



Annual Report

for the year ended 31 December 2022

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). Prior to this, Ms. Parveen Mahmud was chairing the Supervisory Board in her capacity as Acting Chair. She had taken over the role from Ms. Marilou van Golstein Brouwers, the previous Chair for the Supervisory Board who had stepped down on 14 June 2022.

Mr. Stephen Rasmussen and Ms. Amira Mosad Elmissiry joined the Supervisory Board as Director officially with effect from 1 July 2022 and 1 January 2022 respectively.

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

The following persons have served as members of the Supervisory Board previously and resigned in 2022 and up to July 2023:

- Ms. Marilou van Golstein Brouwers (resigned on 14 June 2022); and
- Ms. Parveen Mahmud (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.

To note, from amongst the current members of the Supervisory Board, Mr. David K. Korslund and Ms. Isabelle Barres will not be signing off on this Financial Statement of BIHBV (2022). This is because Mr. Korslund and Ms. Barres have joined as Supervisory Board Members as of 12 July 2023, i.e. the signing date, and therefore, have not yet had the opportunity to receive and review the operational knowledge enabling them to sign off on the representations made on the Financial Statement for 2022.

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 own spheres of business to complement the professional experience and skills of the management team.

The Microfinance operations are run as businesses, each being registered as a separate legal entity in the country where it is located and having its own Board. These local Boards include representatives of the B.V. Management Board. The financial results of these entities are consolidated under BRAC International Holdings B.V. as the Company has control.

The Supervisory Board in its Supervising Role

As a part of its governance role, the Supervisory Board approved the 2022 audited annual report and the 2023 budget on 12 July 2023. The findings from the external auditors are discussed with the Supervisory Board and the Audit and Risk Committee during the year.

The Supervisory Board, through the Audit and Risk Committee, monitors and guides sufficiency of measures to be taken for combating fraudulent practices and ensuring legal and regulatory compliance.

The Audit and Risk Committee ('the Committee'), consisting of a member of the Supervisory Board, 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 all applicable laws and regulations and reports to the Committee its findings.

The Supervisory Board is regularly informed about and consulted on major developments related to the Growth for Impact strategy and especially this year, in regards to the recovery of operations and financial aspects as a result of the global pandemic, the political and economic environment in Myanmar, and the general macroeconomic environment and its impact on operations.

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.

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.

Signing-off of Supervisory Board

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

The Hague, 21 July 2023

Ms. Amira Mosad Elmissiry

Mr. Stephen Frederick Rasmussen

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 2022.

General Information

BRAC International Holdings B.V. (BIHBV) 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, engaging 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, with a particular focus on communities in marginalised, extremely poor, or post-disaster settings across the world. With roots in the Global South coupled with 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 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 works with local communities to innovate programmes that integrate social development with market-based solutions.

BRAC first expanded its microfinance operations internationally in 2002, directly from BRAC Bangladesh, and now has microfinance institutions in seven countries outside of Bangladesh - Myanmar, Tanzania, Rwanda, Uganda, Ghana, Liberia, and Sierra Leone. BIHBV fully owns or is the largest shareholder of these seven entities. Six of the seven entities are fully operational: the Company is in the process of starting operations in Ghana (as BRAC Ghana Savings and Loans Ltd)

since receiving provisional licence on 28 October 2022. BIHBV previously had a subsidiary in Sri Lanka, which is now dormant.

Together, the six institutions that are operational serve more than 740,000 clients, 96% of whom are women. In Kenya, the company has a branch office responsible for providing strategic and operational assistance to the six institutions.

Our Vision

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

Our Mission

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

Our Activities

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

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

In 2022, all six currently operational microfinance entities, except for BRAC Myanmar Microfinance Company Ltd and BRAC Rwanda Microfinance Company PLC, had positive result after taxes. 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 most countries, the microfinance entity shares the cost of establishments with the social development programmes operated by the legal entities under Stichting BRAC International. The social development programmes of BI are benefitted through this, as it helps to keep core cost at a minimum and thus maximise their reach and impact.

