other P&L items	1,741	(83,756)	(82,015)
Total (loss)/ Gain due to hyperinflation adjustment on net profit	(667,252)	(361,885)	(1,029,137)

2.32 Contingent Assets and Liabilities

The Company discloses a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Company discloses a contingent asset where it has a potential assets arising from events up to and including the balance sheet date, the existence of which depends on the occurrence or non-occurrence of one or more uncertain events in the future, without the legal entity being able to exercise decisive influence over them.

2.33 Subsequent Events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

3 Intangible Fixed Assets

Movements in intangible fixed assets were as follows:

	Software	Capital work in progress	Total
	USD	USD	USD
Balance as at 1 January 2024:			
– Purchase price	5,952,616	804,138	6,756,754
– Accumulated amortisation and impairment	(1,636,904)	-	(1,636,904)
– Impact of Hyperinflation accounting	23,742	-	23,742
– Carrying amount	4,339,454	804,138	5,143,592
Changes in carrying amount:			
– Investments	42,182	-	42,182
– Capital work in progress transfer	488,991	(488,991)	-
– Amortisation	(944,705)	-	(944,705)
– Disposal purchase price	-	(15,089)	(15,089)
– Exchange rate differences in purchase price	117,379	-	117,379
– Exchange rate differences accumulated depreciation	(64,140)	-	(64,140)
– Change in carrying amount	(360,293)	(504,080)	(864,373)
	=====	=====	=====
Balance as at 31 December 2024:			
– Purchase price	6,663,385	300,058	6,963,443
– Accumulated amortisation and impairment	(2,684,224)	-	(2,684,224)
– Carrying amount	3,979,161	300,058	4,279,219

The intangible fixed assets consist of expenditure on software licences purchased from third parties, mainly related to the implementation of the Digital Field Application (DFA) in Uganda and the CBS implementation in Tanzania. The pilot of the digital field application started in 2025. The CBS was implemented in Tanzania in 2024.

4 Tangible Fixed Assets

Movements in tangible fixed assets were as follows:

	Buildings*	Plant and* equipment	Computer and* Peripherals	Motor Vehicles*	Furniture and fixtures*	Total
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2024:						
– Purchase price	48,401	5,260,311	1,931,078	1,259,817	4,355,600	12,855,207
– Accumulated depreciation and impairment	(5,756)	(3,897,057)	(966,310)	(591,714)	(2,583,338)	(8,044,175)
– Impact of Hyperinflation accounting	-	14,403	122,850	46,639	15,102	198,994
– Carrying amount	42,645	*1,377,657	*1,087,618	*714,742	*1,787,364	*5,010,026
	=====	=====	=====	=====	=====	=====
Changes in carrying amount:						
– Investments	19,977	483,543	579,965	335,953	611,690	2,031,128
– Disposals	-	(144,329)	(148,680)	(100,032)	(210,856)	(603,897)
– Depreciation	(2,322)	(580,578)	(506,808)	(212,547)	(479,141)	(1,781,396)
– Reversal of depreciation on disposal	-	128,996	125,013	99,944	176,527	530,480
– Exchange rate differences in purchase price	2,581	137,358	(34,540)	(15,604)	99,671	189,466
– Exchange rate differences accumulated depreciation	2,174	(116,306)	17,520	(32,257)	(68,899)	(197,768)
	22,410	(91,316)	32,470	75,457	128,992	168,013
	=====	=====	=====	=====	=====	=====
Balance as at 31 December 2024:						
– Purchase price	70,959	5,732,688	2,353,238	1,473,521	4,774,025	14,404,431
– Accumulated depreciation and impairment	(5,904)	(4,446,347)	(1,233,150)	(683,322)	(2,857,669)	(9,226,392)
– Carrying amount	65,055	1,286,341	1,120,088	790,199	1,916,356	5,178,039

There were no impairment for tangible fixed assets during the year (2023: Nil).

* - Comparative data has been adjusted in line with the current year.

5 Financial Fixed Assets

	2024 USD	2023 USD
Investment in shares	3,741,644	3,884,141
Deferred tax assets	2,452,636	3,063,819
Deposits with Banks	12,094,347	5,100,000
Derivative assets	875,715	1,988,852
	19,164,342	14,036,812
	=====	=====

Investment in shares

The Company made a USD 4 million investment from 2015 to 2018 in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund. The Company bought 56,151 Type-A shares in the fund. In September 2022, SFRE merged with the Triodos Microfinance Fund (TMF), and as a result, 56,151 Type A shares were converted to 134,469,210 SI-share class. The lock-in period for those shares was one year. In September 2023, after the lock-in period, the SI shares were further converted to 118,472 I-dis share class. The shares held by BIHBV represent 1.1% of the total shares issued by the fund. The Company does not have significant influence over this investment. The investment in share is measured at current value (fair value through the profit and loss account). Based on the nature of the investment, it has been evaluated that the carrying value of the investee's equity approximates its fair value. As of 31 December 2024, the current value is calculated as Net Asset Value per share multiplied by the number of shares held by the Company: EUR 30.04*118,472 shares *exchange rate (2023: EUR 29.67).

The movement in investment in shares was as follows:

	2024 USD	2023 USD
Balance as at 1 January:		
— Cost price	4,000,000	4,000,000
— Fair value	3,884,141	3,554,068
Net change in fair value	<u>(142,497)</u>	<u>330,073</u>
Balance as at 31 December		
— Cost price	4,000,000	4,000,000
— Fair value	3,741,644	3,884,141
	=====	=====

Deferred Tax Assets

The deferred tax assets arise due to all temporary differences between the accounting base and the fiscal base in assets and liabilities, using the principal tax rate of the subsidiaries. The Company has unrealized carry forward losses in Uganda and temporary tax assets in Liberia, Sierra Leone, and Tanzania due to timing differences in Tangible fixed assets, exchange losses, and the provision of impairment losses on loans to customers. The management estimates to recover the past losses within the next five years.

The deferred tax assets related to the recognised unused tax loss carry-forwards in the Uganda subsidiary and deductible temporary differences. It is expected that the subsidiary

will be able to offset the prior years' accumulated losses amounting to USD 3.4 million (2023: USD 6.6 million) within the next five years.

Tax losses in Rwanda and Ghana amounting to USD 7.9 million (2023: 6.7 million) were not recognised in the calculation of deferred tax assets as the recoverability of those is uncertain because it is not probable that future taxable profit will be available against which the Group can use the benefits there from in the near future, The maturity date of the tax loss carry-forward not included in the valuation amounts as at 31 December 2024 can be specified as follows:

	2024 USD
2025	536,342
2026	1,504,370
2027	2,420,313
2028 and beyond	3,440,292
	7,901,317

The movement in deferred tax assets was as follows:

	2024 USD	2023 USD
Balance as at 1 January	3,063,819	4,124,546
Credit/Charge for the year	406,891	(431,446)
Utilised during the year	(1,018,074)	(629,282)
Carrying amount	2,452,636	3,063,819

The deferred tax amounts include USD 1.0 million expected to be utilised within the next 12 months.

Deposits with Banks

Deposits at several subsidiaries (located in Tanzania, Liberia, Sierra Leone, and Myanmar) are linked to the borrowings, which are required to be held as cash collateral as stipulated in the loan agreements. These deposits are held at specific collateral bank accounts.. The collateral amount maturing within 1 year is presented under trade and other receivables (refer to note 8), and the amount maturing after 1 year is presented under financial fixed assets. The unrestricted bank deposit balances are presented under the cash and cash equivalents (refer to note 9).

The summary of all bank deposit balances is presented below:

	2024 USD	2023 USD
Deposits unrestricted (note 9)	10,654,348	7,498,552
Deposits kept as collateral maturing within 1 year (note 8)	11,439,100	7,200,000
Deposits kept as collateral maturing after 1 year (note 5)	12,094,347	5,100,000
Total Deposits with Bank	34,187,795	19,798,552

The movement in deposits with banks was as follows

	2024	2023
	USD	USD
Balance as at 1 January	19,798,552	27,253,659
Additions during the year	28,875,144	8,214,651
Withdrawal/utilised during the year	(14,485,902)	(15,669,758)
Balance as at 31 December	34,187,794	19,798,552

Derivatives

As of 31 December 2024, the Group had cross-currency interest rate swap contracts in Tanzania, Sierra Leone, and Rwanda. The currency swap contracts were made with MFX Currency Risk Solutions (MFX) to mitigate currency risk exposure on the USD-dominated loans taken from intercompany. The summary of the cross-currency swaps is as follows:

Entity	2024		2023	
	Notional Amount	Fair Value Assets	Notional Amount	Fair Value Assets
	USD	At 31 December USD	USD	At 31 December USD
Tanzania	9,215,830	402,217	10,880,830	932,357
Rwanda	1,600,000	313,666	5,200,000	704,189
Sierra Leone	1,600,400	159,832	2,000,000	352,306
Total	12,416,230	875,715	18,080,830	1,988,852
	=====	=====	=====	=====

The positive value denotes that the entities will receive money from MFX. Out of this derivative amounting to USD 197 thousand will mature within 12 months.

The applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows using future exchange rates and discounting them with the appropriate interest rate curves.

6 Inventories

	2024	2023
	USD	USD
Stationery and office printed materials	734,866	310,075
	=====	=====

The stationery and office printed materials are mostly passbooks, loan forms, and other collateral forms in the subsidiaries. Inventories for 2024 include fixed assets procured but not issued for use, amounting to USD 196 thousand (2023: Nil)

No provision for obsolete inventories is deemed necessary (2023: Nil).

7 Loans to Customers

Principal Loans Outstanding

	2024 USD	2023 USD
Microfinance loans	166,079,997	134,704,688
Small enterprise programme (SEP) loans	40,984,365	32,317,939
Agriculture loans	18,279,360	13,801,078
Women Enterprise program	5,385,462	3,711,808
Other loans	4,654,379	1,477,361
	235,383,563	186,012,874
	=====	=====

Movement in Loans and advances

	2024 USD	2023 USD
Opening balance as at 1 January	186,012,874	168,986,877
Disbursements during the year	478,552,708	417,992,893
Repayment during the year	(429,463,883)	(385,288,018)
Write-offs during the year (principal)	(5,095,912)	(4,871,562)
Translation differences	5,377,776	(10,807,316)
Gross advance to customers as at 31 December	235,383,563	186,012,874
Interest receivable as at 31 December	6,263,304	7,775,281
Write-offs during the year (interest)	(1,083,641)	(1,307,990)
Allowances for expected credit loss	(7,213,012)	(7,697,737)
Closing balance as at 31 December	233,350,214	184,782,430
	=====	=====

Microfinance loans to group members are traditional small-ticket loans (the approximate average loan size is USD 312 per customer). The tenure of the loans is within 20-40 weeks, and installments are paid on either a weekly or bi-weekly basis.

SEP loans have slightly larger ticket sizes (average size is around USD 1,340) and are normally given to individual small businesses for a period of 6-12 months. The duration of the agriculture loans is approximately 40 weeks. These loans bear flat-rate interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values since the time period of money is not material, as the loans have an average duration of no longer than 12 months. All loans are secured up to the balance of the Loan Security Fund.

The Loan Security Fund (refer to note 10) acts as a defence for the customers' loan obligations. This is computed as 10% of a part of the customers' approved loans; in Myanmar, it is 5%. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the amount at risk.

The movement of the Allowances for expected credit loss is as below:

	2024 USD	2023 USD
Opening balance as at 1 January	7,697,737	10,492,903
Charged for the year	5,586,293	3,395,077
Write-off (principal)	(5,095,912)	(4,871,562)
Write off (interest)	(1,083,641)	(1,307,990)
Foreign exchange adjustment	108,535	(10,691)
Closing balance as at 31 December	7,213,012 =====	7,697,737 =====

The Company follows the guidance of IFRS 9, which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Company to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios, used the probability weightings applied to them and the associated impact on ECL.

8 Trade and Other Receivables

	2024 USD	2023 USD
Deposits with Banks (note-5)	11,439,100	7,200,000
Advances and prepayments to third parties	3,604,120	2,685,279
Advances to BRAC USA	250,000	250,000
Receivable from BRAC NGO operations	151,991	533,786
Advance taxes	851,633	132,828
Investment in treasury bills	1,247,190	-
Grant receivables	79,799	132,316
Accrued interest on bank deposits	469,270	628,779
VAT Receivable	34,074	24,176
Other Receivable	228,490	401,177
Unamortised upfront fee	459,497	243,384
	18,815,164 =====	12,231,725 =====

Advances and prepayments to third parties are mainly rent paid in advance to the landlords for offices and guest houses.

Advance to BRAC USA is the BIHBV's contribution to a guarantee against a loan from the U.S. International Development Finance Corporation (DFC) loan to Myanmar consolidated entity. The amount is kept in an escrow account held by BRAC USA. The deposit will be refunded after the settlement of the DFC loan by BRAC Myanmar Microfinance Company Ltd.

All the other receivables are expected to be due within 1 year.

9 Cash and Cash Equivalents

	2024 USD	2023 USD
Cash at bank	48,579,710	63,805,629
Deposits with Banks (note-5)	10,654,348	7,498,552
Cash in hand	1,005,864	679,926
	60,239,922	71,984,107
	=====	=====

The Cash at bank includes an 'Issuer Reserve' of USD 533,446 (2023: USD 520,928) in BIFBV, which is only available to the subsidiary to make a payment to prevent a default in the payment of interest in respect of the Notes held by investors under debt program managed by BIFBV.

Cash at Bank also includes an amount of USD 17.5 million (2023: USD 23.2 million), which is partially restricted against loan security funds in Tanzania (please refer to note 12). The amount needs to be kept at all times as per the regulatory guidance of these entities. Deposits with Banks amounting to USD 10.7 million (2023: USD 7.5 million) are available on demand. In case of early withdrawal of the short-term deposit, the interest income will be less than the agreed-upon interest rate.

Cash at Bank is net of ECL expenses amounting to 261,405. (2023: NIL)

10 Group Equity

For a detailed explanation of the share of the Company in group equity, reference is made to note 30 Shareholders' equity in the Company financial statements.

	2024 USD	2023 USD
Equity	108,460,839	99,596,973
Minority interest	8,930,817	7,525,720
	117,391,656	107,122,693
	=====	=====

Refer to note 30 for the movement schedule.

Minority interests

	2024 USD	2023 USD
BRAC Uganda Bank Ltd.	8,930,817	7,525,720
	=====	=====

This minority interest covers the third-party interests (51%) in the shareholders' equity of the BRAC Uganda Bank Ltd.

11 Non-Current Liabilities

	2024 USD	2023 USD
Borrowings	133,415,458	115,269,677
Unamortised Cost of Borrowings	(1,007,075)	(503,681)
	<u>132,408,383</u>	<u>114,765,996</u>
Less: Current portion of borrowings	(66,772,998)	(42,211,622)
Non-current liabilities	<u>65,635,385</u>	<u>72,554,374</u>

Borrowings

The movement of the borrowings during the year is given below:

	2024 USD	2023 USD
Opening balance as at 1 January	114,765,996	102,705,130
Received during the year	61,524,437	39,850,389
Repayment during the year	(45,779,933)	(24,774,306)
Transaction costs capitalised during the year	(1,007,076)	-
Transaction costs amortised during the year	503,682	532,780
Foreign currency (gain)/loss	2,401,277	(3,547,997)
Closing balance as at 31 December	<u>132,408,383</u>	<u>114,765,996</u>

The repayment term of the borrowings is as follows

	2024 USD	2023 USD
<1 year	66,772,998	42,211,622
1-5 year	65,635,385	72,554,374
>5 year	-	-
Total	<u>132,408,382</u>	<u>114,765,996</u>

Out of Borrowings, loans amounting to USD 47.0 million (2023: USD 43.5 million) are in USD and bear an average interest rate of 2.0-8.5% (2023:4.95%-7.60%). The balance of USD 86.4 million (2023: USD 71.7 million) is in local currencies of respective subsidiaries and bears an average interest rate of 6%-23% (2023:7%-23%).

Covenants

The following covenants are related to loans with a principal amount of USD 79.5 million

Key Financial KPIs	BUBL	BTFL	BLMCL	BMSLL
30 Day PAR	<5%			
Write-off ratio	<3%			
Loan loss reserve ratio	Larger of 50%, or local regulation		Larger of (i) 80%, or (ii) local regulations	
Cost to income ratio	2024:<100% 2025-26:<95% 2027+:<85%		<85%	
Solvency Ratio	>15%		>20%	>15%
Gearing Ratio (Max 5)	<5			
Unhedged Open Foreign Currency Ratio	<25%			
Liquidity ratio	>100%			
Permitted Indebtedness	<60 %		<40%	
ROA	>0%		-	-
Operation Self-sustainability	>100%		-	-
Debt to Equity	300%			
CAR	>15.5%	>15%		

'30 Day PAR Ratio' shall mean expressed as a percent of (A) the sum of (x) aggregate gross principal balance outstanding of all loans in the borrower's portfolio for which one or more payments was more than 30 days overdue plus (y) the aggregate gross principal balance of all restructured and rescheduled loans, in each case as of the date of the most recent quarterly financial statements divided by (B) the aggregate gross principal balance outstanding of all loans in the borrower's portfolio as of the date of the most recent quarterly financial statements.

'Write-off Ratio' shall mean, for any date of determination, an amount calculated by dividing (i) the sum of the write-offs made by the borrower with respect to its portfolio of loans during the twelve months prior to the date of the borrower's most recent quarterly financial statements by (ii) the average aggregate principal amount of the borrower's outstanding loan portfolio during such twelve month period.

'Loan Loss Reserve Ratio' shall mean the quotient, expressed as a percent of (A) loan loss reserve of the borrower divided by (B) the sum of (x) aggregate gross principal balance outstanding of all loans in the borrower's portfolio for which one or more payments was 30 days or more overdue plus (y) the aggregate gross principal balance of all restructured and rescheduled loans in the borrower's portfolio, in each case as of the date of the most recent quarterly financial statements.

