



Annual Report

for the year ended 31 December 2023

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 '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 (with effect from 8 May 2023). Before this, Ms. Parveen Mahmud was chairing the Supervisory Board in her capacity as Acting Chair.

The Supervisory Board members are appointed by co-optation. The period of membership is four years with an 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	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

- Mr Stephen Rasmussen became the chair of the Board on 8 May 2023
- Ms. Parveen Mahmud served as a member of the Supervisory Board previously and resigned on 8 May 2023.

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 three times in duly conveyed meetings during the financial year;
- they oversee the Company's finance reporting process and monitor the control environment implemented;
- the 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 2023 is presented below:

	Name	July 2023	October 2023	December 2023
1	Mr. Stephen Frederick Rasmussen	s	s	s
2	Ms. Amira Mosad Elmissiry	s	s	X
3	Mr. David K. Korslund	s	s	s
4	Ms. Isabelle Barres	s	s	s

The Supervisory Board in its Supervising Role

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

- Approved 2023 audited annual report.
- 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 expansion of microfinance operations to the new country (Kenya).
- Visited subsidiaries to understand key risks and guide the management board on key decisions.

The company does not have a separate Audit and Risk Committee ('the Committee'). The committee of the parent (Stichting BRAC International) which comprises three (3) Supervisory Board members from Stichting BRAC International and one (1) Supervisory Board member from BRAC International Holdings BV, 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 annual financial statements, budget, and annual report. 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 Audit and Risk 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 Group's internal controls.
- 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 August 2024

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 2023.

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. 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 roots in the Global South coupled 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 Stichting BRAC International and BRAC International Holdings B.V.

BRAC first expanded its operations outside of Bangladesh in 2002. Stichting BRAC International, a non-profit foundation formed in the Netherlands governs all BRAC's operating entities outside Bangladesh with an objective to engage in charitable and social welfare activities in any country of the world. BRAC International Holdings B.V. is a fully owned subsidiary of Stichting BRAC International. BRAC International (BI) achieves large-scale transformative change by empowering women and their families to overcome poverty and become self-reliant and resilient. BI 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 seven entities. All the seven entities are fully operational. The company is in the process of starting microfinance operations in Kenya. A new company BRAC Kenya Company Limited was incorporated on 20 February 2024 and has commenced seeking regulatory approvals to operate a micro finance business in Kenya. BIHBV previously had a

subsidiary in Sri Lanka, which is now dormant. In Kenya, the company also has a branch office responsible for providing strategic and operational assistance to these seven institutions.

Together, the seven institutions serve approximately serving 830,000 (2022: 740,000) 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, ill literacy, 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 2023, three of seven microfinance entities had a positive result after taxes: Those are Tanzania, Liberia, and Myanmar. In Sierra Leone and Uganda, the entity has positive results as per its local statutory financials.

Currently, these profits and the related cash flows are reinvested into microfinance operations in the respective countries to expand the loan portfolio. Furthermore, the funds are used by BIHBV to set up microfinance activities in new countries

In some countries, the microfinance entity shares the cost of establishments with the social development programmes operated by the legal entities under Stichting BRAC International. Sharing mechanisms are in line with local regulation and , helps to keep core costs at a minimum and thus maximise their reach and impact.

The Company has the role of managing and consolidate 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 2023

- The company disbursed USD 418 million in loans in 2023 and reached 830,000 clients, an increase of nearly 90,000 clients from 2022.
- The Company's net results stood at USD 6, 521,961 in 2023 against USD 7,717,563 in 2022. The results were significantly impacted mostly due to the first-time implementation of Hyperinflation accounting. This applies to operating entities that have a three-year cumulative inflation exceeding 100% in the period 2021 -2023, which is Sierra Leone. The Balance Sheet and Profit and loss accounts are adjusted to reflect the current purchasing power at the reporting date. These are non-cash adjustments and decreased net profit by USD 2.31 million.
- Gross Loan increased to USD 186 million in 2023 against USD 169 million in 2022. The improvement was led by strong performance in the Tanzania, Liberia, and Uganda subsidiaries.
- PAR>30 reduced to 4.02 % from 6.28% in 2022 primarily due to write-offs in Myanmar and growth in the loan portfolio.
- Successfully rolled out Temenos Core banking software in Tanzania.
- Received regulatory approval for its Ghana operations bringing the number of operational microfinance entities to seven. BRAC Ghana Savings and Loans Limited launched its operation on November 2023.

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 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, 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.

To achieve impact at scale and the target of an additional one million people reached, funding is essential. BRAC International Finance B.V. a fully owned subsidiary of BIHBV therefore launched 'The Debt Programme' and issued its first round of impact notes in May 2022 (see 'Funding' section below). The second round will commence in 2024.

Importantly, the Microfinance Growth for Impact plan serves as an entry point and platform for integrated programming with sister NGOs in countries where BIHBV currently operates. 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, which describes the steps that a financial service provider can take to implement the client protection practices necessary to avoid harming clients, all microfinance entities are implementing the Universal Standards for Social and Environment Performance Management (USSEPM), including the Client Protection Principles (CPPs). The implementation of USSEPM helps entity management ensure that they have the right policies in place to create the enabling foundation for target client value creation and mission achievement.

Self-assessment social audits have been conducted using the CERISE SPI tool in six countries (excluding Ghana) and were verified by a qualified auditor. The CERISE SPI tool is a social performance audit tool to help financial service providers to achieve their social mission and is used to identify and track gaps in compliance with the USSEPM. 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 SPI audit tool is updated based on the progress made against the action plans and reported to the entity boards. As of December 2023, the average SPI4 compliance percentage of the six microfinance entities was 78%. Social performance champions in two countries were awarded the Internal SPI Auditor Certificate in 2023, bringing the total number of certified auditors across BIHBV entities to six.

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 (FSP) and defining action plans to improve it. They offer a clear roadmap that FSPs like BIHBV entities can 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 2023, BIHBV entities started to report on their environmental performance which provided the benchmark to identify gaps and put actions in place to improve them. BIHBV has also developed a climate position paper to articulate its role and commitment to climate action as a responsible financial service provider. Based on this position paper, the environmental performance benchmark, and local regulations, each entity is set to create its environmental strategy in 2024.

In addition to the systematic implementation of the USSEPM, the Company also has a

systematic approach towards the achievement of tangible long-term impact. To achieve impact effectively in line with its mission, 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 to help management define strategies to achieve long-term positive impact and track social impact institutions.

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 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-centered 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.

Insights from agri-finance pilots in Liberia, Sierra Leone, and Rwanda have indicated that while tailored credit solutions are a foundational step, credit alone is insufficient in making a holistic, transformative impact in the yields and lives of smallholder farmers in an increasingly climate-vulnerable world. Leveraging these insights into clients' emerging needs and best practices from the sector, the company developed the second edition of its agri-finance strategy in 2023 to guide country entities in the next phase of Agri-finance implementation focusing on bundled financial (savings, insurance, etc.) and non-financial (training, information and advisory, etc.) services for smallholder farmers. Under the new strategy, BIHBV expects to scale Agri-finance to contribute at least 10% of its total global portfolio in the number of borrowers by 2028 across all markets. In 2023, all entities (except BGSL) developed their country roadmaps for the implementation of the new agri-finance strategy.

As part of AIM, human-centred design assessments were conducted in 2023 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 and/or reviewed and redesigned in 2023: deposit products (review and redesign of existing offerings in Uganda and development of new term deposit products in Myanmar), review and redesign of the small enterprise (SEP) loan in Rwanda, and new Agri-finance product development 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, BRMCP in Rwanda. In 2023, Ghana started its operation in T24 and Tanzania successfully migrated into the system. 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. In 2022, BIHBV selected the Qlik platform for data analytics and hired Diagonal, an IT consulting service provider, to build the reports and dashboards from several data sources on Qlik and transfer knowledge to the BIHBV IT team.

The data analytics and reporting system (DARS) went live in October across all MF entities, except for Ghana, Uganda, and Rwanda.

Talent Management and Leadership Development

In 2023, the Company and its subsidiaries focused on strengthening staff retention, motivation, and overall growth. A comprehensive market salary review and benchmarking process was conducted, leading to the implementation of new salary structures at the subsidiary level. Additionally, various initiatives were introduced to enhance staff motivation and retention, including the launch of a Learning Management System (LMS) offering 7,000 digital courses, improved HR policies, and staff welfare plans. Senior management teams received Strategic Leadership and Finance training, while frontline Managers, such as Branch Managers, Area Managers, and Regional Managers, underwent soft skills leadership training to enhance their capacity.

In 2023, BRAC International (BI) launched the Sir Fazle Hasan Abed Fellowship Programme for Women in partnership with academic institutions. BI collaborated with the Asian University for Women (Bangladesh), BRAC University (Bangladesh), Makerere University (Uganda), and the University of Dar es Salaam (Tanzania). The program is designed to support women graduates interested in pursuing a career in the international development sector. It offers a six-month experiential learning opportunity aimed at developing their leadership skills through immersive training. This programme is an extension of the BRAC International Women Leaders Programme launched in 2022, aiming to promote an inclusive and equitable workplace that supports career progression opportunities for women employees at all levels.

The company co-implemented a Delegation of Authority (DoA), which defines the delegation of administrative approvals. The primary purpose of this delegation is to help country CEOs expedite the approval process while maintaining effective controls.

Funding

In 2023, a total of USD 39.9 million (2022: USD 74.2 million) was raised by all BIHBV microfinance entities through a mix of local borrowings, from the Debt Programme, and bilateral international lenders.

The Impact Notes programme (via BRAC International Finance B.V.) was successfully launched in 2022, with Global Partnerships and Proparco providing financing for the first series of issuances to support the growth of the Company's entities in a post-pandemic environment. Under Series 1, a total of USD 40.7 million commitment was secured from the two anchor investors. The overall utilization over the two years was USD 38.38 million - BRAC Tanzania Finance Limited USD 25.88 million, BRAC Rwanda Microfinance Company PLC USD 5.2 million, BRAC Liberia Microfinance Ltd USD 4.5 million, and BRAC Microfinance Sierra Leone Ltd USD 2.8 million.

The program has pooled the funding needs of MFIs and solidified them in a single transaction where efforts were combined at the issuer, and BIFBV levels to negotiate the terms at once. Therefore, instead of every MFI dealing with many investors today under the program BIFBV manages the program with a pool of investors. As the price is fixed for all participating MFIs' in a tranche, the smaller MFIs benefit from being included with the larger BRAC MFIs. As for many investors, who intend to pick larger MFIs, the program allows them to invest in smaller countries like Liberia and Sierra Leone, which otherwise, they would not have reached.

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 product development and innovation cycle, from initial research and planning, and taking regular feedback from clients to piloting and scaling up any new initiative. During the year, a total of USD 238,879 was spent on research and development.