The Company has the role to manage and consolidate the financial results of the microfinance operations in seven countries (including the new, provisionally licensed BRAC Ghana Savings and

Loans Ltd). 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 2022

In 2022, BRAC celebrated its 50th anniversary with year-long campaigns and two large-scale events in Bangladesh with staff and external stakeholders. Stichting BRAC International organised celebratory events in Rwanda and Tanzania under the theme 'BRAC turns 50: from Bangladesh to the world', which were attended by more than 200 guests consisting of staff, donors, partners, civil society, and government dignitaries.

The organisation's 50th anniversary is a celebration of solutions that are born and proven in the Global South, and the strength and courage of the 100 million people who partner with us to solve some of the world's toughest challenges. The anniversary offered the opportunity to reflect on the last 50 years and reinvigorate BRAC's commitment to take on more ambitious goals and create deeper long-term impacts in the future.

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 an additional one million people in existing countries 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 youth and agriculture finance strategies.

In order 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, to develop innovative new loan products, digitise operations and channels, develop human resources, and to ensure adequate funding of the entity operations.

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

Importantly, the 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 are creating value for target clients and achieving the mission of empowering them to create economic opportunities for themselves.

Self-assessment social audits have been conducted using the [CERISE SPI4](#) tool in all six operational countries and were verified by a qualified auditor. The CERISE SPI4 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 their 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 SPI4 audit tool is updated based on the progress made against the action plans and reported to the entity boards. As of December 2022, the average SPI4 compliance percentage of all six currently operating microfinance entities was 83%. Social performance champions in two additional countries were awarded the Internal SPI Auditor Certificate in 2022, bringing the total number of certified auditors across BIHBV entities to six.

Environmental Performance

The USSEPM developed by CERISE and the Social Performance Task Force (SPTF) was revised in 2022 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. From 2023, BIHBV entities will start to report on their environmental performance and put actions in place to improve them.

In addition to systemic implementation of the USSEPM, a systematic approach towards achievement of tangible long-term impact has been rolled-out. 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 DataSM impact surveys. The Lean DataSM surveys, conducted by an independent third-party, 60 Decibels, evaluate client poverty profiles, client satisfaction, and clients' social outcomes. Since 2019, these impact surveys are being conducted annually among the clients of all institutions to help management define strategies to achieve long-term positive impact and track social impact over time.

In 2022, 60 Decibels launched the world's first microfinance social performance report centred around capturing and learning from customer voices. The [60 Decibels Microfinance Index](#) showcased the comparative social performance of 72 microfinance institutions (MFIs), based exclusively on what they heard from 17,956 of their clients. Collectively, these MFIs are serving more than 25 million clients in 41 countries, more than 15% of all microfinance clients globally. BRAC Liberia Microfinance Company Ltd was the top MFI out of the 72 participating institutions, while several other BIHBV entities also made the top 20 list for best performing microfinance institutions.

Innovative Product Development

Having scaled its early operations largely with the 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-centred design (HCD) approach: continuously testing, learning, and refining products and services based on client feedback and practical experiences from the field. Simplicity, scalability, and sustainability are common threads across all product innovation efforts, ensuring that new and existing product offerings not only have a business case but are also able to generate transformative impact in the lives of the populations the Company seeks to serve.

Guided by the 2019 BIHBV Agrifinance Strategy, piloting of client-centric, agrifinance loan products were completed in 2022 in Liberia, Sierra Leone, and Rwanda with promising results. 83% of agrifinance clients interviewed stated that they had never taken loans from any other financial institutions, indicating that the product was catering to a segment critically underserved by formal FSPs. Over two-thirds of clients highlighted they were now able to easily access appropriate, affordable financial products, specifically citing the flexible repayment modalities and adapted eligibility criteria as major value drivers.

Digitisation

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 have embarked on digitalization of the back-office and front-office processes (field operations) and are offering alternative delivery channels that enable clients to conveniently access existing products and services.

In 2022, BRAC Tanzania Finance Ltd piloted and scaled mobile loan repayments in 33 branches. In these branches, the MF and SEP clients have the option to use mobile money using their mobile devices to repay their loans. Similarly, in 2022, BRAC Uganda Bank Ltd clients in more than 20 branches were able to conveniently access their loans and savings using mobile push and pull services.