'Cost to Income Ratio' shall mean, for twelve (12) months, the result obtained by dividing (a) operational costs for such period by (b) operational income for such period.

'Solvency Ratio' shall mean, at any point in time, an amount equal to (a) the total equity divided by (b) the total assets.

'Gearing Ratio' shall mean the following ratio: (Indebtedness + Voluntary savings)/Total Equity, to be less than or equal to 5.

'Unhedged Open Foreign Currency Ratio' shall mean the result obtained by dividing: (a) the Un-hedged Open Foreign Currency Position on a single currency basis; by (b) Tier 1 Capital.

'Liquidity Ratio' shall mean, the following liquidity ratio: (Cash + Short-Term Securities) / (20% * Voluntary savings + 3month net debt outflows)

'Permitted Indebtedness' shall mean Secured Indebtedness (other than the Loan Advance) owing by the borrower to creditors in the country and internationally and relating to local operations, that when taken with all other secured indebtedness of the borrower besides the loan advance is not in excess of forty percent (40%) (or 60% in the case of BRAC Uganda Bank Limited) of the aggregate gross principal balance outstanding of the total outstanding principal balance of loans held by the borrower.

'ROA' shall mean Net income / Average total assets.

'Operating Self Sufficiency' shall mean Total Income / Total expenses.

'Debt to Equity' shall mean Total external debt / (Tier I capital + Tier II capital retained earnings + regulatory reserves).

'CAR Ratio' shall mean Regulatory Capital / Risk-weighted Assets.

The subsidiaries (borrowers) were compliant with the covenants at the balance sheet date.

12 Current Liabilities

	2024 USD	2023 USD
Donor funds	6,649,841	4,506,756
Loan Security Fund	28,491,533	30,934,315
Deposits from savers	41,063,075	24,189,799
Current portion of the borrowings (note 11)	66,772,998	42,211,622
Other current liabilities	15,757,278	11,756,472
	158,734,725	113,598,964

The Loan Security Fund acts as a defence for the customers' loan obligations. This is computed as 10% of a part of the customers' approved loans in all consolidated entities except Myanmar, which is 5%. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the amount at risk. The loans have durations of 20-40 weeks and 6-12 months, depending on the loan type.

Deposits from savers include the voluntary savings made by the clients and are payable on demand. The Group has received licenses in Uganda, Rwanda, Myanmar, and Ghana. Interest is paid to the depositors as per the local market rate.

Donor Funds

	2024 USD	2023 USD
Donor funds received in advance	1,785,215	1,307,806
Donor funds invested in microfinance loans	1,740,620	1,237,227
Donor funds utilised in fixed assets	3,124,006	1,961,723
	6,649,841	4,506,756

All amounts included are due within one year.

Donor Funds Received in Advance

	2024 USD	2023 USD
Opening balance as at 1 January	1,307,806	2,494,796
Received during the year	10,971,164	6,308,551
Transferred to donor funds invested in fixed assets	(1,406,978)	(1,284,833)
Transferred to donor fund investment in loans	(908,042)	-
Released to profit and loss account	(8,802,597)	(5,726,075)
Other	623,862	(484,633)
Closing balance as at 31 December	1,785,215	1,307,806

The grants from the above donors were received for the enhancement of the Microfinance programme. The grants had been provided on the basis of the Company fulfilling certain conditions, failing to comply with which, part or all of the money may have to be refunded to the donor.

Donor Funds Invested in Microfinance Loans

	2024 USD	2023 USD
Opening balance as at 1 January	1,237,227	1,770,007
Transferred from donor funds received in advance	908,042	-
Released to profit and loss account	(404,649)	(532,780)
Currency translation	-	-
Closing balance as at 31 December	1,740,620	1,237,227

Donors are initially accounted as "Donor Funds received in advance". If the funds granted have been utilised to secure consolidated entities funding, the respective amount is reclassified from [Donor Funds received in advance] to [Donor Funds Invested in Microfinance Loans]. The funds will be further recognized in the profit and loss account as grant income based on the repayment schedule of the secured funding.

Donor Funds Utilised in Fixed Assets

	2024 USD	2023 USD
Opening balance as at 1 January	1,961,723	950,453
Transferred from donor funds received in advance	1,406,977	1,284,833
Depreciation charged for the year released to the profit and loss account	(237,381)	(220,106)
Currency translation	(7,313)	(53,457)
Closing balance as at 31 December	3,124,006	1,961,723

Funds received from Donors are initially accounted as Donor Funds received in advance. If the funds granted have been utilised for the acquisition of fixed assets, the respective amount is reclassified from Donor Funds received in advance to Donor Funds Utilized in Fixed Assets. The funds will be further recognized in the profit and loss account as grant income on straight-line basis in line with the useful life of acquired fixed assets

Other Current Liabilities

	2024 USD	2023 USD
Payable to Stichting BRAC International (Shareholder)	1,005,065	812,653
Payable to BRAC Bangladesh	385,566	3,877
Payable to BRAC IT Services Limited	698,171	247,357
Payable to third party	803,760	957,952
Corporate income tax payable	570,296	437,407
Withholding and other taxes	1,111,372	1,013,231
Liquidity reserve (note 9)	533,466	520,928
Accrued expenses	912,380	732,364
Interest payable on borrowings	2,812,775	2,473,030
Social security fund	1,278,286	913,086
Bonus accrual	19,242	1,403
Employee Insurance Fund	71,104	14,061
Other liabilities	5,555,795	3,629,123
	15,757,278	11,756,472

Payable to Stichting BRAC International mainly relates to the amount provided by the parent entity to the Company for making various investments. The amount is payable on demand.

Payable to BRAC Bangladesh is in relation to the expenses incurred by BRAC Bangladesh on behalf of the Company and its subsidiaries. The amount is payable on demand.

Other liabilities include various staff benefit accruals and payments to suppliers. All the other current liabilities are payable within one year.

13 Financial Instruments

General

During the normal course of business, the Company uses various financial instruments that expose the Company to market, currency, interest, cash flow, liquidity and/or credit risks.

Risk Management Framework

The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

BIHBV financial risk management policy seeks to identify, appraise, and monitor the risks facing BRAC whilst taking specific measures to manage its interest rate, foreign exchange, liquidity, and credit risks. BRAC does not, however, engage in speculative transactions or take speculative positions. The Company uses derivatives to manage market risk. All such transactions are carried out within the guidelines set out in the risk management policy.

Policy Objectives

- Protect the Company and its subsidiaries from risks of significant likelihood and consequence in the pursuit of the stated strategic goals and objectives.
- Provide a consistent risk management framework in which the risks concerning the Company will be identified, considered, and addressed in key approval, review, and control processes.
- Encourage proactive rather than reactive management.
- Provide assistance to and improve the quality of decision-making throughout the Group.
- Meet legal or statutory requirements; and
- Assist in safeguarding the Company's assets: people, finance, property, and reputation.

The Management Board is responsible on behalf of the Company for ensuring that a risk management system is established, implemented, and maintained in accordance with this policy.

The Risk Management department will be responsible for oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment. The risk management function will ensure risk management services are in conformity with global standards.

Credit Risk

Credit risk arises principally from the Company's loans and receivables, financial fixed assets, trade and other receivables, and cash. The credit risk is spread over many counterparties, mainly individual customers (banks, customers, and other third parties). In most circumstances, there is a long-standing relationship with program participants who have, in most circumstances, timely satisfied their obligation to pay.

There are no significant concentrations of credit risk through exposures to individual customers and specific industries/sectors. However, Tanzanian consolidated entity holds 43% of the Group's credit exposure in 2024 (2023: 41%). Bank of Africa, Tanzania, holds 22% of the Group's bank balances (2023: 23%).

The Company's exposure to credit risk on Loans and advances is influenced mainly by the individual characteristics of the loan portfolio (i.e., the programme participants). However, management also considers the characteristics of the Group's customer base, including the default risk of the country, as these factors may have an influence on credit risk. These risks are reflected in the Expected credit loss recognized following IFRS 9.

Management has an internal process to review and monitor these counterparties, including program participants, before loan disbursements are made to mitigate the credit risk.

Furthermore, the Group's review also includes an assessment of external ratings of banks selected for deposit-taking.

Disbursed loans are subject to retention of title clauses, so that in the event of non-payment, the Group may have a secured claim.

During the reporting period, the Company has recorded an amount of USD 5.8 million (USD 3.4 million in 2023) in profit and loss account as an expected credit loss on Loans and advances. These losses are the result of overdue amounts on loans provided by microfinance entities to borrowers.

The Company has not pledged any collateral for liabilities during the year, except bank deposits (noted-5) (2023: Nil).

The Company recognises that the aim of risk management is not to eliminate risk totally but rather to provide the structural means to identify, prioritise and manage the risks involved in all activities. It requires a balance between the cost of managing and treating risks and the anticipated benefits that will be derived. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognized in the profit and loss account were as follows:

	2024 USD	2023 USD
ECL expenses on Loans and advances	5,586,293	3,395,077
Fair value gain/(loss) on investment in shares	142,497	(330,073)
ECL expenses on cash at banks	261,406	68,014
	5,990,196	3,065,004
	=====	=====

Total exposure to credit risk

The below represents the maximum credit risk exposure to the Company as at 31 December 2024 and 2023. For the on-balance of financial position assets, the exposures set out above are based on carrying amounts as reported on the Balance sheet.