Communications and Knowledge Management

In 2023, the Company's communications team supported the entities in building strategic communications plans, launching internal and external campaigns, and enhancing their social media visibility. The communications team also supported the BRAC International central communications team to organise a large-scale, highly successful event in Uganda

to celebrate the occasion of BRAC turning 50. The Company launched a quarterly newsletter to extend regular updates to internal and external partners, hosted a high-level live webinar on Financial Inclusion Week, and published a blog on BIHBV's lessons from designing and testing tailor-made agri-credit solutions for women smallholder farmers in Rwanda, Liberia, and Sierra Leone. The team supported the official launch of BRAC Ghana Savings and Loans Limited (BGSL) as BIHBV's newest entity in February 2024.

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, launch, and review of financial literacy training pilots 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 Learning by Doing approach.

Country-Specific Information

EAST AFRICA

BRAC Uganda Bank Ltd (BUBL)

The outstanding gross loans increased by 20% YoY from USD 40.8 million in 2022 to USD 49.1 million in 2023. This growth was supported by the increase in the number of borrowers from 152,677 in 2022 to 178,188 in 2023 and loans disbursed which recorded a 20% growth YoY from USD 95.2 million in 2022 to USD 114.2 million in 2023. The resulting operating income was USD 3 million higher than the prior year. Portfolio at Risk (PAR)>30 improved significantly during the year from 4.44% in Q4 2022 to 3.62% in Q4 2023 with more focus on loan quality, monitoring, and collection. Voluntary saving deposits grew by 17% (USD 2.9 million). The net results declined by USD 224k impacted by impairment losses and recalibration of staff-related costs against market conditions. The company's liquidity position is strong and there is adequate liquidity to run the operations.

BRAC Tanzania Finance Ltd (BTFL)

The Company's largest microfinance entity continued its growth trajectory in 2023. By the end of 2023, BTFL had 358,984 borrowers up from 314,640 in the same period in 2022 (14% increase), and an outstanding loan portfolio of USD 78 million up from USD 73 million in 2022. Profit after tax declined by 11% due to an increase in interest expense as a result of extra funding to support growth in disbursements (USD 11 million) and recalibrating the staff-related cost by aligning with the market to enhance productivity.

BRAC Rwanda Microfinance Company PLC (BRMCP)

The number of borrowers served increased by 24% from 25,255 in 2022 to 31,257 in 2023. Similarly, the number of savers increased by 37% reaching 69,577. The loan portfolio continued to increase with a total of USD 9.6 million disbursed in 2023 compared to USD 7.55 million in 2022. BRMCP remains a loss-making entity but is expected to break even by 2025. The company's liquidity position is adequate with unutilized balances expected to support portfolio growth in 2024.

WEST AFRICA

BRAC Liberia Microfinance Company Ltd (BLMCL)

The number of borrowers increased by 34% to reach 78,006 borrowers by the end of 2023. Disbursements also increased to USD 45.4 million by the end of 2023 compared to USD 39.6 million in 2022 hence a 9% growth in outstanding loans to USD 15.1 million. PAR>30 improved from 1.52% to 0.71%. BLMCL extended its outreach program by opening seven new branches in 2023. BLMCL remains profitable in 2023 despite the marginal drop in profitability. The staff cost review measures undertaken in 2023 are expected to yield positive results and enhance productivity in the coming years, hence increasing the profit margins. The Solvency ratio stands at 42% and is a strong indication of the entities' ability to support 2024 growth projections.

BRAC Microfinance Sierra Leone Ltd (BMSLL)

The borrower base grew by 13% to 69,870 in 2023 compared to 61,657 in 2022. This growth in the number of clients led to increased disbursements by 46% in absolute terms (LCY) while outstanding loans increased by 27% to USD 9.846 million. Though profitable in 2023, the drop in net operating result was due to rising inflation costs, interest expense from loans taken to finance business growth, and recalibration of staff-related costs against market conditions, all of which are expected to contribute to accelerated growth in 2024. The Solvency ratio remains sound at 35.94%.

BRAC Ghana Savings and Loans Ltd (BGSL)

On 22 August 2023, the Bank of Ghana (BoG) granted final approval to undertake a business of savings and loans. BGSL formally started the microfinance operations on 2 November 2023 with one branch. More branches will be opened in 2024. It's expected that BGSL will take at least 5 years to break even and the parent entity (BIHBV) has committed USD 5.1 million to support the subsidiary out of which USD 2.9 million has already been disbursed.

ASIA

BRAC Myanmar Microfinance Co. Ltd (BMMCL)

Myanmar continues to experience political uncertainty and economic turbulence following the military takeover in February 2021. This has led to an acute USD liquidity crisis, resulting in exchange market volatility, regulatory inconsistencies, and a weaker domestic economy. Because of the conflict and security situation, the entity had to close 11 branches on the grounds of staff safety bringing down the total number of branches to 74. The continuing Government restriction (started in 2022) on international payments, particularly loan repayments leading to severe funding constraints from international funders which have limited the funds available to fulfil client demand. Due to the liquidity shortage, political situation, and recent regulatory developments, the microfinance sector faces acute operational constraints.

Despite these challenges, BRAC Myanmar Microfinance Company Ltd (BMMCL) managed to disburse loans totalling USD 52.9 million from existing funding in 2023 and continued to serve around 113k clients. The PAR>30 ratio improved significantly from 24% in 2022 to 13.18% in 2023. Although the decrease in PAR is mostly due to write off, out of the total

PAR only 1.5% belongs to the loan disbursed in 2023 which shows signs of a potential reduction in economic distress in the coming years.

The impact of external risks in Myanmar has been assessed through scenario analyses. Further, the BMMCL board and management, alongside the BIHBV board and management, will continue to monitor and evaluate the evolving situation, assumptions made, and operational trends in line with the scenario analyses.

Financial and Non-Financial Operational Performance

Financial Highlights

The Company's financial performance during the year ended 31 December 2023 is as follows:

- Interest Income on loans and advances increased by 8% to USD 83.43 million in 2023 (USD 77.2 million in 2022) backed by growth in loans and advances to customers.
- Interest and similar expenses increased by 34% in 2023 to USD 18.14 million (2022: USD 14.1 million) on account of an increase in total borrowings by 11%.
- Credit loss expenses decreased to USD 3.4 million (2022: USD 5.6 million) by 40% reflecting the overall decrease in portfolio at risk.
- Operating expenses increased by 18% to USD 64.6 million in 2023 (USD 54.8 million in 2022). This increase relates to an increase in staff-related costs, training, and development costs as part of talent retention and capacity building across all the entities, an increase in digitalization and IT cost, and the overall impact of inflation on all of the operating entities.
- This year the group had to use hyperinflationary accounting for the first time as the consumer price index of Sierra Leone has exceeded the three-year cumulative rate of inflation of 100% by the end of 2023. The balance sheet and P&L are adjusted to reflect the current purchasing power at the reporting date. These are non-cash adjustments. The adjustments resulted in a decrease in net profit by USD 2.3 m (note-2.31)
- The net result of the group decreased to USD 6.5 million profit (USD 7.7 million in 2022)
- Gross loans to customers increased by 10% to USD 186.0 million in 2023 (USD 168.9 million in 2022).
- Cash and cash equivalents decreased by 2% to USD 71.9 million in 2023 (USD 73.6 million in 2022). The cash movements have been disclosed in the cash flow statement.
- Current liabilities increased by 22% to USD 113.6 million (USD 93.0 million in 2022) driven by an increase in deposits from saving products and increase in borrowings
- Current assets increased by 9% to USD 269.3 million (USD 246.2 million in 2022), 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 116% (120% in 2022) due to increased operating expenses.
- Return on performing assets (net income before tax/average total assets) is stable at 6% (5% in 2022).
- Return on equity (net income before tax/total equity) is 15% (15% in 2022). This is due to an increase in net income in 2023 as a result of positive movement on derivatives.

- Cash position indicator (cash and deposits into banks/average total assets) is 25% (27% in 2022) as more cash was deployed to grow the disbursements.
- Impairment reserve ratio (impairment reserve/gross loan to customer) is 4% (6% in 2022). 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 2023 is 4.8 (6.0 in 2022). The impact is mostly due to non-cash adjustments relating to first-time hyperinflationary accounting in 2023. Management is expecting to restabilise the position in 2024.
- The quick ratio [(current assets – inventories)/current liabilities] of the Company is 2.4 (2.6 in 2022). It shows the Company has sufficient strength to manage its current liabilities.

Operational Highlights

	2023	2022
Number of total borrowers	829,791	741,124
Percentage of female borrowers	96%	96%
Number of savers	750,454	637,192
Number of branches	533	523
Principal outstanding (USD million)	186	169.0
Client deposits (USD million)	24.19	19.6
Disbursement for the year (USD million)	418	375
Average loan per borrower (USD)	360	363
PAR > 30 days	4.02%	6.28%
Total assets (USD million)	293.3	272.1
Total equity (USD million)	107.1	104.9
Total interest-bearing debt (USD million)	114.7	102.0
Net results (USD million)	6.5	7.7
Number of total staff	6,384	6,012
Number of female staff	5,366	5,164

Outlook for 2024

The company's theme for 2023 was '**Realising the Potential of People to Achieve Impact at Scale**' - emphasizing the company's commitment to fostering connectedness with staff members and being a catalyst to develop human potential. 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 BRAC International.

Continuing with the focus on people - the 2024 theme for BIHBV is "**Growing with Grit: Powering The Potential Of People To Achieve Impact at Scale**". The theme channels the intention of doubling down on the Growth for Impact ambition by empowering people - both clients and staff.

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.

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, BIHBV will continue to scale this training learning from the first-year pilot.

Environmental Performance

Based on the BIHBV Climate Position paper and the benchmarks on Environmental Performance set in 2023, each entity will develop its environmental strategy in 2024. 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 2024, 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 2024. A key IT objective in 2024 is to strengthen the systems including cyber security 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 2022/2023, USD 38.4 million was raised and disbursed from Series 1 and invested in four BIHBV entities. In 2024, approximately a further USD 32.3 million will be secured through Series 2 of the Debt Programme to support BIHBV entities' funding needs.

Talent Management and Leadership Development

In alignment with the Company's 2024 theme, we are currently in the process of rolling out a new talent management strategy. A key aspect of this initiative involves piloting a redesigned Succession Planning Framework in Rwanda, Liberia, and Sierra Leone. Additionally, we are conducting assessments to ensure safeguarding measures are in place across all MFIs and have developed a comprehensive training plan encompassing leadership, soft skills, and technical skills development. In addition, we will review the Human Resources (HR) structures at the entity level to improve HR service delivery. We will also assess the implementation of the Women in Leadership program and the adoption of the Delegation of Authority (DoA) at the entity level.