BRAC Uganda Bank Ltd commenced the first phase of its agent banking pilot and had onboarded 15 agents by December 2022. Customers in Uganda are currently able to deposit (both loan

repayments and savings), conduct cash withdrawals, and access account balances through the BRAC agent banking pilot.

In 2022, BRAC Liberia Microfinance Company Limited (BLMCL) completed the scaled-up implementation of the Digital Field Application (DFA) to all branches. BRAC Rwanda Microfinance Company PLC successfully rolled out the new Core Banking System (CBS) - Temenos Financial Inclusion Suite.

Talent Management and Leadership Development

The Company and its subsidiaries completed key recruitments in 2022 to strengthen its management functions and leadership team, including a Head of Human Resources in November 2022. New CEOs joined the entity leadership team and new women CEOs were appointed in BTFL and BMSLL, marking the first appointments of women as CEOs of BIHBV subsidiaries.

BRAC International launched the Women Leaders Programme on the occasion of International Women's Day 2022. The Women Leaders Programme aims to provide substantive opportunities to potential women employees to support their career progression throughout the employee lifecycle and fill mid-management and leadership positions across Country, Regional, and Head Office levels. This programme will contribute to creating an inclusive and equitable workplace by embedding processes which support women's needs, bringing a mindset change in recognising the contribution of women, and giving them the opportunity to perform to their fullest potential.

Funding

In 2022, a total of USD 74.2 million was raised by all BIHBV microfinance entities through a mix of local borrowings, from the Debt Programme, and from bilateral international lenders. Out of that, 42% of the overall funds raised were through bilateral international investors, 36% through the Debt Programme, and the remaining from local funders.

The Debt Programme (via BRAC International Finance B.V.) was successfully launched in 2022, with Global Partnerships and Proparco providing financing for a 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 has been secured from the two anchor investors. The first issuance amounting to USD 12.0 million was received on 13 May 2022. In the year 2022, a total of USD 26.8 million was utilised from Series 1 of the Debt Programme out of the total commitment of USD 40.7 million (BRAC Tanzania Finance Limited USD 20.0 million, BRAC Rwanda Microfinance Company PLC USD 3.6 million, BRAC Liberia Microfinance Ltd USD 2.0 million, and BRAC Microfinance Sierra Leone Ltd USD 1.2 million).

Through the programme, up to USD 260 million will be sought from international capital markets across multiple series over the next five years.

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 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 BI MF's strategic priority areas. Following the principles of human-centred design, clients' needs are prioritised 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 of any new initiative.

IT

The Temenos T24 Core Banking System, used for the registration, monitoring and accounting of savings and loans, went live in July in 2022 with the first entity, BRMCP in Rwanda. 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 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. Development is currently ongoing and is planned to complete by mid-2023.

Communications and Knowledge Management

In 2022, the Company's communications team supported BRAC International's central communications and country communications team to organise large-scale, highly successful events in Rwanda and Tanzania to celebrate the occasion of BRAC turning 50. The Company's knowledge management capabilities were strengthened significantly in 2022 with knowledge management and grants coordinators onboarded in Uganda, Rwanda, Tanzania, and Liberia. All entities participated in the baseline Learning Organisation Survey, which will support further articulation of knowledge generation and learning processes and systems, as well as strengthening of a learning culture across BIHBV over the next 5 years. The latter is necessary for scaling BRAC's longstanding learning-by-doing approach consistently across all entities, with particular focus on empowering field staff.

Country-Specific Information

EAST AFRICA

The number of loans to customers outstanding at the end of Q4 2022 for **BRAC Uganda Bank Ltd (BUBL)** have reduced compared to Q4 2021 level primarily due to regulatory write-off and a cautious lending strategy focusing on quality. Portfolio at Risk (PAR)>30 has improved significantly from 12.96 in Q4 2021 to 4.44 in Q4 2022. A revised loan ceiling has been implemented to grow the portfolio to achieve the Growth for Impact plan. The sudden outbreak of the Ebola virus at Q4 halted operations in affected districts; however, the situation normalised within three months without a significant effect on loan collections and disbursements.