	2024 USD	2023 USD
Cash and cash equivalents (ex. cash in hand)	48,579,710	63,805,629
Loans and advances to customers	233,350,214	184,782,430
Loan Security Fund	(28,491,533)	(30,934,315)
Deposit with Banks (note-5)	34,187,795	19,798,552
Trade and other receivables	<u>7,376,064</u>	<u>5,031,724</u>
	295,002,250	242,484,020
	=====	=====

Loan and advances to customers

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may affect the credit risk of its customer base, including the default risk associated with the country in which customers operate.

A credit policy has been established under which each customer is analysed individually to obtain a loan. The Company limits its exposure to credit risk from customers by establishing a maximum payment period per type of loan (i.e., group lending, small enterprises, agriculture, etc.). Besides fixed payment terms, customers are obliged to deposit 10% of the granted loan as a deposit (loan security fund); in Myanmar, it is 5%.

At 31 December 2024, the exposure to credit risk for loan receivables by geographic region was as follows:

	Carrying amount	
	2024	2023
	USD	USD
Tanzania, including Zanzibar	105,502,926	80,133,573
Uganda	53,368,875	48,297,272
Myanmar	32,266,166	27,669,010
Liberia	22,558,002	15,096,968
Sierra Leone	13,196,789	9,842,372
Rwanda	5,480,610	3,604,188
Ghana	976,846	139,047
	233,350,214	184,782,430
	=====	=====

Expected Credit Loss Assessment for Individual Customers

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2024.

	Weighted average loss rate	Gross carrying amount (incl. Interest) USD	Loss Allowance USD
Current (not past due)	1.30%	229,708,319	2,974,758
1–30 days past due	3.88%	4,334,862	168,401
31–90 days past due	13.79%	1,409,842	194,458
91–180 days past due	38.69%	1,173,780	454,168
181– 365 days past due	85.31%	2,613,170	2,229,188
More than one year past due	90.08%	<u>1,323,254</u>	<u>1,192,041</u>
Total		240,563,227	7,213,013

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2023.

	Weighted average loss rate	Gross carrying amount (incl. Interest) USD	Loss Allowance USD
Current (not past due)	0.86%	179,845,760	1,540,330
1–30 days past due	4.14%	3,348,637	138,476
31–90 days past due	16.26%	1,262,137	205,180
91–180 days past due	40.33%	804,317	324,390
181– 365 days past due	66.11%	2,825,363	1,867,843
More than one year past due	82.42%	<u>4,393,943</u>	<u>3,621,518</u>
Total		192,480,157	7,697,737
		=====	=====

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the group in which customers operate.

Management has established a credit policy under which each customer is analysed individually for creditworthiness before new and subsequent facilities are advanced. Credit limits are established for each type of loan product and customer and reviewed regularly.

Cash and cash equivalents

The Company held cash and bank balances (including short-term deposits) equivalent to USD 60.2 million on 31 December 2024 (2023: USD 72.0 million).

87% of all bank balances and deposits amount is held with banks with an external credit rating of B and above. The Company considers that its cash and cash equivalents have low credit risk based on the risk rating of the counterparties.

Currency Risk

The group is exposed to currency risk on transactions denominated in a currency other than the respective functional currencies of group entities. The functional currency of the Company is the US dollar (USD), and the presentation currency is USD. The currency in which transactions are primarily denominated is USD. The subsidiaries' functional currency is the country's local currency.

To mitigate the foreign exchange risk on foreign currency loans, subsidiaries use either hedge agreements with international hedge providers or a back-to-back loan facility with local banks.

The Company's funding preference is to secure local currency loans for the MFIs (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

The year-end closing exchange rate by country and local currency / USD is given below:

	2024	2023	Currency (appreciation) / depreciation%
Uganda (UGX)	3,670.27	3,782.21	(2.96)%
Tanzania (TZS)	2,452.00	2,515.00	(2.50)%
Zanzibar (TZS)	2,452.00	2,515.00	(2.50)%
Rwanda (RWF)	1,382.99	1,263.93	9.42%
Sierra Leone (SLL)	22.69	22.80	(0.48)%
Liberia (LRD)	182.43	187.17	(2.53)%
Myanmar (MMK)	2,100.00	2,100.00	-
Ghana (GHS)	14.70	11.88	23.74%
Kenya (KES)	129.29	156.46	(17.36)%
The Netherlands (EUR)	0.963	0.905	6.40%

In 2024, UGX, TZs, and LRD saw an appreciation against USD, resulting in a foreign exchange translation gain of USD 2.2 million (loss of USD 5.7 million in 2023). Out of which USD 1.8 million is related to the appreciation of TZS. The local currency GHS (-17%)

depreciated against the USD; however, this did not contribute to an increase in foreign exchange translation losses due to the application of hyperinflation accounting to Ghana.

The FX rate in Myanmar is managed by the Government of Myanmar and has been fixed. However, the country has been struggling to source USD, which has resulted in a restriction of repayment of international loans and service international payments by the Myanmar subsidiary. There is a significant difference between the official government rate (MMK 2,100 for 1 USD) and the trade rate available at the bank for import and export (MMK 3,588 for 1 USD) as of 31 December 2024. The FX risk in Myanmar is mitigated by a back-to-back loan structure wherever possible. However, at 31 December 2024, BRAC Myanmar Microfinance Co. Ltd (BMMCL) has a net unhedged FX liability of USD 10.4 million, and any change in the official rate makes the entity vulnerable to significant FX loss. As a mitigation, the Company initiated in 2024 a process to take over an external debt of USD 2.2 million at USD 400,000. This debt will be converted into equity if the situation requires. The Company is in touch with other external lenders of BMMCL and will start discussions on the potential settlement and restructuring of the international loans in the Myanmar operation.

Derivatives

The derivatives are entered into with bank and financial institution counterparties to mitigate the currency risk. Credit assessment is carried out on the counterparties before establishing contractual relationships.

Interest Rate Risk

Interest rate risk is the risk that profitability is affected by fluctuations in interest rates. BRAC's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members and to voluntary savers. BRAC does not engage in speculative transactions or take speculative positions on its interest rates.

The majority of the loans that are disbursed by the subsidiaries have short-term maturities upto maximum of 1 year and are at fixed interest rates. Third-party loans to MFIs, sourced from both local and international financial institutions, mostly have relatively short terms between one and four years, and at a fixed interest rate.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, which are both exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Management of Market Risk

Overall responsibility for management of market risk rests with the CEOs. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Liquidity Risk

The Group monitors its cash position by using successive liquidity budgets. Management ensures that the cash position is sufficient to meet the Company's financial obligations towards creditors and to stay within the limits of its loan covenants.

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met in a manner that is timely and cost-effective. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company, and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institutions' facilities.

BRAC International Holdings B.V. manages its debt maturity profile, operation cash flows, and the availability of funding to meet all refinancing, repayment, and funding needs. As part of its overall liquidity management, the Company maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition, the Company maintains banking facilities of a reasonable level in fixed deposits to meet its working capital requirements.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial obligations and rights at the reporting date. The amounts are gross and undiscounted, include estimated interest payments and exclude the impact of netting agreements.

31 Dec 24	Less than 1 year USD	1 - 5 years USD
Donor funds	6,649,841	-
Loan security fund	28,491,533	-
Deposit from savers	41,063,075	-
Current portion of borrowings	67,190,209	-
Other current liabilities	15,757,278	-
Long term borrowings	-	66,225,249
Total	159,151,936	66,225,249
Loan to customers	233,885,180	-
Trade and other receivables	7,376,064	-
Deposits with Banks	22,093,448	12,094,347
Cash and cash equivalents	49,585,574	-
Total	312,940,266	12,094,347
Net amount	153,788,330	(54,130,902)

31 Dec 23	Less than 1 year USD	1 - 5 years USD
Donor funds	4,506,755	-
Loan security fund	30,857,640	76,675
Deposits from savers	24,189,799	-
Current portion of borrowings	42,211,622	-
Other current liabilities	9,919,545	1,836,927
Long term borrowings	-	72,554,374
Total	111,685,361	74,467,976
Loan to customers	183,710,424	1,072,006
Trade and other receivables	5,031,724	-
Deposit with Banks	14,698,522	5,100,000
Cash and cash equivalents	64,485,555	-
Total	267,926,225	6,172,006
Net Amount	156,240,864	(68,295,970)

The Company has loan agreements that contain various covenants. A future breach of covenant may require the Company to repay the loan earlier than indicated in the above table. Under the agreements, the covenants are monitored regularly by the company and reported to management on a quarterly basis to ensure compliance with the agreements.