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. BGSL is expected to accelerate its operations in 2024 after commencing the operations in November 2023. An additional 16 branches are expected to be opened in 2024 to reach around 20,000 clients by the end of the year. For BMMCL, despite the challenges facing Myanmar, operations have and are expected to remain stable. On the current trajectory, financial ratios are expected to improve but some, including concerning portfolio quality and write-offs, are anticipated to be in breach of loan financial covenants into 2024. In the case of international lenders, these potential future breaches are being considered as part of rescheduling discussions; while in the case of local lenders, it is expected that further waivers or waiver extensions will be granted. Nonetheless, under all cash flow scenarios developed, BMMCL is projected to be able to support payment in full of principal and interest to all lenders, including international lenders. The BMMCL board and management, alongside the BIHBV board and management, will continue to monitor and evaluate the evolving situation, assumptions made, and operational trends in line with the scenario analyses.

Uganda, Tanzania, Sierra Leone, and Liberia operations are expected to grow further this year and improve their overall financial performance. The plans include the continuation of several key strategic initiatives relating to digital transformation and Agriculture finance product development. These learnings will be leveraged to refine offerings to ensure client-centricity, sustainability, and effectiveness before scaling up.

At the portfolio level, the Company is targeting an increase in its reach to 572 branches from the existing 536 branches and reach close to a million borrowers by 2024 (992,000). The

number of savers is expected to increase to 892,000 and principal outstanding is expected to increase to 206 million. The company is expected to realize USD 10 million in after-tax profit before tax in 2024.

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 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 Stichting BRAC International (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 – 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 head office and the Group Internal Audit Function. The Risk Management team, reports to the Director of Finance of SBI and works closely with the management teams of all subsidiaries under SBI and BIHBV, and reports to the Senior Management and Board Sub-Committee (Audit and Risk Committee) and seeks necessary endorsements on a periodic basis.

The Risk Management Committee at the management level reviews the risk management update on a quarterly basis 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 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 mitigation plans. The country management teams also periodically review and update on the status of the mitigation measure.

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 its 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 significant political upheavals and deteriorating security situation that is impacting its operation. In addition, the restriction on making international payments is also impacting the fundraising capability of the operation. The management team is closely monitoring the situation.

The directors have assessed the ability of Myanmar (BRAC Myanmar Microfinance Company Limited or 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 manmade 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 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) Cooperate 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 that 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 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. Subsequently, the loan was fully repaid on 24 February 2024 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.

Environmental

Environmental risk is an important phenomenon embedded in the entity's vision and mission. The overall purpose of environmental risk management is to understand and manage risks

that arise from environmental concerns. The company considers environmental issues while making decisions on giving out microfinance loan financing. Failure to consider these environmental risks as a part of financing decisions could lead to an increase in non-performing loans for the microfinance programme. To minimize the risk, the company has initiated a process to develop its environmental strategy which will mostly focus on trying to reduce clients' vulnerability to climate change and environmental degradation by supporting them in building resilience and adapting to the changing climate situation.

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 cyber security 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.

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

any anonymous account (defined below). The KYC programme of the Company keeps to record 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 group entities. 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.

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

	2023	2022	Currency depreciation / (appreciation) %
Uganda (UGX)	3,782.21	3,713.63	1.81%
Tanzania (TZS)	2,515.00	2,352.00	6.48%
Zanzibar (TZS)	2,515.00	2,352.00	6.48%
Rwanda (RWF)	1,263.93	1,070.71	15.29%
Sierra Leone (SLL)	22.80	18.84	17.37%
Liberia (LRD)	187.17	152.97	18.27%
Myanmar (Kyat)	2,100.00	2,100.00	0.00%
Ghana	11.88	8.576	27.81%
Kenya (KES)	156.46	124.13	20.66%
The Netherlands (EUR)	0.905	0.94	-3.87%

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 resulted in a restriction on international loans and service payments by Myanmar microfinance companies. There is a significant difference between the official government rate and the rate available at the informal kerb market. The FX risk in Myanmar is mitigated by a back -to-back loan structure wherever possible. The company is also in discussion with international lenders on potential settlement and restructuring of the international loans in Myanmar operation.

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, operation cash flows, and the availability of funding so as 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 an Standard Operating Procedure (SOP) to monitor and screen for Anti-Money Laundering and Combating the Financing of Terrorism (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).

Financial Reporting Risks

Risks related to false reporting to stakeholders (such as investors and financial institutions) and 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 individual entities 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.

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 2023, the Management Board of the Company comprised of Mr.

Shameran Abed (Director) and Ms. Bridget Dougherty (Director). Subsequently, on 26 January 2024, Mr. Abhijit Gupta, Finance Director of the Company was appointed as a Director. On 31 March 2024, Mr. Abed resigned from the Management Board resulting in Ms. Dougherty and Mr. Gupta as the members of the Management Board.

At the end of 2023, 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.

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

The Management Board is responsible for the preparation and fair presentation of the financial statements, comprising of the balance sheet as at 31 December 2023, the profit and loss account and the cash flow statement for the year, and the notes to the consolidated financial statements for the year ended 2023.

The Management Board's responsibility includes de-signing, 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

BIHBV has incorporated a new subsidiary named BRAC Kenya Company Limited on 20 February 2024. The company is in the process of applying for a Digital Credit Provider (DCP) license in Kenya

On 22 February 2024 BRAC Myanmar Microfinance Company Limited made an early settlement of a loan to AGD Bank amounting to MMK 7 billion (USD 3.3 million)

On 17 April 2024, Uganda Tax Authority (URA) raised a demand against BUBL amounting to UGX 7.9 billion (in USD 2.07 million) Uganda shillings under section sections 75(2) and 79(ga) of the Income Tax Act (ITA) against the involuntary disposal of shares during its transformation to a tier-2 bank in Uganda. The entity disagrees with the assessment taxation

of the involuntary disposal of shares as it was not a party to the disposal and the transaction incurred between BRAC BV and the investors. BRAC BV has also initiated a mutual application procedure (MAP) with Dutch Tax authorities because this transaction is covered under the DTA between Uganda and the Netherlands. As the transaction is already taxed in the Netherlands, this should not be taxed again in Uganda.

Signing-Off of Management Board

The Management Board prepared the financial statements and recommended that the 2023 Annual Report be adopted in the Annual General Meeting.

The Hague, 2 August 2024

Ms. Bridget Dougherty

Mr. Abhijit Gupta

Consolidated Balance Sheet

as at 31 December 2023

(before appropriation of result)

		2023		2022 (Restated) ¹	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	3	5,119,850		4,629,595	
Tangible fixed assets	4	4,811,032		4,550,892	
Financial fixed assets	5	14,036,812		16,678,615	
			23,967,694		25,859,102
Current assets					
Inventories	6	310,075		324,678	
Loans to customers	7	184,782,430		162,725,002	
Trade and other receivables	8	12,231,725		9,612,453	
Cash and cash equivalents*	9	71,984,108		73,558,034	
			269,308,337		246,220,166
			293,276,031		272,079,268
Group equity					
Shareholder's equity	10		99,596,973		97,259,481
Minority Interest	10		7,525,720		7,687,717
			107,122,693		104,947,198
Non-current liabilities					
	11		72,554,374		74,092,051
Current liabilities					
Donor funds	12	4,506,756		5,215,255	
Loan Security Fund	12	30,934,315		29,050,427	
Deposits from savers	12	24,189,799		19,609,642	
Current portion of the borrowings	11	42,211,622		28,992,439	
Other current liabilities	12	11,756,472		10,172,255	
			113,598,964		93,040,019
			293,276,031		272,079,268

¹ The comparative information is restated on account of the correction of errors, reference is made to note 2.6.

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Profit and Loss Account for the year ended 31 December 2023

		2023		2022 ¹	
		USD	USD	USD	USD
Interest income	14	83,431,883		77,244,843	
Other interest and similar income	15	9,959,924		6,581,200	
Interest and similar income		93,391,807		83,826,042	
Interest and similar expense	16	(18,137,066)		(14,068,136)	
Net interest income		75,254,741		69,757,907	
Other operating income	17	9,212,256		5,218,970	
Total operating income		84,466,997		74,976,876	
Impairment losses on loans to customers	7	(3,395,077)		(5,649,398)	
Net operating income			81,071,920		69,327,478
Cost of outsourced work and other external cost	18	(21,292,351)		(17,831,908)	
Wages and salaries	19	(31,551,617)		(26,903,444)	
Social security and pension charges	20	(3,681,653)		(2,520,471)	
Amortisation and depreciation on intangible and tangible fixed assets	3&4	(2,459,763)		(1,994,708)	
Other operating expenses	21	(5,649,066)		(5,561,759)	
Total Operating Expenses			(64,634,450)		(54,812,290)
Result Before Tax			16,437,470		14,515,188
Net loss/Gain on Monetary Assets	2.31		(2,380,177)		-
Tax on result	23		(7,573,688)		(6,518,113)
Result after tax			6,483,605		7,997,076
Minority interests			38,357		(279,512)
Net result			6,521,962		7,717,563

¹Adjusted for comparison purposes, reference is made to note 2.1.

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

	2023		2022	
	USD	USD	USD	USD
Consolidated net result after attributable to the Company			6,521,962	7,717,563
Translation differences on foreign participating interests		<u>(1,411,512)</u>		<u>(2,265,322)</u>
Total of items recognised directly in shareholder's equity of the Company as part of the group entity			<u>(1,411,512)</u>	<u>(2,265,322)</u>
Comprehensive income			<u>5,110,450</u>	<u>5,452,241</u>

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2023

	2023		2022 (Restated) [†]	
	USD	USD	USD	USD
Net result		6,521,961		7,717,563
Adjusted for:				
□ Depreciation/amortisation/other value adjustments	3&4	2,459,763	1,994,708	
□ Impairment losses on loans	7	3,395,077	5,649,398	
□ Fair value movement on financial assets	15, 16	(2,704,047)	537,776	
□ Interest expenses	16	15,614,451	12,772,358	
□ Bank interest income	15	(1,775,518)	(1,861,283)	
□ Tax on result from ordinary activities	23	7,573,688	6,518,113	
□ Change in minority interest		(38,357)	279,512	
□ Other movement in borrowings		532,780	(1,036,461)	
□ Other movement in financial fixed assets		3,900,000	(9,000,000)	
□ Changes in working capital:				
✓ Change in inventories		14,603	(98,638)	
✓ Change in other receivables		(2,619,271)	(4,944,495)	
✓ Change in other liabilities		7,339,762	3,728,524	
		33,692,931		14,381,095
Cash flow from operations		40,214,893		22,098,942
Loans to customers distributed	7	(417,992,893)	(375,083,576)	
Loans to customers repayment	7	385,288,018	345,691,011	
Change in Interest Receivable	7	(2,236,263)	(1,718,097)	
Interest paid – borrowings		(13,429,892)	(7,890,962)	
Interest paid to savers and program participants		(1,883,395)	(1,728,151)	
Income tax paid		(5,530,994)	(4,887,119)	
Bank interest income received	15	1,775,518	1,861,283	
		(54,009,901)		(44,460,701)
Cash flow from operating activities (carried forward)		(13,795,009)		(22,362,042)

		2023		2022	
		USD	USD	USD	USD
Brought forward			(13,795,009)		(22,362,042)
Investments in:					
☐ Tangible fixed assets	4	(2,338,735)		(2,017,769)	
☐ Intangible fixed assets	3	(952,911)		(2,073,255)	
Disposals of (in)tangible fixed assets	3	712,737		564,416	
Investments in capital work in progress to tangible and intangible fixed assets	3	(359,587)		-	
Cash flow from investing activities			(2,938,497)		(3,526,608)
Increase in borrowings	11	39,850,389		74,200,568	
Repayment of borrowings	11	(24,774,306)		(26,278,291)	
Share Premium contribution	30	500,000		-	
Cash flow from financing activities			15,576,083		47,922,277
Net cash flow			(1,157,423)		(22,033,627)
Exchange rate and translation differences on cash and cash equivalents			(416,503)		(184,717)
Changes in cash and cash equivalents			(1,573,926)		21,848,910
Cash and cash equivalents as at the beginning of the financial year			73,558,034		51,709,124
Changes in cash and cash equivalents			(1,573,926)		21,848,910
Cash and cash equivalents as at the end of the financial year			71,984,108		73,558,034

¹ The comparative information is restated on account of the correction of errors, reference is made to note 2.6 and adjusted for comparison purposes, please refer to note 2.1 .