BRAC Tanzania Finance Ltd (BTFL), the Company's largest microfinance entity, continued its growth trajectory. By the end of 2022, BTFL had 314,640 borrowers (24% increase from 2021) and an outstanding loan portfolio of USD 73.45 million (29% increase from 2021). The process of merging BRAC Zanzibar Finance Ltd (BZFL) with BRAC Tanzania Finance Ltd (BTFL) was formally completed in January 2023.

BRAC Rwanda Microfinance Company PLC (BRMCP) continued its expansion to new branches and reaching more clients. The total number of branches increased from 25 to 35, and clients served from 18,861 to 25,255. Loan disbursements and outstanding loan portfolio increased significantly. A total of USD 7.55 million was disbursed in loans by the end of 2022 compared to USD 4.5 million in 2021.

BRAC International Holdings B.V. Kenya

The Company's branch office in Nairobi, Kenya and staff members based in other locations continued to provide strategic support and technical assistance to the Company's operating entities in line with the Growth for Impact Plan.

A central mandate of BIHBV is to strengthen the development of existing microfinance entities and to support the establishment of new operations. To ensure mission alignment with BIHBV and to bolster quality performance, members of the BIHBV team are responsible for exercising oversight within functional areas of responsibility. The obligation of each entity is to receive such support and adhere to the guidance provided.

The BIHBV team provides management services concerning the strategic activities of six priority areas: (1) responsible inclusive finance; (2) innovative product development; (3) digitisation; (4) management development and decision-making; (5) talent management; and (6) funding. The team also provides operational support that ranges from strategic planning and support, performance review and analysis (financial and social), problem-solving on operational gaps, setting-up support (including manuals and policy development), and new staff orientation. Together with BI's support functions, the BIHBV team provides operational support in the areas of communications and knowledge management, finance and audit, IT, legal and secretarial services, etc.

WEST AFRICA

The client numbers of **BRAC Liberia Microfinance Company Ltd (BLMCL)** increased by 25% to reach 58,035 borrowers by end of 2022. Disbursements also increased to USD 39.6 million by the end of 2022 compared to USD 28.0 million in 2021. BLMCL opened three new branches in 2022.

The client base of **BRAC Microfinance Sierra Leone Ltd (BMSLL)** dropped by 4% to 61,657 compared to 2021. Loan disbursements dropped to USD 23.6 million in 2022 from USD 27 million in 2021. Loan outstanding also dropped by 14% to USD 7.78 million. BMSLL opened one new branch in 2022. The decrease in growth is mostly due to inflation, currency devaluation, and the unavailability of new redenominated bank notes in the first few months of the currency redenomination in Sierra Leone, in which the country re-calibrated its currency in July 2022 by removing three zeros from its banknotes. This means that the previous highest denomination of 100,000 Leones is now equivalent to a new note of 100 Leones.

On 28 October 2022, the Bank of Ghana (BoG) granted **BRAC Ghana Savings and Loans Ltd (BGSLL)** a provisional licence. The BoG gave a set of conditions that had to be satisfied before the issuance of a final licence. By the end of 2022, seven out of the nine conditions were resolved. BGSLL is due to submit its legal constitution, company registration documents, and annual operations plan in March 2023. As part of due diligence, BoG visited BRAC operations in Tanzania and the regional office in Kenya during the week of 19-24 February 2023.

ASIA

Myanmar continues to experience political uncertainty and economic turbulence following the military coup of February 2021, the COVID-19 pandemic, and the lockdowns in 2021. The compound effect of these challenges has led to an acute USD liquidity crisis, resulting in exchange market volatility, regulatory inconsistencies, and a weaker domestic economy. The country is currently facing conflict, rising inflation, and sanctions; in October 2022, Myanmar was blacklisted for the second time by the Financial Action Task Force. Due to the liquidity shortage, political situation, and recent regulatory developments, the microfinance sector faces acute operational constraints. This has limited the funds available to **BRAC Myanmar Microfinance Company Ltd (BMMCL)** to fulfil client demand.

Four states/regions out of 14 are still in conflict (Rakhine State, Kachin State, Kayah State, and Sagaing Region), with fighting ongoing between the ethnic army/People's Defence Force and the Myanmar military. As a result, nine of 85 branches have fallen under Military Law. With staff safety as the prime focus, BMMCL management has guided the teams with security instructions to remain safe while working and moving. While there has been no direct impact in Rakhine and Kachin states, there has been impact in Kayah State and Sagaing Region, which represent around 10% of the entity's total portfolio.