Guarantees

The Company sometimes provides financial guarantees to subsidiaries to enable them to access local funds. As of 31 December 2024, the Company has a guarantee provided to BIFBV against the debt programme. The total amount of the Guarantee is USD 5.9 million (2023: USD 9 million). The comparative amount was updated for consistency with the current reporting period.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

14 Interest Income

The breakdown of Interest income on loans and advances income by country is as follows:

	2024 USD	2023 USD
Africa		
Uganda	25,684,892	22,785,796
Tanzania	41,333,361	37,786,512
Liberia	9,828,376	7,897,309
Sierra Leone	6,706,922	5,193,443
Rwanda	1,879,992	1,467,618
Ghana	368,372	7,070
	85,801,915	75,137,749
Asia		
Myanmar	8,061,541	8,294,134
	93,863,456 =====	83,431,883 =====

Interest income on loans and advances denotes the interest income earned on loans and advances disbursed and is based on the effective interest rate methodology. The operating segment of the Group is microfinance activities

15 Other Interests and Similar Income

	2024 USD	2023 USD
Fees and commission income	4,677,628	4,379,507
Bank Interest	2,163,306	1,775,518
Fair value gain on derivatives	-	2,373,974
Fair value gain on investment in equity	-	330,073
Foreign exchange Gain	5,381,480	2,226,801 ¹
	12,222,414 =====	11,085,873 =====

¹ Adjusted for comparison purposes

Fees and commission income include membership fees charged to customers, loan appraisal fees charged to customers, and the sale of passbooks.

16 Interest and Similar Expenses

	2024 USD	2023 USD
Interest expense on external borrowings	14,015,664	13,668,488
Interest expense on savings deposit	2,805,127	1,945,963
Bank charges	668,401	548,341
Fair value loss on derivatives	1,453,373	-
Fair value loss on investment in equity	142,497	-
Foreign exchange loss	5,550,695	4,511,735 ¹
	24,635,757	20,674,527
	=====	=====

¹ Adjusted for comparison purposes

17 Other Operating Income

	2024 USD	2023 USD
Grant income	9,444,625	6,623,765
Other income	2,680,909	2,588,491
	12,125,534	9,212,256
	=====	=====

Grant income is recognised based on the implementation of project activities. In 2024, the outreach of grant-funded activities expanded, and the implementation rate has improved significantly, hence the increase in related grant income. Other income includes gains made due to early repayment of loans, costs recovered from staff as rent against the share of space and utilities. This also includes bad debt recovery amounting to USD 585,249 (2023: 663,166).

18 Cost of Outsourced Work and Other External Costs

	2024 USD	2023 USD
General and administrative expenses	1,666,049	1,675,832
Travel and transportation	9,635,401	8,276,821
Office rent and utilities	3,024,170	2,521,715
Printing and office stationery	1,323,170	1,137,235
Staff training and development	566,815	523,753
Audit fees	566,742	520,521
Professional and consultancy fees	2,328,250	2,689,058
Digitalisation and Software maintenance costs	4,824,001	3,314,345
Internet subscription charges	852,229	633,072
	24,786,827	21,292,351
	=====	=====

19 Wages and Salaries

	2024	2023
	USD	USD
Salaries and benefits	35,608,698	31,551,617
	=====	=====

During the 2024 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 7,001 people (2023: 6,384 people). All staff were employed outside the Netherlands except 3 (2023: 3).

This staffing level (average number of staff) can be divided as below:

Country	2024	2023
Tanzania	2,715	2,270
Uganda	1,896	1,925
Myanmar	542	606
Liberia	741	568
Sierra Leone	600	554
Rwanda	382	390
Ghana	88	39
Kenya -Regional Office	34	29
Netherlands	3	3
Total	7,001	6,384

20 Social Security and Pension Charges

	2024	2023
	USD	USD
Social Security charges	4,602,972	3,664,216
Pension plan charges	83,861	17,437
Social security charges and pension charges	4,686,833	3,681,653
	=====	=====

Social security benefits include payments made by the Company and its subsidiaries in various social security schemes as per the country statute.

The Company has an employee pension scheme (defined contribution) only in the Netherlands. The Company contributes 60% of the annual pension charge, whereas the employee contributes 40%.

21 Other Operating Expenses

	2024	2023
	USD	USD
Office supplies and utilities	3,357,228	3,088,394
Communication and publication	652,727	617,037
Meeting and workshops	247,698	203,364
Generator operating expense	157,948	90,358
Write-off and disposals	62,093	355,107
Group member's death benefits	25,700	30,364
Secretariat Expense	1,161,091	888,346
Other expenses	1,005,492	690,878
	6,669,977	5,963,847
	=====	=====

22. Auditor's Fees

The following fees were charged by Auditors to the Company, its subsidiaries, and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code.

	KPMG Accountants N.V.	KPMG Network	Total KPMG	Other Audit firms
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
2024				
Audit of the financial statements	165	17	182	188
Other audit engagements	-	-	-	-
Tax-related advisory services	-	174	174	22
Other non-audit services	-	-	-	-
	165	191	356	210
	=====	=====	=====	=====
2023				
Audit of the financial statements	134	21	156	158
Other audit engagements	-	-	-	-
Tax-related advisory services	-	175	175	14
Other non-audit services	4	-	4	-
	138	196	407	172
	=====	=====	=====	=====

The fees mentioned in the table for the audit of the financial statements 2024 and 2023 are related to the total fees for the audit of the financial statements 2024 and 2023, irrespective of whether the activities have been performed during the financial year 2024 or 2023.

23 Tax on Result

The major components of the tax charge are as follows:

	2024	2023
	USD	USD
Corporate Income Tax (Current tax)	3,965,967	6,387,680
Movement in temporary difference (Deferred Tax)	611,183	153,910
Withholding Tax Expenses	642,556	1,032,098
Total Tax result	5,219,706	7,573,688
	=====	=====

Future tax profits can be compensated with deductible tax losses from the prior year(s) for an amount of USD 3.4 million in Uganda (2023: USD 6.6 million). The applicable statutory tax rate in the Netherlands is 25.8% (2023: 25.8%). The tax expense recognised in the profit and loss account for 2024 amounts to USD 5,219,706 or 41.8% of the result before tax (2023: USD 7,573,688 or 46.1%).

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes in the various subsidiaries. The applied tax rate for the calculation of deferred tax is between 25% and 30%.

Interest income, dividends, and management fees are subject to withholding tax in certain jurisdictions. The applicable withholding tax rates vary per country and type of income.

The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2024		2023	
	USD	%	USD	%
Result before tax	<u>13,249,114</u>		<u>16,437,471</u>	
Tax using the Company's domestic tax rate	3,418,271	25.8%	4,240,868	25.8%
Non-deductible expenses	141,058		153,910	
Prior period Tax for BUBL	-		701,595	
Unrecognised tax losses	639,524		812,490	
Withholding tax expenses	642,556		1,032,097	
Application of different tax rates	378,297		632,728	
	<u>5,219,706</u>		<u>7,573,688</u>	
Tax expense		39.40%		46.1%

24 Transactions with Related Parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, among other relations, the relationship between the Company and its subsidiaries, shareholders, directors, and key management personnel. Transactions are transfers of resources, services, or obligations, regardless of whether anything has been charged. All the transactions were made on terms equivalent to those that prevail in arm's length transactions.

25 Lease commitments

Operational lease agreements for buildings with third parties can be terminated on yearly basis. The expected lease commitment for the Group is presented below:

	USD
Within 1 year	2,169,041
Between 1-5 Year	2,739,386
Lease payments recognised in the P&L in 2024	<u>2,574,612</u>

26 Subsequent Events

On March 28, 2025, Myanmar consolidated entity was struck by a devastating 7.7-magnitude earthquake centered in the central region near the borders of Sagaing and Mandalay. The strongest earthquake in decades resulted in over 3,600 deaths and more than 5,000 injuries and destroyed or damaged nearly 49,000 homes. The earthquake affected 23 branch offices of the Myanmar consolidated entity, out of which six were seriously affected. Based on the initial assessment, around 4,811 clients were affected directly or indirectly by the earthquake. Out of them, around 1,000 clients lost their business with an outstanding portfolio of around USD 200,000. The management has provided initial food and cash support to the affected clients and is now working with severely affected clients, focusing on business recovery.

As of 1 April 2025, BIHBV acquired the outstanding principal debt and interest amounting to USD 2.2 million from FMO. Such debt has been initiated by the Myanmar consolidated entity from FMO in previous years. During the subsequent period, the borrower has been assigned from the Myanmar consolidated entity to BIHBV. The Company made a payment of USD 400 thousand for this assignment.

On 5 June 2025, BRAC Kenya Limited (BKL) received a Digital Credit Provider (DCP) license from the Central Bank of Kenya. With this license, BKL can operate as a credit-only microfinance institution.

Subsequent to the reporting date, in June 2025, consolidated entity BRAC Sierra Leone Microfinance Limited breached the required PAR 30 ratio under its financing agreements with International lenders. The Group has obtained waivers from the banks in respect of this covenant breach until December 2025.

The above events are treated as non-adjusting events and hence no entries are made in the financial statement related to such.