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Notes to the 2023 Consolidated Financial Statements

1. The Reporting Entity

BRAC International Holdings B.V. ('BIHBV' '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), 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 entities 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 2023 to 31 December 2023. The comparatives consist of the year 2022, which ended as at 31 December 2022. 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 accounting policies applied for measuring assets and liabilities and the determination of results are based on the historical cost convention except for investments in equity instruments and derivatives which have been measured at fair value. Additionally, the financial information of the subsidiary operating in a hyperinflationary economy has been adjusted to reflect its current purchasing power.

The company applied hyperinflationary accounting for its subsidiary in Sierra Leone for the first time in 2023 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.

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 2022 have been reclassified for comparison purposes and increased transparency resulting in a better reflection of the operations of the company. reclassifications are as follows:

- Withholding tax amounting to USD 705,090 has been reclassified to tax on result from other operating expenses in the Consolidated Profit and Loss account.
- Bank interest income received amounting to USD 1,861,283 was presented as a separate line in the Consolidated Cash flow statement (previously bank interest income was included in Net result).

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 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:

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 • Back testing 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 CPIs.	• Estimation of CPI rates.

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 if 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	2023 share of interest %	2022 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 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.

The entity in Sri Lanka is a dormant entity without operations during the financial year 2023.

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. Exchange rate differences arising from the translation are directly recognised in equity as part of the revaluation reserve.

Foreign Operations

The assets and liabilities that are part of the net investment in a foreign operation are translated into the functional currency at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into the functional 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 Correction of errors

The Group has deposits placed as collateral on its borrowings. They do not meet the definition of cash and bank as the underlying terms and conditions prevent the Group from accessing such deposits on demand. Therefore, the Group has concluded that the deposits used as collateral should not be presented as cash and cash equivalents in the Consolidated Balance Sheet and Consolidated Statement of cash flows. The related collaterals are segregated by long-term and short-term and presented in Trade and Other receivables and Financial Fixed assets accordingly. For detailed information refer to the note -5 of the financial statements.

The presentation error has been corrected by each affected financial statement line items. An overview of the impact on the financial position in the balance sheet and the statement of comprehensive income can be specified as follows:

**Consolidated balance sheet
(31 December 2022)**

Impact of correction of error

	As previously reported	Adjustment	As restated
Financial fixed assets	7,678,615	9,000,000	16,678,615
Trade and other receivables	4,612,453	5,000,000	9,612,453
Cash and cash equivalents	87,558,034	(14,000,000)	73,558,034
Total Assets	272,079,268	-	272,079,268

**Consolidated Cash flow
(31 December 2022)**

Impact of correction of error

	As previously reported	Adjustment	As restated
Other movement in financial fixed assets	-	(9,000,000)	(9,000,000)
Change in Other receivables	(102,911)	(4,841,584)	(4,944,495)
Cash flow from Operating activities	(8,520,458)	(13,841,584)	(22,362,042)
Exchange rate and translation difference	(26,301)	(158,416)	(184,717)
Changes in cash and cash equivalents	35,848,910	(14,000,000)	21,848,910

2.7 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: financial fixed assets, 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.

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either: substantially all of the risks and rewards of ownership of the financial asset are transferred; or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non -cash assets transferred or liabilities assumed) is recognised in profit or loss.

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

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company 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.

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.

2.8 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. At the end of each reporting year, the recoverable amount of intangible assets that 'are not yet put into use' is assessed for impairment, even if there is no indication of impairment. 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.

2.9 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 assets to their location and condition for their 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 disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognised net with other income in profit or loss.

Depreciation

Depreciation is recognised in profit or loss and calculated to write off the cost of the property and equipment on a straight basis over the expected useful lives of the assets concerned, taking into account any estimated residual value of the individual assets. The land is not depreciated.

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

	2023 %	2022 %
Buildings	5	5
Equipment	20	20
Computers	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.

2.10 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. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

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 the lower of cost or realisable value. The resulting difference in the net assets value is charged in 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.

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.

2.11 Impairment of fixed assets

Intangible, tangible, and financial fixed assets are assessed at each reporting date 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).

2.12 Disposal of fixed assets

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

2.13 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.

2.14 Impairment of Financial Assets

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

The Company followed 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 judgment is applied to determining the economic scenarios used the probability weightings applied to them and the associated impact on ECL.

The company reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statements. In particular, 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 and loans overdue below 31 days are considered as stage 1. Any loans overdue for 31 –90 days are recognised as stage 2 loans. Loans overdue more than 90 days are recognized as stage 3 loan.

Step-2

ECL based on backtesting

To avoid the complexity of calculating the separate probabilities of default and loss given default, the Company uses a 'loss rate approach' for the measurement of ECL under IFRS 9. Using this approach, the company 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 is 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 of future loss.

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 three-year average write-off rate from each of the brackets. The rates are below:

Overdue age	Three years average Loss rate
91-180 days	31%
181-365 days	43%
365+ days	52%

The loss rates are determined based on an analysis of the last three years' actual write-off on each bracket and taking into account any bad debt recovery thereof.

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.

2.15 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 is 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.

2.16 Shareholder's 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.

2.17 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.

2.18 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.

2.19 Minority Interests

Minority interests are measured at the third party's share in the net value of the identifiable assets, liabilities and contingent liabilities according to the Company's valuation principles.

2.20 Non-Current Liabilities

The valuation of non-current liabilities is explained under the heading 'Financial Instruments'.

2.21 Current Liabilities

The valuation of current liabilities is explained under the heading 'Financial Instruments'.

2.22 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 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 are recognised on an accrual basis as income. The recognition of Interest income on loans and advances ceases when the loan is transferred to non-interest-bearing loan. The below table summarises the BRAC Interest recognition policy

Loan Maturity	BRAC Credit management
Within maturity period	Current loan
12 months after maturity period	Late loans
+12 months after 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 discount on issued debt form part of amortised cost of the financial liability and subsequently part of effective interest rate

Other Operating Income

Other income includes program participants admission fees, sale of passbook, fees and commission income and income on death from risk funds. The aforementioned fees are recognised on receipt as the then admission and sale constitutes a satisfactory performance obligation.

The Group collects fees for the death risk. These fees cover settlement of the outstanding loan amount and other financial assistance if a borrower dies or disabled. The collections are recognised upfront as income and a liability is recognised in the statement of financial position 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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the profit and loss account in the year the asset is derecognised.

Other income includes gains made due to early repayment of loans.

2.23 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.

2.24 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 the 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.

2.25 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 future.

In addition, a provision is included as at 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 balance sheet date.

For any surplus at the pension fund as at 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.

2.26 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 differ 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.

2.27 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.

2.28 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 are classified as finance leases. 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 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 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 as such 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 to the profit and loss account on a straight-line basis over the lease term.

2.29 Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and investments 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 in to 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.

2.30 Related Party Transactions

Transactions with related parties are disclosed to the extent 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 of directors, subsidiaries, and shareholder(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.

2.31 Hyperinflation

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 income statement 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 when restatement of financial statements in accordance with this Standard becomes necessary. One of the key quantitative indicators is that the cumulative inflation rate over three years is approaching, or exceeds, 100%.

BRAC International Holdings BV 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 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 operations in Sierra Leone and Ghana which has been classified as a hyperinflationary economy as the cumulative inflation over the past three years exceeded 100% by 31st December 2023. BIHBV has used hyperinflationary adjustments under Dutch GAAP (DAS 122) for the Sierra Leone financial statements. No adjustments were made for Ghana as the entity has just started its operation in 2023 and the impact is minimal. BIHBV will continue to monitor the CPI rates in Ghana and will apply hyperinflation accounting if the cumulative inflation exceeds 100% in 2024.

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 income statement for inflation during the year;
- The income statement 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 income statement, 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, there are 2 ways of translation of assets and liabilities 1) non-monetary items will be 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 concluded. The difference with the previous measurement will be recognised in equity; or 2) non-monetary items will be translated at the start of the financial year for the effect of the (hyper)inflation from the start of the financial year in which the criteria for hyperinflation are first met (therefore, the financial year will start with an index of 100%). BIHBV has opted to take the first approach of translation of assets and liabilities.

On the first application of hyperinflationary accounting, there is an accounting policy choice of (i) restate comparatives or (ii) do not restate comparatives. BIHBV has opted to take the approach of not restating the comparatives.