A directive in July 2022 was made by the Myanmar Central Bank instructing all banks to temporarily suspend all types of international loan principal and interest repayments. The directive is still in effect and there is no clarity on the timeline of its validity. This directive has disrupted international funding inflow-outflow and is resulting in loan rescheduling discussions and seeking waivers for any breach in covenants with both international and local lenders. By the end of 2022, the overall number of borrowers had decreased from 144,535 to 123,870 and loan outstanding had

decreased by 11% (to USD 29.82 million from USD 34.29 million). Positively, the number of savers had increased by 10% (211,453) and total savings mobilised had increased by 9% amounting to USD 1.49 million.

The impact of external risks in Myanmar have 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 2022 is as follows:

- Interest income on loans and advances increased by 12% to USD 77.2 million in 2022 (USD 69.2 million in 2021) as operations are back to normal.
- Operating expenses increased by 15% to USD 55.6 million in 2022 (USD 48.3 million in 2021). This increase relates to the increased number of employees due to opening of new branches in Sierra Leone, Liberia, Tanzania, and Rwanda.
- The net result of the group increased to USD 7.7 million profit (USD 5.9 million in 2021) due to increased and improved business following the release of COVID-19 measures.
- Loans to customers increased by 5% to USD 168.9 million in 2022 (USD 160.5 million in 2021).
- Cash and cash equivalents increased by 69% to USD 87.6 million in 2022 (USD 51.7 million in 2021). The cash movements have been disclosed in the cash flow statement.
- Current liabilities increased by 5% to USD 93.0 million (USD 88.5 million in 2021).
- The increase in assets and loans is mainly due to increase in disbursement in all Microfinance operations.

Financial Position as per Balance Sheet and Profit and Loss Account

- Operating self-sufficiency (operating income/total cost) increased to 118% (115% in 2021) as the interest income on loans and advances increased in 2022 with the normalisation of operations.
- Return on performing assets (net income before tax/average total assets) increased to 6% (4% in 2021).
- Return on equity (net income before tax/total equity) is 13% (10% in 2021). This is due to the higher net income in 2022 as a result of recovery from the COVID-19 pandemic.
- Cash position indicator (cash and deposits into banks/average total assets) is 35% (23% in 2021).
- Impairment reserve ratio (impairment reserve/gross loan to customer) is 6% (9% in 2021).
- The solvency ratio [(result after tax + depreciation and amortisation) / (total non-current and current liability)] of the Company in 2022 is 6.0 (6.5 in 2021). Management is expecting to restabilise the position further in 2023 continuing the recovery from the COVID-19 pandemic.

- Quick ratio [(current assets – inventories)/current liabilities] of the Company is 2.7 (2.3 in 2021). It shows the Company has sufficient strength to manage its current liabilities.

Operational Highlights

	2022	2021
Number of total borrowers	741,124	692,773
Percentage of female borrowers	96%	95.9%
Number of savers	637,192	497,134
Number of branches	523	500
Principal outstanding (USD million)	169.0	160.5
Client deposits (USD million)	19.6	20.5
Disbursement for the year (USD million)	375.1	311.9
Average loan per borrower (USD)	363	350
PAR > 30 days	6.28%	9.00%
Total assets (USD million)	272.1	223.2
Total equity (USD million)	104.9	102.5
Total interest-bearing debt (USD million)	102.0	60.4
Net results (USD million)	7.7	5.9
Operating self-sufficiency	118.4%	115.0%
Cost / income ratio	91.0%	92.0%
Number of total staff	6,012	5,661
Number of female staff	5,164	4,926

Outlook for 2023

Despite the effects of the Russian war in Ukraine, high inflation, and social and political unrest, the global microfinance portfolio has grown in 2022. The BIHBV annual Lean DataSM impact surveys and the 60 Decibels Microfinance Index showed that the Company has been able to add value to the lives of clients and their families and to create impact at scale.