Company Balance Sheet

as at 31 December 2024

(before profit appropriation)

		2024		2023	
		USD	USD	USD	USD
Fixed assets					
Tangible fixed assets		31,774		29,521 ¹	
Financial fixed assets	27	90,631,704		80,374,935 ¹	
			90,663,478		80,404,456 ¹
Current assets					
Receivables	28	3,986,319		2,606,847 ¹	
Cash and cash equivalents	29	15,440,053		17,742,844	
			19,426,372		20,349,691 ¹
			110,089,850		100,754,147 ¹
Shareholder's equity					
Issued capital	30	7,895,640		8,398,000	
Share premium reserve	30	80,761,656		80,461,656	
Foreign currency translation reserve	30	(23,976,153)		(24,734,551) ¹	
Other reserve	30	37,871,364		30,361,419	
Unappropriated result	30	5,908,328		5,110,449 ¹	
			108,460,835		99,596,973
Current liabilities					
Payable to shareholder and other related parties	31	921,701		861,722 ¹	
Grants received in advance		403,013		22,054 ¹	
Accrued liabilities	31	304,300		273,398 ¹	
			1,629,014		1,157,174 ¹
			110,089,850		100,754,147 ¹

The notes on pages 80 to 91 are an integral part of these company financial statements.

¹ Adjusted for comparison purposes, reference is made to page 80.

Company Profit and Loss Account for the year ended 31 December 2024

		2024		2023	
		USD	USD	USD	USD
Interest & other income	33	1,196,207		925,549	
Grant income		1,768,498		1,132,057	
Total operating income			2,964,705		2,057,606
Cost of Outsourced work and other external costs	34	(872,496)		(1,247,223)	
Salaries and Benefits	35	(1,334,991)		(1,046,100)	
Depreciation		(12,950)		(8,224)	
Total operating expense			(2,220,438)		(2,301,547)
Financial Income	36		-		324,294
Financial expenses	36		(178,026)		-
Operating result before taxes			566,242		80,353
Tax on the operating result	37		(500,992)		(392,667)
Net operating result			65,250		(312,314)
Share in result of participating interests	38		5,843,078		5,422,764 ¹
Net result			5,908,328		5,110,450 ¹

The notes on pages 80 to 91 are an integral part of these company financial statements.

¹ Adjusted for comparison purposes, reference is made to page 80.

Notes to the Company Financial Statements 2024

General

The Company financial statements are part of the 2024 statutory financial statements of the Company. The financial information of the Company is included in the Company's consolidated financial statements. The Company's financial statements include the financial statements of its branch situated in Kenya.

During the year, the Company reviewed the standalone financial statements of comparable entities and profit and loss accounts and concluded that reclassifications, which are summarised below, increase transparency, resulting in a better reflection of the operations of the company and ensuring compliance with Dutch GAAP.

The figures for 2023 have been reclassified in order to enable comparability with 2024. It concerns the following reclassifications:

Balance Sheet

- Tangible fixed assets amounting to USD 29,521 have been reclassified from Receivables to Tangible fixed assets;
- Long-term loans to Subsidiaries amounting to USD 5,260,769 have been reclassified from Receivables to Financial fixed assets;
- Foreign exchange Gain and Loss on Monetary Items in amount of USD 1,411,513 have been reclassified from Unappropriated result to Foreign Currency Translation Reserve.
- Current liabilities from the Kenya Branch, amounting to USD 88,565, have been presented under Other liabilities.

Profit and Loss Account

- Foreign exchange Gain and Loss on Monetary Items amounting to USD 1,411,513 have been presented in the Result of the subsidiaries. As a result, the net result is changed from USD 6,521,962 to USD 5,110,450.

Accounting Policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated balance sheet and profit and loss account, except the following:

Participating Interests in Group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity accounting method on the basis of net asset value. For details, we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share in the Result of Participating Interests

This item concerns the Company's share in the profit or loss of these participating interests. Insofar as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

27 Financial Fixed Assets

	2024 USD	2023 USD
Participating interests in group companies	81,396,615	71,230,025
Investment in shares	3,741,644	3,884,141
Long term loan to subsidiaries	5,493,445	5,260,769
	90,631,704	80,374,935
	=====	=====

Participating Interests

	2024 USD	2023 USD
Opening balance as at 1 January	71,230,025	68,797,155
First application of Hyperinflationary accounting	485,624	2,401,538
Adjusted balance 1 January 2024	71,715,649	71,198,693
Additional investment in BRAC Myanmar Microfinance Co. Ltd.	300,000	500,000
Investment in BRAC Rwanda Microfinance Co. PLC	2,500,000	-
Investment in BRAC Ghana Savings & Loans Ltd.	2,000,000	3,400,000
Dividend from BRAC Tanzania Finance Ltd.	(2,750,000)	(3,774,000)
Investment in BRAC Kenya Co., Ltd.	1,000	-
Ghana Equity transaction cost	(18,512)	-
Dividend from BRAC Liberia Microfinance Limited	(364,510)	-
Conversion of receivable in BRAC Microfinance (SL) Ltd	-	157,063
Foreign currency translation differences	2,169,910	(5,674,495)
Share in result of participating interests	5,843,078	5,422,764
Closing balance as at 31 December	81,396,615	71,230,025
	=====	=====

BRAC International Holdings B.V. has a direct and indirect interest in the companies as follows:

Name	Legal address	2024 share of interest %	2023 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100
BRAC Kenya Company Limited	Nairobi, Kenya	100	N/A
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch

The foreign currency translation difference denotes the reduction in the company's share due to the exchange difference with the subsidiaries' functional currency against USD.

For BRAC Uganda Bank, although BIHBV holds 49% of the shares, it still has major control over the long-term strategy, vision, and operational policy of the entity and can appoint the majority of board of directors.

BRAC Lanka Investments (Private) Ltd. has been a dormant entity since 2015.

BIHBV holds control over BRAC Zanzibar Finance via BRAC Tanzania Finance Limited. BRAC Tanzania Finance Limited has taken over 100% shares from BRAC Zanzibar Finance Limited in 2022.

BRAC Kenya Company Limited was incorporated in February 2024. The participating interest is awaiting for license to start its operation.

The FX rate in Myanmar is managed by the Government of Myanmar and has been fixed. However, the country has been struggling to source USD, which has resulted in a restriction of the repayment of international loans and service international payments by Myanmar Subsidiary. There is a significant difference between the official government rate (MMK 2,100 for 1 USD) and the trade rate available at the bank for import and export (MMK 3,588 for 1 USD) as of 31 December 2024. The FX risk in Myanmar is mitigated by a back-to-back loan structure wherever possible. However, at 31 December 2024, BMMCL has a net unhedged FX liability of USD 10.4 million, and any change in the official rate makes the entity vulnerable to significant FX loss.

As a mitigation, the Company initiated in 2024 a process to take over an external debt of USD 2.2 million at USD 400,000. This debt will be converted into equity if the situation requires. The Company is in touch with other external lenders of BMMCL and will start discussions on the potential settlement and restructuring of the international loans in the Myanmar operation.

Investment in shares

The Company made a USD 4 million investment from 2015 to 2018 in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund. The Company bought 56,151 Type-A shares in the fund. In September 2022, SFRE merged with the Triodos Microfinance

Fund (TMF), and as a result, 56,151 Type A shares were converted to 134,469,210 SI-share class. The lock-in period for those shares was one year. In September 2023, after the lock-in period, the SI shares were further converted to 118,472 I-dis share class. The shares held by BIHBV represent 1.1% of the total shares issued by the fund. The Company does not have significant influence over this investment. The investment in shares is measured at current value (fair value through the profit and loss account). Based on the nature of the investment, it has been evaluated that the carrying value of the investee's equity approximates its fair value. As of 31 December 2024, the current value is calculated as Net Asset Value per share multiplied by the number of shares held by the Company: EUR 30.04*118,472 shares *exchange rate (2023: EUR 29.67).

The movement in investment in shares was as follows:

	2024	2023
	USD	USD
Balance as at 1 January:		
— Cost price	4,000,000	4,000,000
— Fair value	3,884,141	3,554,068
Net change in fair value	<u>(142,497)</u>	<u>330,073</u>
Balance as at 31 December		
— Cost price	4,000,000	4,000,000
— Fair value	3,741,644	3,884,141
	=====	=====

Long-term loan to subsidiaries

	2024	2023
	USD	USD
Loan receivables – BRAC Myanmar Microfinance	5,331,184	5,105,565*
Subordinated loan receivable – Brac Uganda Bank Ltd.	162,261	155,204*
	5,493,445	5,260,769*
	=====	=====

There has been no movement in the long-term loans during the year except for the accrued interest.

* - Adjusted for comparison purposes

28 Receivables

	2024 USD	2023 USD
Receivable from BRAC USA	250,000	250,000
Receivables from subsidiaries	3,327,414	1,731,842*
Advance corporate income tax	238,255	239,289
Interest receivable from short-term deposit and bank	65,238	219,502*
Other Receivables	105,412	166,214*
	3,986,319	2,606,847
	=====	=====

The receivable from subsidiaries mainly relates to loans to subsidiaries, and the receivable of management fees recharged to the subsidiaries as per the Transfer pricing policy of the company. The receivable due from BRAC USA in the amount of USD 0.25 million will be received after the repayment of the DFC loan by the subsidiary, BRAC Myanmar Microfinance Company Ltd., to DFC. There are no receivables due from the shareholder.