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	293,185,022	91,008	293,276,031
Total Liabilities	186,153,338	-	186,153,338
Total Equity	107,031,684	91,008	107,122,693

Consolidated Income Statement **Amounts in USD**

Particulars	Historical	Impact of hyperinflation	Adjusted
Profit for the year	8,832,491	(2,310,529)	6,521,961

Breakdown of P&L Impact for hyperinflationary accounting :

Particulars	Amount in USD
(Loss)/Gain on Net monetary position	(2,380,177)
Impact of CPI adjustment on other P&L items	69,648
Total (loss)/ Gain due to hyperinflation adjustment on net profit	(2,310,529)

2.32 Contingent 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.

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 USD	Capital work in progress USD	Total USD
Balance as at 1 January 2023:			
□ Purchase price	5,392,096	608,740	6,000,836
□ Accumulated amortisation and impairment	(1,371,241)	-	(1,371,241)
□ Impact of Hyperinflation accounting	53,603		53,603
□ Carrying amount	4,074,458 =====	608,740 =====	4,683,198 =====
Changes in carrying amount:			
□ Investments	952,911	359,587	1,312,498
□ Capital work in progress transfer	164,189	(164,189)	-
□ Amortisation	(600,917)		(600,917)
		-	
□ Disposal purchase price	(369,648)		(369,648)
		-	
□ Disposal accumulated depreciation	290,401		290,401
		-	
□ Exchange rate differences in purchase price	(262,421)		(262,421)
		-	
□ Exchange rate differences accumulated depreciation	66,739		66,739
		-	
□ Change in carrying amount	241,254 =====	195,398 =====	436,652 =====
Balance as at 31 December 2023:			
□ Purchase price	5,952,616	804,138	6,756,754
□ Accumulated amortisation and impairment	(1,636,904)	-	(1,636,904)
□ Carrying amount	4,315,712	804,138	5,119,850

The intangible fixed assets consist of expenditure on software licences purchased from third parties, mainly related to the implementation of a Core Banking System in various countries throughout 2023.

4 Tangible Fixed Assets

Movements in tangible fixed assets were as follows:

	Buildings USD	Plant and equipment USD	Motor Vehicles USD	Furniture and fixtures USD	Total USD
Balance as at 1 January 2023:					
□ Purchase price	51,755	5,986,907	825,613	4,045,014	10,909,289
□ Accumulated depreciation and impairment	(4,164)	(3,746,336)	(518,083)	(2,089,617)	(6,358,200)
□ Impact of Hyperinflation accounting		21,349	-	33,692	55,041
□ Carrying amount	47,591	2,261,920	307,530	1,989,089	4,606,130
Changes in carrying amount:					
□ Investments	-	1,499,682	506,791	332,262	2,338,735
□ Disposals	-	(249,796)	(52,380)	(40,912)	(343,088)
□ Depreciation	(4,011)	(1,362,023)	(139,624)	(467,815)	(1,973,473)
□ Reversal of depreciation on disposal	-	205,151	51,417	17,895	274,463
□ Exchange rate differences in purchase price	(3,354)	(165,159)	(70,485)	(107,469)	(346,467)
□ Exchange rate differences accumulated depreciation	2,419	138,247	64,855	49,211	254,732
	(4,946)	66,102	360,574	(216,826)	204,902
Balance as at 31 December 2023:					
□ Purchase price	48,401	7,191,389	1,259,817	4,355,600	12,855,207
□ Accumulated depreciation and impairment	(5,756)	(4,863,367)	(591,714)	(2,583,338)	(8,044,175)
□ Carrying amount	42,645	2,328,022	668,103	1,772,262	4,811,032

There were no impairment for tangible fixed assets during the year (2022: Nil)

5 Financial Fixed Assets

	2023 USD	2022 ¹ USD
Investment in Share	3,884,141	3,554,068
Deferred tax assets	3,063,819	4,124,547
Deposits with Banks	5,100,000	9,000,000
Derivative assets	1,988,852	-
	<u>14,036,812</u>	<u>16,678,615</u>
	=====	=====

Investment in Share

The company made a USD 4,000,000 million investment during 2015- 2018 in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund. The company bought 56,151 Type-‘A’ shares in that 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.

As of 31 December 2023, the Net Asset Value (NAV) per share is EUR 29.67 (2022: EUR 24.78)

The movement in investment in TMF was as follows:

	2023 USD	2022 USD
Balance as at 1 January:		
— Cost price	4,000,000	4,000,000
— Accumulated impairments	<u>(115,859)</u>	<u>(445,932)</u>
Carrying amount	<u>3,884,141</u>	<u>3,554,068</u>
	=====	=====

Changes in carrying amount:

	2023 USD	2022 USD
—Acquisitions of participating interests	-	-
—Impairments	-	153,571
—Reversal of impairments	<u>(330,073)</u>	<u>-</u>
Balance	<u>(330,073)</u>	<u>153,571</u>
	=====	=====

¹ Restated due to correction of error. Refer to note 2.6

Deferred Tax Assets

The deferred tax assets arise due to all temporary differences between the accounting base and 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 property and equipment, exchange losses, and provision of impairment losses on receivables. 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 6.6 million (2022: USD 8.7 million) within the next five years.

Tax losses in Rwanda and Ghana amounting to USD 6.7 m 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 2023 can be specified as follows:

	2023 USD
2024	578,285
2025	596,502
2026	1,757,687
2027 and beyond	3,812,871
	6,745,345

Deposits with Banks

The deposits are kept as cash collateral to access local currency loans in Tanzania, Liberia, Sierra Leone, and Myanmar. The cash collateral can only be accessed once the loan is repaid. 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:

	2023 USD	2022 USD
Deposits unrestricted (note 9)	7,498,552	13,253,659
Deposits kept as collateral maturing within 1 year (note 8)	7,200,000	5,000,000
Deposits kept as collateral maturing after 1 year (note 5)	5,100,000	9,000,000
Total Deposits with Banks	19,798,552	27,253,659

Derivatives

As of 31 December 2023, the Group had cross -currency interest rate swap contracts in Tanzania, Sierra Leone, and Rwanda. The currency swap contracts were made with MFX to mitigate currency risk exposure on the intercompany loans taken from BIFBV. The summary of the cross-currency swaps is as follows:

Entity	2023		2022	
	Notional Amount	Fair Value Assets/(liabilities)	Notional Amount	Fair Value Assets/(liabilities)
	USD	USD	USD	USD
Tanzania	10,880,830	932,357	5,000,000	(253,293)
Rwanda	5,200,000	704,189	3,600,000	372
Sierra Leone	2,000,000	352,306	1,200,000	(132,200)
Myanmar	=	=	340,000	5,761
Total	18,080,830	1,988,852	10,140,000	(379,360)
	=====	=====	=====	=====

The positive value denotes that the entities will receive money from MFX. The Hedge for Myanmar was settled in June 2023.

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. These derivative contracts are classified as Level 2 financial instruments.

6 Inventories

	2023 USD	2022 USD
Stationery and office printed materials	310,075	324,678
	=====	=====

The stationery and office printed materials are mostly passbook, loan forms and other collateral forms in the subsidiaries. No provision for obsolete inventories is deemed necessary (USD 0 in 2022).

7 Loans to Customers

Principal Loans Outstanding

	2023 USD	2022 USD
Microfinance loans	134,704,688	116,704,741
Small enterprise programme (SEP) loans	32,317,939	30,111,537
Agriculture loans	13,801,078	14,958,710
Women Enterprise program	3,711,808	3,684,567
Other loans	1,477,361	3,527,322
	186,012,874	168,986,877
	=====	=====

Microfinance loans to group members are traditional small -ticket loans (approximate average loan size is USD 310 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 large r ticket sizes (average size is around USD 1 300) 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.

BRAC INTERNATIONAL HOLDINGS B.V.

Loans to Customers

	2023 USD	2022 USD
Opening balance as at 1 January	168,986,877	160,501,295
Disbursements during the year	417,992,893	375,083,576
Repayment during the year	(385,288,018)	(345,691,011)
Write-offs during the year (principal)	(4,871,562)	(6,542,957)
Translation differences	(10,807,316)	(14,364,026)
Gross advance to customers	186,012,874	168,986,877
Interest receivable as at 31 December	7,775,283	5,829,328
Write-offs during the year (interest)	(1,307,990)	(1,598,300)
Allowances for expected credit loss	(7,697,737)	(10,492,903)
Closing balance as at 31 December	184,782,430 =====	162,725,002 =====

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

	2023 USD	2022 USD
Opening balance as at 1 January	10,492,903	13,813,119
Charged for the year	3,395,077	5,649,398
Write-off (principal)	(4,871,562)	(6,542,957)
Write off (interest)	(1,307,990)	(1,598,300)
Foreign exchange adjustment	(10,691)	(828,357)
Closing balance as at 31 December	7,697,737 =====	10,492,903 =====

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

	2023 USD	2022 ¹ USD
Deposits with Banks (note-5)	7,200,000	5,000,000
Advances and prepayments to third parties	2,685,279	2,077,951
Receivable from BRAC NGO operations	533,786	55,250
Prepaid taxes	132,828	205,459
Grant receivables	132,316	247,147
Accrued interest on bank deposits	628,779	1,050,736
Vat Receivable	24,176	29,004
Other Receivable	651,177	726,564
Fund Management fees	243,384	220,342
	12,231,725	9,612,453
	=====	=====

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

Advance and prepayments also includes a deposit to BRAC USA amounting to USD 250,000 (2002: USD 250,000) for a guarantee against the DFC loan to Myanmar and interest accrued on short-term deposits. 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

	2023 USD	2022 ¹ USD
Cash at bank	63,805,629	59,701,882
Deposits with Banks (note-5)	7,498,552	13,253,659
Cash in hand	679,926	602,492
	71,984,107	73,558,034
	=====	=====

The Cash at bank includes an 'Issuer Reserve' of USD 520,928 (2022: USD 376,400) in the BIFBV which is only available to the subsidiary in order 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 the Banks also includes an amount of USD 22.7 million

¹ Restated due to correction of error. Refer to note 2.6

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(2022: USD 21.2 million) which is partially restricted against loan security funds in Rwanda, Uganda, and 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 in the amount of USD 7.5 million (2022: USD 13.3 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.

10 Group Equity

For a detailed explanation of the share of the Company in group equity, reference is made to note 27 Shareholders' equity in the separate financial statements.

	2023 USD	2022 USD
Equity	99,596,973	97,259,481
Minority interest	7,525,720	7,687,717
	107,122,693	104,947,198
	=====	=====

Refer to note 27 for the movement schedule.