The Company's theme for 2023 is 'Realising the Potential of People to Achieve Impact at Scale'. The theme signifies a dual purpose: BIHBV's role as a catalyst to develop human potential and the Company's commitment on building a value-driven culture and fostering connectedness with staff members.

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 assessments will be completed in six 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.

In 2023, three BIHBV will roll out a Financial and Digital Literacy Training programme to enhance financial awareness and resilience for its clients across five countries in Africa. This activity is supported by the AIM partnership. BMMCL had already rolled out financial literacy training in 2022.

Environmental Performance

In 2022, the latest version of the Universal Standards was released, which now include a mandatory seventh dimension on environmental performance management. The new dimension requires a financial institution to report on the following practices: a) put in place an environmental strategy and systems to implement it; b) identify and manage its environmental risks and opportunities; and c) offer financial and non-financial products and services to achieve its environmental goals.

In early 2023, CERISE and SPTF launched a new version of SPI Online that offers free-to-use resources and assessment tools aligned with the most updated version of the USSEPM. All BIHBV entities are preparing to use the new tool for its regular audit and reporting on social and environmental performance.

Innovative Product Development

The agrifinance pilots started in 2021 in Liberia, Sierra Leone, and Rwanda revealed that credit alone is insufficient in making improvements in the yields - and lives - of smallholder farmers, indicating the necessity for add-ons and bundled services (both financial and non-financial).

Leveraging these learnings, the second edition of the Agrifinance Strategy (2023-2027, forthcoming) provides greater guidance to BIHBV entities around add-ons and bundling, approaches for risk management for clients and the organisation, fundraising and partnership-building required for ensuring scale, and metrics for measuring impact. Each entity will create its own roadmap to scale agrifinance and provide value-added services.

In 2023, the Company's entities in Africa will also take a deeper look at improving its products and services for the youth segment, particularly for young women, in collaboration with the AIM programme.

Digitisation and IT

In 2023, BHIBV 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. The entities will also use learnings and customer feedback to grow the uptake and usage of these channels among target clients. To strengthen the capacity of clients to use these channels, the entities will develop, test, and refine digital financial literacy for clients.

Given the institutional and client-level benefits of the digitalisation of front-end processes, BIHBV entities whose front-end operations are mainly paper-based, will pilot the DFA in 2023. In 2023, BGSL is expected to be the first BHIBV microfinance institution to launch its operations with all core digital solutions: CBS - Temenos Financial Inclusion Suite, DFA, and mobile banking. All Company entities in Africa aim to implement DFA by the end of 2024.

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.

This strategy shows a total funding need of approximately USD 349 million (through a mix of local borrowings, from the Debt Programme, and via bilateral engagements with international investors) between 2022 and 2026. This need relates partly to the refinancing of the current outstanding loans of approximately USD 60 million but largely to finance the Growth for Impact strategy.

In 2022, USD 26.8 million had been raised from Series 1 and invested in four BIHBV entities. In 2023, approximately a further USD 14 million will be secured through Series 1 of the Debt Programme to support BIHBV entities' funding needs.

Talent Management and Leadership Development

In line with the Company's theme for 2023, 'Realising the Potential of People to Achieve Impact at Scale', the new salary framework for frontline staff will come into effect based on the outcomes of the salary survey conducted in 2022, with salaries expected to increase by USD 10 million in 2023. The Company's talent management strategy will support the growth of skills and capacities among existing talents and bring in new skill sets that will support the achievement of the strategic priority areas.

The Company has an active Management Board supported by dedicated operational staff. The day-to-day management on the entity level is entrusted to the country CEO, who is assisted by the heads of divisions, departments, and units.

The Company is investing on a continuous basis in the quality of their staff. The total number of employees increased in 2022 to 6,012 (5,661 in 2021) and is in line with the goal to allocate jobs to the relevant programme; staff numbers are estimated to grow by approximately 600 in 2023. Number of female staff increased marginally to 88% (87% in 2021).

Business Operations

All microfinance institutions in East and West Africa will continue their Growth for Impact trajectory. BGSL is expected to start operations in June 2023, opening 20 branches and reaching 7,500 clients by the end of the year. For BUBL, there may be further breaches in covenants, which will be monitored and addressed with lenders as and when they occur. For other countries, there is no expectation that breaches will persist beyond existing waivers in place. For BMMCL, despite the challenges facing Myanmar, operations have and are expected to remain stable. On current trajectory, financial ratios are expected to improve but some, including in relation to 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. In any case, 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.