* - Adjusted for comparison purposes

29 Cash and Cash Equivalents

	2024 USD	2023 USD
Cash at bank	13,440,053	13,961,942
Deposits	2,000,000	3,780,901
	15,440,053	17,742,843
	=====	=====

All cash and cash equivalent balances are available on demand.

30 Shareholder's Equity

	Issued capital	Share premium reserve	Foreign currency translation reserve	Other reserve	Unappropriated result	Total
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2023	8,106,160	79,961,656	(19,060,058)	20,534,159	7,717,562	97,259,480
Changes:						
Impact of first-time hyperinflation accounting in Sierra Leone	-	-	-	2,401,538	-	2,401,538
Appropriation of prior year results	-	-	-	7,717,562	(7,717,562)	-
Translation differences - share capital	291,840	-	-	(291,840)	-	-
Capital contribution from Stichting BRAC International	-	500,000	-	-	-	500,000
Translation differences - participation interest	-	-	(5,674,495)*	-	-	(5,674,495)*
Result for the year	-	-	-	-	5,110,450*	5,110,450*
Balance as at 31 December 2023	8,398,000	80,461,656	(24,734,552)*	30,361,419	5,110,450*	99,596,973
Changes:						
Impact of hyperinflation	-	-	-	485,624	-	485,624
Appropriation of prior year result	-	-	-	5,110,450	(5,110,450)	-
Translation differences - share capital	(502,360)	-	-	502,360	-	-
Informal capital contribution	-	300,000	-	-	-	300,000
Translation differences - participation interest	-	-	2,169,910	-	-	2,169,910
Result for the year	-	-	-	-	5,908,328	5,908,328
Balance as at 31 December 2024	7,895,640	80,761,656	(22,564,642)	36,459,853	5,908,328	108,460,835

* Prior year numbers have been adjusted for comparison purposes

Issued Capital

The Company's authorized capital in 2024, amounting to EUR 7,600,000 (USD 7,895,640), consists of 7,600,000 ordinary shares of EUR 1 each. All shares have been issued and fully paid up.

The issued capital has been translated using the exchange rate 1 Euro = USD 1.04 (2023: 1.105) as of the reporting date. The resulting translation difference is recognized as other reserves.

Share Premium Reserve

The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares (above par income). In 2024, the shareholder (Stichting BRAC International) provided an additional USD 300,000 as a contribution to BIHBV by way of Share Premium. (2023: 500,000).

Foreign Currency Translation Reserve

Exchange gains and losses arising from the translation of foreign operations from functional to reporting currency are accounted for in this statutory reserve. In the case of the sale of a participating interest, the associated accumulated exchange differences are taken to other reserve.

Undistributed Result

Appropriation of Profit of 2023

The financial statements for the reporting year 2023 have been approved on 6 August 2024. The General Meeting has adopted the appropriation of profit after tax for the reporting year 2023 as proposed by the Board of Management.

Proposal for Profit Appropriation 2024

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2024 result after taxation to add the result to other reserve.

31 Current Liabilities

	2024 USD	2023 USD
Related party payables	921,701	861,722*
Grants received in advance	403,013	22,054*
Other liabilities	304,300	34,109*
	1,629,014	917,885*
	=====	=====

* - Adjusted for comparison purposes

Related party payables represent short-term advances provided by shareholder, Stichting BRAC International, in amount of USD 836 thousand (2023: USD 602 thousand) which are repayable on demand. Other liability is mostly comprised of annual audit fees, payable to consultants.

32 Off-Balance Sheet and Other Assets and Liabilities

Contingent Liabilities

The Company provided a guarantee to multiple lenders to raise funds under the debt program.

BIHBV has provided guarantees to the third-party lenders to raise debt under the debt program. At 31 December 2024 total Guarantee amount stands at USD 5.9 million (2023: USD 9 million)

BIHBV also provided a guarantee to DFC in respect of a USD 5 million term loan to BRAC Myanmar Microfinance Company Limited. The guarantee consists of a deposit held in escrow to which the Company has contributed USD 0.25 million (2023: USD 0.25 million) held by BRAC USA. As of 31 December 2024, the outstanding balance of the DFC loan is USD 3.7 million (2023: USD 3.7 million).

As part of the preparation for transformation into a Tier II Financial Institution, the Company had to sell 51% of the shares of BRAC Uganda Microfinance Ltd to meet the requirements under Section 18 of the Financial Institutions Act in 2019. On 20 May 2022, the Uganda Revenue Authority informed BRAC Uganda Bank Limited that they are of the opinion that the proceeds of the disposal of these shares are to be taxed in Uganda. Management believes that the benefit, if any, of the disposal of these shares is exempt from tax in Uganda under Article 13 (4) of the Double Taxation Treaty (DTA) between Uganda and the Netherlands has appealed this position through Mutual Agreement Procedure (MAP) as provided in the DTA between Uganda and Netherlands. Subsequently, on 23 April 2024, the Uganda Revenue Authority raised a tax assessment of USD 2.07 million relating to the gain on the disposal of the shares. An objection has been filed by the management to the conclusion made by the Uganda Revenue Authority. No provision is taken in the financials as management assesses the result to be in the Company's favour.

Contingent Assets

During the year 2024, BRAC Uganda Bank Limited received a directive from the Bank of Uganda to cease the accrual of management fees for services received from BIHBV. As a result, from April 2024, BIHBV did not recognise management fee income, although the Company continued to provide services to BRAC Uganda Bank Limited under the service level agreement and sent invoices. As of December 2024, the unaccrued management fee amounts to USD 484,838.

Off Balance sheet commitment

Operational lease agreements for buildings with third parties can be terminated on yearly basis. The expected lease commitment for the entity is presented below:

	USD
Within 1 year	40,866
Between 1-5 Year	31,601
Lease payments recognised in the P&L in 2024	50,089

33 Interest and Other Income

	2024 USD	2023 USD
Interest on Bank deposit	731,815	359,420
Interest on Intercompany Loan	268,009	232,040
Other income (non-operating)	196,383	334,089
	<u>1,196,207</u>	<u>925,549</u>
	=====	=====

34 Cost of outsourced work and other external cost

	2024 USD	2023 USD
Professional and consultancy Fees	728,175	1,073,610
Secretariat Expenses	1,161,091	888,346
Other operating expense	76,123	701,906
Meeting and workshop	63,600	70,920
Traveling and Transportation	264,826	139,421
Audit fees	284,858	238,965
Training and development	722	61,790
Software maintenance cost	43,693	112,488
Rent expense	50,292	32,663
Bank charges	7,255	5,675
ECL on inter company loans and receivables	10,032	-
Recharging of management fees to the subsidiaries	(1,818,171)	(2,078,561)
	<u>872,496</u>	<u>1,247,223</u>
	=====	=====

Secretariat Expenses

The total BRAC International secretariat cost has been allocated between the Company and its parent using a pre-agreed rate for each of the support functions. The allocation percentiles are determined on a yearly basis based on a functional analysis between the Company and its parent.

Recharging of management fees to Subsidiaries

The Company follows its transfer pricing policy to charge its expenses to the subsidiaries based on the OECD guidelines.

35 Salaries and Benefits

	2024 USD	2023 USD
Salaries and benefits	1,289,539	1,008,935
Social security charges	45,452	37,165
	<u>1,334,991</u>	<u>1,046,100</u>
	=====	=====

36 Financial (Income) /expenses

	2024	2023
	USD	USD
Fair Value loss/ (gain) on Investment in TMF	142,497	(330,073)
Foreign exchange loss	35,529	5,779
	178,026	(324,294)
	=====	=====

37 Tax on Operating Result

	2024	2023
	USD	USD
Corporate income tax	171,315	15,267
Withholding tax on dividends from Subsidiaries	329,677	377,400
	500,992	392,667
	=====	=====

38 Share in Result of Participating Interests After Tax

	2024	2023
	USD	USD
BRAC Uganda Bank Ltd	1,103,689	(1,600)
BRAC Tanzania Finance Ltd	4,620,636	8,003,487
BRAC Zanzibar Finance Ltd	544,248	636,136
BRAC Microfinance Sierra Leone Ltd	146,067	(2,047,713)
BRAC Liberia Microfinance Company Ltd	1,620,851	1,732,360
BRAC Myanmar Microfinance Company Ltd	350,344	288,633
BRAC Rwanda Microfinance Company Plc	(1,700,847)	(2,740,813)
BRAC Ghana Savings & Loans Ltd	(1,316,878)	(879,106)
BRAC International Finance B.V.	475,146	431,380
BRAC Kenya Microfinance	(178)	-
	5,843,078	5,422,764
	=====	=====

39 Segmental Information

The Company has a branch office in Nairobi, Kenya (BRAC International Holding B.V. Kenya), and staff members based in this office provide strategic support and technical assistance to the Company's operating entities in line with the Growth for Impact Plan. A segmental breakdown of the cost between the two offices is shown below:

	2024		2023	
	USD NL office	USD Kenya Office	USD NL Office	USD Kenya office
Interest & Similar Income	1,196,207		925,549	-
Grant Income	965,787	802,711	664,233	467,824
Total operating income	2,161,994	802,771	1,589,782	467,824
Cost of Outsourced work	1,216,103	(343,607)	1,639,552	(392,329)
Salaries	216,007	1,118,984	194,115	851,985
Depreciation	3,206	9,744	2,215	6,009
Total Operating expenses	1,435,317	785,121	1,835,882	465,665
Financial (income)/ expenses	160,436	17,590	(326,453)	2,159
Operating Result before taxes	566,242	-	80,353	-
Tax on the operating result	<u>500,992</u>	-	<u>392,667</u>	-
Net operating result	65,250	-	(312,314)	-
Share in the result of participating interests	<u>5,843,078</u>	-	<u>5,422,764</u>	-
Net result	5,908,328	-	5,110,450	-
No of employees:	3	34	3	29

40 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and group companies amounted to USD 227,678 (2023: USD 316,636) for the current managing directors.