Minority interests

	2023 USD	2022 USD
BRAC Uganda Bank Ltd.	7,525,720	7,687,717
	=====	=====

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

11 Non-Current Liabilities

	2023 USD	2022 USD
Borrowings	115,269,677	103,741,591
Unamortised Cost of Borrowings	(503,681)	(1,036,461)
	114,765,996	102,705,130
Derivative Liability	-	379,360
Less: Current portion of borrowings	(42,211,622)	(28,992,439)
	72,554,374	74,092,051
	=====	=====

Non-current liabilities as at 31 December

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Borrowings

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

	2023 USD	2022 USD
Opening balance as at 1 January	102,705,130	60,426,536
Received during the year	39,850,389	74,200,568
Repayment during the year	(24,774,306)	(26,278,291)
Deferred set cost on borrowings	532,780	(1,036,461)
Foreign currency (gain)/loss	(3,547,997)	(4,607,222)
Closing balance as at 31 December	<u>114,765,996</u>	<u>102,705,130</u>
		USD
Principal amount 1 January 2023		103,741,591
Non-amortised transaction costs		<u>(1,036,461)</u>
Outstanding principal amount as at 1 January 2023:		102,705,130
Received in 2023		39,850,389
Repayments in 2023		(24,774,306)
Foreign currency loss / (gain)		(3,547,997)
Amortisation of transaction costs in 2023		<u>532,780</u>
Outstanding principal amount as at 31 December 2023:		<u>114,765,996</u>
Remaining non-amortised transaction costs		503,681
Current as at 31 December 2023		<u>(42,211,622)</u>
Non-current as at 31 December 2023		<u>72,554,374</u>

The repayment term of the borrowings is as follows

	2023 USD	2022 USD
<1 year	42,211,622	28,992,429
1-5 year	72,554,374	63,020,665
>5 year	-	10,692,036
Total	<u>114,765,996</u>	<u>102,705,130</u>

Out of Borrowings, loans amounting to USD 43.50 million (2022: USD 38.40 million) are in USD and bear an average interest rate of 4.95-7.60% (2022:4.75%-7.35%). The balance of USD 71.77 million (2022: USD 64.07 million) is in local currencies of respective subsidiaries and bears an average interest rate of 7%-23% (2022:11%-17.3%)

Covenant Breaches

Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in agreements. As of 31 December 2023, out of the total outstanding debt of USD 114.8 million (2022: 102.7 million), the balance for credit lines with breached covenants was USD 14.2 million (2022: USD 16.5 million) out of which waivers for loans amounting to USD 6.1 million (2022: USD 10.9 million) were subsequently received. The balance is USD 8.1 million (2022: USD 5.6 million) and is presented as payable on demand.

12 Current Liabilities

	2023 USD	2022 USD
Donor funds	4,506,756	5,215,255
Loan Security Fund	30,934,315	29,050,427
Deposits from savers	24,189,799	19,609,642
Current portion of the borrowings (note 11)	41,507,009	28,992,439
Other current liabilities	11,756,472	10,172,257
	112,894,351	93,040,019

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 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

	2023 USD	2022 USD
Donor funds received in advance	1,307,806	2,494,796
Donor funds invested in microfinance loans	1,237,226	1,770,006
Donor funds utilised in fixed assets	1,961,723	950,453
	4,506,755	5,215,255

All amounts included are due within one year.

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Donor Funds Received in Advance

	2023 USD	2022 USD
Opening balance as at 1 January	2,494,796	1,901,141
Received during the year	6,308,551	5,328,572
Transferred to donor funds invested in fixed assets	(1,284,833)	(634,906)
Transferred to donor fund investment in loans	-	(1,431,176)
Released to profit and loss account	(5,726,075)	(2,333,560)
Other	(484,633)	(335,275)
Closing balance as at 31 December	1,307,806	2,494,796

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

	2023 USD	2022 USD
Opening balance as at 1 January	1,770,006	1,041,325
Transferred from donor funds received in advance	-	1,431,176
Released to profit and loss account	(532,780)	(394,714)
Currency translation	-	(307,781)
Closing balance as at 31 December	1,237,226	1,770,006

Donor Funds Utilised in Fixed Assets

	2023 USD	2022 USD
Opening balance as at 1 January	950,453	22,602
Transferred from donor funds received in advance	1,284,833	634,906
Depreciation charged for the year released to the profit and loss account	(220,106)	(117,730)
Transferred to Capital Fund	-	11,588
Assets handed over to others	-	379,727
Currency translation	(53,457)	19,360
Closing balance as at 31 December	1,961,723	950,453

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Other Current Liabilities

	2023 USD	2022 USD
Payable to Stichting BRAC International	812,653	54,992
Payable to BRAC Bangladesh	3,877	169,014
Payable to BRAC IT Services Limited	247,357	342,024
Payable to third party	957,952	820,948
Corporate income tax payable	437,407	1,528,456
Withholding and other taxes	1,013,231	1,032,739
Liquidity reserve (note 9)	520,928	376,400
Accrued expenses	732,364	498,183
Interest payable on borrowings	2,473,030	2,234,433
Social security fund	913,086	712,516
Bonus accrual	1,403	7,620
Employee Insurance Fund	14,061	67,389
Other liabilities	3,629,123	2,327,543
	<u>11,756,472</u>	<u>10,172,257</u>
	=====	=====

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 liability includes various staff benefit provisions and payable to suppliers. All the other current liabilities are payable within one year. Individually none of the other liabilities are more than USD 1 million.

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

BRAC 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 BI;
- 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. 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, Tanzania holds 41% of the Group's

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credit exposure in 2023 (2022: 40%). Bank of Africa Tanzania holds 23% of the Group's bank balances (2022: 20%)

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 in accordance with 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 3,395,077 (USD 5,649,398 in 2022) in profit or loss as an expected credit loss. 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 (2022: 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 represents the maximum credit exposure.

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

	2023 USD	2022 USD
ECL expenses on Loans and advances	3,395,077	5,649,398
Impairment loss (reversed)/ charged on investment in shares	(330,073)	153,571
	<u>3,065,004</u>	<u>5,802,969</u>
	=====	=====

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Total exposure to credit risk

The below represents the maximum credit risk exposure to the Company as at 31 December 2023 and 2022. For on-balance of financial position assets, the exposures set out above are based on carrying amounts as reported on the statement of financial position.

	2023	2022
	USD	USD
Cash and cash equivalents (ex. cash in hand)	63,805,629	59,701,882
Loans and advances to customers	184,782,430	162,725,002
Loan Security Fund	(30,934,315)	(29,050,427)
Deposit with Banks (note-5)	19,798,552	27,253,659
Trade and other receivables	5,031,724	4,612,453
	242,484,020	225,242,569
	=====	=====

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, in Myanmar, it is 5%.

At 31 December 2023, the exposure to credit risk for loan receivables by geographic region was as follows:

	Carrying amount	
	2023	2022
	USD	USD
Sierra Leone	9,842,372	7,671,031
Liberia	15,096,968	13,962,570
Uganda	48,297,272	40,320,752
Rwanda	3,604,188	3,072,605
Tanzania, including Zanzibar	80,133,573	71,001,169
Myanmar	27,669,010	26,696,874
Ghana	139,047	-
	184,782,430	162,725,002
	=====	=====

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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 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 following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2022.

	Weighted average loss rate	Gross carrying amount (incl . Interest) USD	Loss Allowance USD
Current (not past due)	1.6%	157,705,737	2,453,100
1–30 days past due	9.9%	2,749,934	271,905
31–90 days past due	31.8%	1,462,956	465,701
91–180 days past due	58.2%	1,530,761	890,425
181– 365 days past due	64.9%	3,940,659	2,556,969
More than one year past due	66.1%	<u>5,827,858</u>	<u>3,854,804</u>
Total		173,217,905	10,492,903
		=====	=====

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 bank balances (including short-term deposits) equivalent to USD 83.6 million on 31 December 2023 (2022: USD 86.9 million). 86% of the cash and cash equivalents are held with banks with external credit rating B and above. The Company considers that its cash and cash equivalents have low credit risk based on the risk rating of the counterparties.

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.

Guarantees

The Company sometimes provides financial guarantees to subsidiaries to enable them to access local funds. As at 31 December 2023, the Company has a guarantee provided to BIFBV against the debt programme. The total amount of Guarantee is USD 8 million (2022: USD 6.6 million)

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.

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 credit methodology of the MFIs determines that loans to microfinance clients have short term maturities of less than one year and at fixed interest rates. Third-party loans to MFIs, sourced from both local and international financial institutions, mostly have 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 liabilities at the reporting date. The amounts are gross and undiscounted include estimated interest payments and exclude the impact of netting agreements.

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31 December 2023	Less than 3 Months USD	3 - 12 months USD	1 - 5 years USD
Donor funds	1,645,341	2,861,414	-
Loan security fund	7,195,997	23,661,643	76,675
Deposit from savers	12,194,118	11,995,681	-
Current portion of borrowings	11,659,315	30,552,307	-
Other current liabilities	4,537,189	5,382,356	1,836,927
Long term borrowings	-	-	72,554,374
Total	37,231,960	74,453,401	74,467,976
Loan to customers	53,324,058	130,386,366	1,072,006
Trade and other receivables	683,418	4,348,306	-
Deposits with Banks	-	14,698,522	5,100,000
Cash and cash equivalents	64,485,555	-	-
Total	118,493,031	149,433,224	6,172,006
Net amount	81,261,071	74,979,823	(68,295,970)

31 December 2022	Less than 3 Months USD	3 - 12 months USD	1 - 5 years USD
Donor funds	-	5,215,255	-
Loan security fund	7,557,327	21,288,413	204,687
Deposit from savers	10,429,024	9,180,618	-
Current portion of borrowings	-	28,992,439	-
Other current liabilities	4,238,194	5,198,945	735,116
Long term borrowings	-	-	74,092,051
Total	22,224,545	69,875,670	75,031,854
Loan to customers	43,835,697	117,969,044	920,261
Trade and other receivables	1,711,281	2,901,172	-
Deposit with Banks	-	18,263,659	9,000,000
Cash and cash equivalents	60,304,381	-	-
Total	105,851,359	139,133,875	9,920,261
Net Amount	83,626,814	69,258,205	(65,111,593)

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 on a regular basis by the and regularly reported to management to ensure compliance with the agreements.

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 by 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

14 Interest Income

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

	2023 USD	2022 USD
Africa		
Uganda	22,785,796	20,181,975
Tanzania	37,786,513	34,353,691
Liberia	7,897,309	5,322,165
Sierra Leone	5,193,443	7,116,326
Rwanda	1,467,618	1,154,082
Ghana	7,070	-
	75,137,749	68,128,240
Asia		
Myanmar	8,294,134	9,116,603
	83,431,883	77,244,843
	=====	=====

Interest income on loans and advances denotes the interest income earned on loans and advances disbursed and is based on effective interest rate methodology.

15 Other Interest and Similar Income

	2023 USD	2022 USD
Fees and commission income	4,379,507	4,048,683
Bank Interest	1,775,518	1,861,283
Fair value gain on derivatives	2,373,974	-
Fair value gain on investment in equity	330,073	-
Foreign exchange Gain	1,100,852	671,234
	9,959,924	6,581,200
	=====	=====

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

16 Interest Expenses and Similar Charges

	2023 USD	2022 USD
Interest expense on external borrowings	13,668,493	10,475,916
Interest expense on savings deposit	1,945,958	1,917,083
Bank charges	548,341	417,386
Fair value loss on derivatives	-	379,360
Fair value loss on investment in equity	-	158,416
Foreign exchange loss	1,974,274	719,976
	18,137,066	14,068,136
	=====	=====

17 Other Operating Income

	2023 USD	2022 USD
Grant income	6,623,765	2,864,885
Other income	2,588,491	2,354,085
	9,212,256	5,218,970
	=====	=====

Other income includes gains made due to early repayment of loans, cost recovered from staff as rent against share of space and utilities. This also includes bad debt recovery amounting to USD 663,166 (2022:724,745)

18 Cost of Outsourced Work and Other External Costs

	2023 USD	2022 USD
General and administrative expenses	1,675,832	745,445
Travel and transportation	8,276,821	7,011,032
Office rent and utilities	2,521,715	2,475,506
Printing and office stationery	1,137,235	1,085,437
Staff training and development	523,753	340,345
Audit fees	520,521	324,689
Professional and consultancy fees	2,689,058	3,033,658
Digitalisation and Software maintenance costs	3,314,345	2,274,865
Internet subscription charges	633,071	540,931
	21,292,351	17,831,908
	=====	=====

19 Wages and Salaries

	2023 USD	2022 USD
Salaries and benefits	31,551,617	26,903,444
	=====	=====

During the 2023 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 6,384 people (2022: 6,012 people). All staff were employed outside the Netherlands except 3 (2022: 6). This staffing level (average number of staff) can be divided as below:

Entity	2023	2022
Tanzania	2,270	1,919
Uganda	1,925	1,944
Myanmar	606	738
Liberia	568	444
Sierra Leone	554	591
Rwanda	390	346
Ghana	39	-
Regional Office	29	24
Netherlands	3	6
Total	6,384	6,012

20 Social Security and Pension Charges

	2023 USD	2022 USD
Social Security charges	3,664,216	2,496,779
Pension plan charges	17,437	23,692
Social security charges and pension charges	3,681,653	2,520,471
	=====	=====

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

	2023 USD	2022 ¹ USD
Office supplies and utilities	3,088,394	2,900,800
Communication and publication	617,037	835,476
Meeting and workshops	203,364	164,414
Generator operating expense	90,358	18,966
Write-off and disposals	355,107	241,837
Group member's death benefits	30,364	24,155
Secretariat Expense	573,565	1,078,323
Other expenses	690,877	297,787
	5,649,066	5,561,759
	=====	=====

22. Auditor's Fees

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

¹ Adjusted for comparison purposes. Refer to note 2.1

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	KPMG Accountants N.V.	KPMG Network	Total KPMG
	USD 1,000	USD 1,000	USD 1,000
2023			
Audit of the financial statements	207	21	228
Other audit engagements	-	-	-
Tax-related advisory services	127	48	175
Other non-audit services	4	-	4
	<u>338</u>	<u>69</u>	<u>407</u>
	=====	=====	=====
2022			
Audit of the financial statements	111	66	177
Other audit engagements	-	-	-
Tax-related advisory services	101	6	107
Other non-audit services	-	-	-
	<u>212</u>	<u>72</u>	<u>284</u>
	=====	=====	=====

The fees mentioned in the table for the audit of the financial statements 2023 and 2022 are related to the total fees for the audit of the financial statements 2023 and 2022, irrespective of whether the activities have been performed during the financial year 2023 and 2022.

23 Tax on Result

The major components of the tax charge are as follows:

	2023	2022 ¹
	USD	USD
Corporate Income Tax (Current tax)	6,387,680	5,634,825
Movement in temporary difference (Deferred Tax)	153,910	178,197
Withholding Tax Expenses	1,032,098	705,090
	<u>7,573,688</u>	<u>6,518,113</u>
	=====	=====

Future tax profits can be compensated with deductible tax losses from the prior year(s) for an amount of USD 6.6 million in Uganda (2022: USD 7.9 million). The applicable statutory tax rate is 25.8% (2022: 25.8%). The tax expense recognised in the profit and loss account for 2023 amounts to USD 7,573,688 or 46.1% of the result before tax (2022: USD 6,518,113 or 44.9%).

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

¹ Adjusted for comparison purposes. Refer to note 2.1

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in the various subsidiaries. The applied tax rate for the calculation of deferred tax is between 25-30%.

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

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

	2023		2022	
	USD	%	USD	%
Result before tax	16,437,469		13,810,099	
Tax using the Company's domestic tax rate	4,240,867	25.8%	3,563,005	25.8%
Non-deductible expenses	153,910		178,197	
Prior period Tax for BUBL	701,595		-	
Unrecognised tax losses	812,490		462,456	
Withholding tax expenses	1,032,097		705,090	
Application of different tax rate	632,728		1,427,451	
Tax expense	7,573,688	46.1%	6,518,113	44.9%

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 yearly basis. The expected lease commitment for the Group is presented below:

	USD
Within 1 year	1,944,766
Between 1-5 Year	3,507,230
Lease payments recognised in the P&L in 2023	2,128,285

26 Subsequent Events

BIHBV has incorporated a new subsidiary named BRAC Kenya Company Limited on 20 February 2024. The company is in the process of applying for a Digital Credit Provider (DCP) license in Kenya

On 22 February 2024, BRAC Myanmar Microfinance Company Limited made an early settlement of a loan to AGD Bank amounting to MMK 7 billion (USD 3.3 million)

On 17 April 2024, Uganda Tax Authority (URA) raised a demand against BUBL amounting to UGX 7.9 billion (in USD 2.07 million) Uganda shillings under section sections 75(2) and 79(ga) of the Income Tax Act (ITA) against the involuntary disposal of shares during its transformation to a tier-2 bank in Uganda. The entity disagrees with the assessment taxation of the involuntary disposal of shares as it was not a party to the disposal and the transaction incurred between BRAC BV and the investors. BRAC BV has also initiated a mutual application procedure (MAP) with Dutch Tax authorities on the grounds that this is a transaction that is covered under the DTA between Uganda and the Netherlands and cannot be taxed in Uganda.

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 2023

(before profit appropriation)

		2023		2022 ¹	
		USD	USD	USD	USD
Fixed assets					
Financial fixed assets	27		75,114,166		72,351,223
Current assets					
Receivables	28	7,808,573		8,521,914	
Cash and cash equivalents	29	17,742,843		17,380,762	
			25,551,416		25,902,676
			100,665,582		98,253,899
Shareholder's equity					
Issued capital	30	8,398,000		8,106,160	
Share premium reserve	30	80,461,656		79,961,656	
Foreign currency translation reserve	30	(26,146,064)		(19,060,058)	
Retained earnings	30	30,361,419		20,534,159	
Unappropriated result	30	6,521,962		7,717,562	
			99,596,973		97,259,480
Current liabilities					
Payable to shareholder and other related parties	31	860,748		679,164	
Accrued liabilities	31	207,861		315,255	
			1,068,609		994,419
			100,665,582		98,253,899

The notes on pages 85 to 95 are an integral part of these company financial statements.

¹ Adjusted for comparison purposes, reference is made to page 85.

Company Profit and Loss Account for the year ended 31 December 2023

		2023		2022 ¹	
		USD	USD	USD	USD
Interest & other income	33	925,549		355,409	
Grant income		1,132,057		665,320	
Total operating income			2,057,606		1,020,729
Cost of Outsourced work and other operating expenses	34	1,247,223		28,687	
Salaries and Benefit	35	1,046,100		827,773	
Depreciation		8,224		4,865	
Total operating expense			2,301,547		861,325
Financial (Income)/expenses	36		(324,294)		312,659
Operating result before taxes			80,353		(153,255)
Tax on the operating result	37		392,667		215,000
Net operating result			(312,314)		(368,255)
Share in result of participating interests	38		6,834,276		8,085,817
Net result			6,521,962		7,717,562

The notes on pages 85 to 95 are an integral part of these company financial statements.

¹ Adjusted for comparison purposes, reference is made to page 85.

Notes to the Company Financial Statements 2023

General

The company financial statements are part of the 2023 financial statements of the group.

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 ensures compliance with Dutch GAAP.

The reclassifications are as follows:

— The 2022 foreign currency translation reserve and retained earnings have been adjusted for comparison purposes to correct an immaterial erroneous presentation in the Company Balance sheet in the amount of USD 240,175.

— Office expenses and professional fees amounting to USD 861,325 have been segregated into three separate heads Cost of outsourced work, Salaries, and Benefit and Depreciation in the Company Profit and Loss account.

Insofar as no further explanation is provided of items in the company balance sheet and the company profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Accounting Policies

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

Participating Interests in 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 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.

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The cost of BIHBV head office microfinance operations are allocated to all its subsidiaries based on the Transfer Pricing Policy developed based on the OECD guideline.

27 Financial Fixed Assets

	2023 USD	2022 USD
Participating interests in group companies	71,230,025	68,797,155
Investment in SFRE Fund	3,884,141	3,554,068
	75,114,166	72,351,223
	=====	=====

Participating Interests

	2023 USD	2022 USD
Opening balance as at 1 January	68,797,155	64,611,283
Hyperinflation adjustment in BRAC Sierra Leone	2,401,538	-
Adjusted balance 1 January 2023	71,198,693	64,611,283
Additional investment in BRAC Myanmar	500,000	-
Additional investment in BRAC International Finance Company	-	400,000
Investment in BRAC Rwanda Microfinance Co. PLC	3,400,000	2,600,000
Investment in BRAC Ghana Savings & Loans Ltd.	-	2,900,000
Dividend from BRAC Tanzania Finance Ltd.	(3,774,000)	(2,150,000)
Conversion of receivable in BRAC Microfinance (SL) Ltd	157,063	-
Foreign currency translation differences	(7,086,007)	(7,649,945)
Result of subsidiaries	<u>6,834,276</u>	<u>8,085,817</u>
Closing balance as at 31 December	71,230,025	68,797,155
	=====	=====

BRAC International Holdings B.V. has interest in the companies as follows:

Name	Legal address	2023 share of interest %	2022 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 International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch

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The foreign currency translation difference denotes the reduction in the company 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 maximum board of directors.

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

Investment in TMF Fund, now Triodos Microfinance Fund

The company made a USD 4,000,000 million investment during 2015 - 2018 in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund. In September 2022, SFRE merged with the Triodos Microfinance Fund 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.

As of 31 December 2023, the Net Asset Value (NAV) per share is EUR 29.67 (2022: EUR 24.78). Their fair value has been classified as level 2.

The movement in investment in TMF Fund was as follows:

	2023 USD	2022 USD
Balance as of 1 January:		
- Cost Price	4,000,000	4,000,000
- Accumulated impairments	(115,859)	(445,932)
Carrying amount	3,884,141 =====	3,554,068 =====

28 Receivables

	2023 USD	2022 USD
Receivable from BRAC USA	250,000	250,000
Term loan receivables - BRAC Myanmar Microfinance Company Ltd	5,105,565	4,880,563
Term subordinated loan receivables - BRAC Uganda Bank Ltd	155,204	250,999
Receivables from subsidiaries	1,739,047	2,933,574
Other Receivables	558,757	206,778
	7,808,573 =====	8,521,914 =====

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The receivable from subsidiaries mainly relates to the receivable of management and logistics expenses recharged to the subsidiaries as per Transfer pricing policy.

The USD 0.25 million receivable from BRAC USA will be received after the repayment of the DFC loan by BRAC Myanmar Microfinance Company Ltd. to DFC.