Members of the Supervisory Board are paid an honorarium of USD 200 (two hundred) per meeting for attending Board and Board committee meetings. In the financial year 2024, the total honorarium paid to the Supervisory Board members amounted to USD 2,200 (2023: USD 1,200).

41 Subsequent Events

As of 1 April 2025, BIHBV acquired the outstanding principal debt and interest amounting to USD 2.2 million from FMO. Such debt has been initiated by the Myanmar consolidated entity from FMO in previous years. During the subsequent period, the borrower has been assigned from the Myanmar consolidated entity to BIHBV. The Company made a payment of USD 400 thousand for this assignment.

During the year 2024, Uganda consolidated entity received a directive from the Bank of Uganda to cease the accrual of management fees for services received from BIHBV. As a result, from April 2024, BIHBV did not recognise management fee income, although the Company continued to provide services to the Uganda consolidated entity under the service level agreement and sent invoices. As of December 2024, the unaccrued management fee

amounts to USD 484,838. On May 20, 2025, the Bank of Uganda provided its non-objection to the payment of management fees to BIHBV.

On 22 May 2025, BRAC Tanzania Finance Limited declared a USD 3.3 million dividend to BIHBV. The dividend was declared subsequent to the reporting date.

The above events are treated as non-adjusting events and hence no entries are made in the financial statement related to such.

Hague, 2 July 2025

Management Board, BRAC International Holdings B.V.

Ms. Bridget Dougherty

Mr. Abhijit Gupta

Supervisory Board, BRAC International Holdings B.V.

Mr. Stephen Frederick Rasmussen

Ms. Amira Mosad Elmissiry

Mr. David K. Korslund

Ms. Isabelle Barres

Other Information

Provisions in the Articles of Association Governing the Appropriation of Profit

In accordance with the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, who have the right to appropriate the profits reported in the adopted financial statements.

The Company can only make payments to the shareholder and other parties entitled to the distributable profit insofar as the shareholder's equity exceeds the paid-up and called-up part of the capital plus the statutory reserves and exceeds the amounts resulting from the distribution test, performed by management at the date of each dividend payment.

Branch offices

The Company's branch office in Nairobi, Kenya (BRAC International Holding B.V. Kenya) and staff members based in this office provide strategic support and technical assistance to the Company's operating entities in line with the Growth for Impact Plan.

Independent Auditor's Report

The independent auditor's report is set forth on the following pages.

Independent auditor's report

To: the General Meeting and the Supervisory Board of BRAC International Holdings B.V.

Report on the audit of the financial statements included in the annual report

Our opinion

We have audited the financial statements 2024 of BRAC International Holdings B.V. ('the Company'), based in 's-Gravenhage.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BRAC International Holdings B.V. as at 31 December 2024 and of its result for the year ended 31 December 2024 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the consolidated and company balance sheet as at 31 December 2024;
- 2 the consolidated and company profit and loss account for the year ended 31 December 2024; and
- 3 the notes comprising a summary of the 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 BRAC International Holdings B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), 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 designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of fraud and non-compliance with laws and regulations and going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Information in support of our opinion

Audit response to the risk of fraud and non-compliance with laws and regulations

In the sections 'Fraud Risk Analysis and Non-compliance' and 'Legal and Compliance' of the Management Board report, the Management Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the Supervisory Board reflects on this.

As part of our audit, we have gained insights into the Company and its business environment and the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, BRAC whistleblowing policy and procedures, policy on Anti-Money Laundering and Combating Financing of Terrorism. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, the head of Legal & Compliance, Risk Management and Corporate Affairs. We have also incorporated elements of unpredictability in our audit, such as varying the timing of audit procedures and performing different types of substantive testing procedures, inquiries of the head of Corporate Affairs, the head of AIM project team and offline meetings with component management in Uganda and Tanzania.

As a result from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the financial statements in case of non-compliance:

- Anti-Bribery and corruption;
- Anti-money laundering;
- Data privacy.

The Company is operational in higher-risk jurisdictions and interacts with governments and other regulatory authorities to obtain licenses and permits.

Based on the above and on the auditing standards, we identified the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

Risk:

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as controls related to journal entries and estimates.
- We performed data analysis procedures on high-risk journal entries, on company- and component level, related to recognised revenue and journal entries meeting certain selection criteria such as account combinations and unusual patterns, seldom used accounts, specific descriptions postings, and evaluated key estimates and judgments for bias by the Company's Management Board, including retrospective reviews of prior year estimates, among others, with respect to the expected credit loss on the Loans to customers. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We identified and selected journal entries and other consolidation adjustments made at the end of the reporting period for testing.

- We examined all minutes of the Company's Supervisory Board to search for indications of fraud and for significant transactions that are outside the Company's normal course of business, or are otherwise unusual.

Revenue recognition of interest income (a presumed risk)

Risk:

Management incentives exist which are tied to profitability and pressure from stakeholders to meet the budget and to achieve the growth levels as set out in the future growth plan of the Company. We therefore identified the existence of interest income at year-end as a fraud risk in our audit.

Responses, including the work of our component auditors:

- We evaluated the design and implementation of the process level controls within the interest income revenue recognition process to ensure that revenue is recognised in the correct accounting period and that loans are disbursed to existing customers.
- We performed substantive audit procedures throughout the period and in the cut-off period of interest income by validating the fulfillment of performance obligations (revenue recognition) by assessing the terms and conditions and vouching revenues recorded to the underlying transactions, agreements and supporting documentation such as loan agreements and loan books.
- Other substantive procedures comprised of substantive analytical procedures on interest income recognised by making an expectation based on the fixed interest percentages and the loans disbursed throughout the period.
- We assessed the adequacy of the Company's disclosures in the financial statements.

Revenue recognition of grant income (a presumed risk)

Risk:

The Company is under pressure of donors to meet their expectations with respect to achieving goals, as defined in the grant contract. Furthermore, the Company is dependent on the donors to secure operations in the countries in future years. We therefore identified the existence of grant income as a fraud risk in our audit.

Responses, including the work of our component auditors:

- We assessed the design and implementation of the process level controls within the grant income recognition process and the segregation of duties within the tender processes for obtaining new donor agreements.
- We made inquiries with management regarding new donor agreements, and the specific arrangements within the contracts for revenue recognition. For a selection of contracts, we have tested whether appropriate revenue recognition criteria have been applied.

- Other substantive procedures comprised of testing the outstanding donor program loan balances based on the donor program movement schedule, and vouching of grant expenses to underlying documentation such as contracts and third party invoices, and vouching grants obtained with bank statements and the donor agreements.
- We assessed the adequacy of the Company's disclosures in the financial statements.

Anti-bribery and anti-corruption laws and regulations

Risk:

Due to the operations in higher-risk jurisdictions (with a Corruption Perceptions Index score below 60) and the interaction with governments and/or other authorities to obtain licenses and permits, we identified a significant risk of bribery and corruption.

Responses, including the work of our component auditors:

- We evaluated the design and implementation of internal controls and adherence to the anti-bribery and anti-corruption policy, the code of conduct and the design and implementation of controls to identify and authorize transactions with governments.
- We performed journal entry testing, specifically taking into account high-risk criteria in relation to specific descriptions of postings.
- We performed relevant inquiries with management and those charged with governance and other relevant functions such as Internal Audit and the head of Legal & Compliance.
- We obtained written management representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Management Board has performed its going concern assessment and has not identified any going concern risks. To assess the Management Board's assessment, we have performed, inter alia, the following procedures:

- We considered whether the Management Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit.
- We inquired with the Management Board on the key assumptions and principles underlying the Management Board's assessment of the going concern risks.
- We inspected the financing agreements in terms of conditions that could lead to going concern risks, including the terms of these agreements and any covenants.
- We analysed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Management Board's going concern assessment.

Report on the 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.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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 Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board 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, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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 have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the 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 judgement and have maintained professional scepticism 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 errors or fraud, 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 errors, 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 Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- 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 Company'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 the Company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are responsible for planning and performing the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements. We are also responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We bear the full responsibility for the auditor's report.



We communicate with those charged with governance 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.

Amstelveen, 2 July 2025

KPMG Accountants N.V.

L.M.A. van Opzeeland RA