29 Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
	<u>USD</u>	<u>USD</u>
Cash at bank	13,961,942	13,599,861
Term deposits	3,780,901	3,780,901
	<u>17,742,843</u>	<u>17,380,762</u>
	=====	=====

All cash and cash equivalent balances are available on demand.

30 Shareholder's Equity

	Issued capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Unappropriate d result	Total
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2022	8,607,760	77,415,714	(11,410,112)	14,119,348	5,913,211	94,645,921
Changes:						
□ Transfer of unappropriated results	-	-	-	5,913,211	(5,913,211)	-
□ Translation differences - share capital	(501,600)	-	-	501,600	-	-
□ Informal capital contribution	-	2,545,942	-	-	-	2,545,942
□ Translation differences - participation interest	-	-	(7,649,945)	-	-	(7,649,945)
□ Result for the year	-	-	-	-	7,717,562	7,717,562
Balance as at 31 December 2022	8,106,160	79,961,656	(19,060,058)	20,534,159	7,717,562	97,259,480
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 hyperinflation	-	-	-	2,401,538	-	2,401,538
□ Transfer of unappropriated 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	-	-	(7,086,007)	-	-	(7,086,007)
□ Result for the year	-	-	-	-	6,521,962	6,521,962
Balance as at 31 December 2023	8,398,000	80,461,656	(26,146,065)	30,361,419	6,521,962	99,596,973

Issued Capital

The Company's authorized capital, amounting to EUR 7,600,000 (USD 8,398,000), and in 2022, EUR 7,600,000 (USD 8,106,160), 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 1.105 (2022: 1.066) 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). BI incurred costs of USD 2,545,942 up to 31 December 2021 on behalf of BIHBV. In December 2022, BI decided to waive the direct repayment of the above expenses incurred on behalf of BIHBV and as such, the amount allocated to BIHBV is to be recorded as a contribution from BI by way of Share Premium. In 2023 Stichting BRAC International provided an additional USD 500,000 as a contribution to BIHBV by the way of Share Premium.

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 retained earnings.

Undistributed Result

Appropriation of Profit of 2022

The financial statements for the reporting year 2022 have been approved on 21 July 2023. The General Meeting has adopted the appropriation of profit after tax for the reporting year 2022 as proposed by the Board of Management.

Proposal for Profit Appropriation 2023

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2023 result after taxation to add the result to the retained earnings.

31 Current Liabilities

	2023	2022
	USD	USD
Related party payables	860,748	679,164
Other liabilities	207,861	315,255
	1,068,609	994,419
	=====	=====

Related party payables represent short-term advances provided by Stichting BRAC International, 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

The Company provided a guarantee to Proparco and Global Partnerships for the financing secured in April 2022 by BRAC International Finance B.V. for subsidiaries. As of 31 December 2023, the total amount drawn under this facility is USD 38.4 million (2022: USD 26.8 million). As of 31 December 2023, the amount guaranteed by the Company is USD 3.4 million (2022: USD 4 million) (15% of the outstanding principal amount of the highest borrower) excluding the funds drawn in respect of BRAC Rwanda Microfinance Company PLC. For the period that it remains unprofitable, 100% of the funds drawn in respect of BRAC Rwanda Microfinance Company PLC amounting to USD 4.5 million (USD 3.6 million) are guaranteed by the Company.

The Company 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 (2022: USD 0.25 million) by way of BRAC USA. As of 31 December 2023, the outstanding balance of the DFC loan is USD 3.7 million (2022: 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 Authorities 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 DTA between Uganda and the Netherlands. Management has appealed this position through Mutual Agreement Procedure (MAP) as provided in the Double Taxation Treaty (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 gain on disposal of the shares. An objection has been filed by the management to the conclusion made by the Uganda Revenue Authority.

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

	USD
Within 1 year	43,668
Between 1-5 Year	52,227
Lease payments recognised in the P&L in 2023	32,663

33 Interest and Other Income

	2023	2022
	USD	USD
Interest on Bank deposit	359,420	72,671
Interest on Intercompany Loan	232,040	282,738
Other income (non-operating)	334,089	-
	925,549	355,409
	=====	=====

34 Cost of outsourced work and other operating expenses

	2023	2022
	USD	USD
Professional and consultancy Fees	1,073,610	777,512
Secretariat Expenses	888,346	917,559
Other operating expense	701,906	85,517
Meeting and workshop	70,920	36,409
Traveling and Transportation	139,421	129,709
Audit fees	238,965	79,330
Training and development	61,790	15,908
Software maintenance cost	112,488	84,811
Rent expense	32,663	35,894
Bank charges	5,675	4,808
Recharging of OH expenses to the subsidiaries	(2,078,561)	(2,138,770)
	1,247,223	28,,687
	=====	=====

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. In 2023 the allocation is 23.43% (2022: 29.8%). The allocation percentiles are determined on a yearly basis based on a functional analysis between the company and its parent.

Other operating expenses include support to BUBL against pre-transformation tax expenses amounting to USD 701,595.

Recharging of Expense 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

	2023	2022
	USD	USD
Salaries and benefits	1,008,935	781,928
Social security charges	37,165	45,845
	1,046,100	827,773
	=====	=====

36 Financial (Income) /expenses

	2023	2022
	USD	USD
Fair Value Gain/(loss) on Financial Investment	(330,073)	153,571
Foreign exchange loss	5,779	159,088
	(324,294)	312,659
	=====	=====

37 Tax on Operating Result

	2023	2022
	USD	USD
Corporate income tax	15,267	-
Withholding tax on dividends from BRAC Tanzania Finance Ltd	377,400	215,000
	392,667	215,000
	=====	=====

38 Share in Result of Participating Interests After Tax

	2023	2022
	USD	USD
BRAC Uganda Bank Ltd	(36,853)	268,551
BRAC Tanzania Finance Ltd	8,229,923	7,335,965
BRAC Zanzibar Finance Ltd	636,136	580,959
BRAC Microfinance Sierra Leone Ltd	(1,670,109)	1,694,083
BRAC Liberia Microfinance Company Ltd	1,990,772	2,258,558
BRAC Myanmar Microfinance Company Ltd	288,633	(1,523,228)
BRAC Rwanda Microfinance Company Plc	(2,186,850)	(2,540,524)
BRAC Ghana Savings & Loans Ltd	(848,756)	(117,515)
BRAC International Finance B.V.	431,380	128,597
	6,834,276	8,085,817
	=====	=====

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:

	2023		2022	
	USD NL office	USD Kenya Office	USD NL Office	USD Kenya office
Interest & Similar Income	925,549	-	355,409	-
Grant Income	664,233	467,824	495,098	170,222
Total operating income	1,589,782	467,824	850,507	170,222
Cost of Outsourced work	1,639,552	(392,329)	394,490	(365,803)
Salaries	194,115	851,985	295,926	531,847
Depreciation	2,215	6,009	687	4,178
Total Operating expenses	1,835,882	465,665	691,103	170,222
Financial (income)/ expenses	(326,453)	2,159	312,659	-
Operating Result before taxes	80,353	-	(153,255)	-
Tax on the operating result	<u>392,667</u>	=	<u>215,000</u>	=
Net operating result	(312,314)	-	(368,255)	-
Share in the result of participating interests	<u>6,834,276</u>	=	<u>8,085,817</u>	=
Net result	6,521,962	-	7,717,562	-

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 316,636 (2022: USD 287,347) 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 2023, the total honorarium paid to the Supervisory Board members amounted to USD 1,200 (2022: USD 800).

41 Subsequent Events

The company incorporated a new subsidiary named BRAC Kenya Company Limited on 20 February 2024. The company is in the process of applying for a Digital Credit Provider (DCP) license in Kenya.

The Hague, 2 August 2024

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 accompanying financial statements

Our opinion

We have audited the financial statements 2023 of BRAC International Holdings B.V., based in The Hague.

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 2023, and of its result for the year ended on 31 December 2023 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 2023;
- 2 the consolidated and company profit and loss account for the year ended on 31 December 2023; 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, standard operating procedure on sanctions screening, inspection of the summary of incidents presented by management to the Supervisory Board and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit and the Head of Legal & Compliance. We have also incorporated elements of unpredictability in our audit, such as: use of the Bank Transaction Analysis (BTA) tool, inquiries of the director of Programmes, interview with the Head of the Safeguarding department and online meetings with the local auditor in Liberia.

As a result from our risk assessment, we identified compliance with anti-bribery and anti-corruption laws and regulations as an area most likely to have a material effect on the financial statements in case of non-compliance, as the Company is operational in higher risk jurisdictions and interacts with governments and other regulatory authorities to obtain licenses and permits. The operations in Myanmar and the presence of the military after the coup, resulted in the identification of a risk of material misstatement with respect to money laundering and terrorist financing.

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 their ability to manipulate accounting records by overriding controls that otherwise appear to be operating effectively, such as estimates related to the expected credit loss on the Loans to customers.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as controls related to journal entries, estimates and post-closing adjustments.
- We performed data analysis procedures on high-risk journal entries on company and component level, related to significant risk areas on revenue recognition, and evaluated key estimates and judgments for bias by the Company's management 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 examined all minutes and resolutions of the Company 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 as fraud risk in our audit.

Responses:

- 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 tested the completeness and existence of the interest income from the disbursed loans throughout the period for a selected number of contracts and have performed specific cut-off procedures on the revenue recognised in December 2023.
- 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.

Anti-Bribery and anti-corruption laws and regulations

Risk:

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

Responses:

- 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 vouched transactions with governments, based on the specific item criteria, to invoices, agreements and bank statements.
- 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 inquired the management and its (company) lawyer with respect to compliance with laws and regulations, including bribery and corruption.
- We obtained written management representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Anti-money laundering laws and regulations

Risk:

The Company operates in high-risk jurisdictions which are specifically mentioned on the EC/FATF list of countries that are at a higher risk of money laundering and terrorist financing. The operations include interaction with the government in Myanmar, which is the military after the coup. Interaction with the government is conform the nature of business.

We identified a risk of material misstatement with respect to compliance with anti-money laundering laws and regulations.

Responses:

- We evaluated the process level controls, designed and implemented by management, to ensure that the Company is in compliance with the applicable laws and regulations.
- We performed substantive procedures to verify that expenses are to appropriately authorized suppliers and verified that the payments are done to the bank account number on the invoice.
- We evaluated process level controls, designed and implemented by management, that prior to issuance of loans to program participants, appropriate Know Your Client procedures are performed.

We communicated our risk assessment, audit responses and results to management, the Finance, Audit and Risk Committee and the Supervisory Board.

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 considered whether the developments in the market, including macro-economic developments, indicate a going concern risk.
- 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 management'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 Board 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. In that respect the Management Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

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 solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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 August 2024

KPMG Accountants N.V.

G.L. Brewster RA