2023 plans include the continuation of several key strategic initiatives relating to digital transformation and agrifinance 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 563 branches and an increase in the number of borrowers to 843,000 during the year 2023. The number of savers is expected to increase to 607,166 and principal outstanding is expected to increase to 173 million. The company is expected to realise a USD 9.7 million profit before tax in 2023.

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 general 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 on a continuous basis, based on a risk management framework. The general policy is to mitigate and avoid risks. No activities with respect to trading and/or speculation are executed.

Stichting BRAC International (SBI), including BIHBV, has a risk management framework 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 BI Risk Management Policy and Framework, the risk governance structure comprises of three significant stakeholders: the Audit and Risk Committee of the Supervisory Board, the Senior Management Team at the SBI and BIHBV head office, and the Group Internal Audit Function. The BI Risk Management team, reportable to the Director Finance of BI, closely works with the management teams of all

subsidiary entities under SBI and BIHBV, reports to the Senior Management and Board Sub-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 focals 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 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 on reporting date, BIHBV management is considering Myanmar as a major risk area of concern, considering the significant political upheavals that are now impacting the ability to make payments to foreign entities from the country. The management team is closely monitoring the situation.

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.

Strategic Risks

The strategic risks are mainly identified from an organisational sustainability point of view in a country, such as 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 head office.

Operational 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, Safeguarding, Environmental, and Information Technology

The risks associated with the external environment are beyond the Company's control. These types of risks, such as impact of climate change, natural and man-made disasters, and sudden changes in governmental or legal regulations or regulatory requirements are mostly having precautionary

measures as risk mitigation and are mostly based on learnings from previous experience. Maintaining good relationships and rapport building with government agencies and lending institutions are most common mitigation activities.

The Stichting BRAC International AML/ CFT policy has been in place since 2022. BMMCL also has its own separate AML/ CFT policy which is implemented in the country and follows the same standards as the SBI AML/CFT Policy. Screening, review, and escalation of sanctioned entities has been conducted as a pilot throughout the organisation in 2022. Lessons learned from this pilot have been used to draft the Sanctions Screening Standard Operating Procedure (SOP).

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 on the OFAC SDN sanctions list in March 2022. To remain compliant with their repayment obligations under the loan agreement and also as BMMCL is not obliged to follow the US sanctions regime, BMMCL continued interest payments in local currency in accordance with the loan agreement: 700,002,000 Kyat was paid in interest in 2022 (equivalent to USD 333,334). Additional checks were undertaken and external advice sought to ensure that appropriate steps are taken to mitigate risk and arrive at an acceptable level of risk as deemed by the management of the Company.

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

As part of its commitment to building a safeguarding culture and aligned with BRAC's vision of a world free from discrimination and exploitation, BRAC adheres to six safeguarding standards around Safe Programming; Partnering, People Practices, Reporting, Risk Management and Governance. To achieve these, the Company with SBI has developed a comprehensive Safeguarding policy and a set of sub-policies concerning the safeguarding of specific groups in specific programmes.

Information technology risks related to technological disruption, data privacy, supplier and vendor management is 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.

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 their 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 group level, the US dollar (USD) is the functional and presentation currency. 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 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:

	2022	2021	Currency depreciation / (appreciation) %
Uganda (UGX)	3,713.63	3,544.30	5
Tanzania (TZS)	2,352.00	2,308.00	2
Zanzibar (TZS)	2,352.00	2,308.00	2
Rwanda (RWF)	1,070.71	1,009.62	6
Sierra Leone (SLL)	18.84	11,255.72	67
Liberia (LRD)	152.97	142.43	7
Myanmar (Kyat)	2,100.00	1,778.00	18
Kenya (KES)	124.13	112.84	10
The Netherlands (EUR)	0.94	0.88	7

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 the voluntary

savings deposits, which provides greater certainty about cash flows. In a number of cases, the Company is able to 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 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 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 is also implementing an SOP to monitor and screen for AML/CFT breaches in relation to its AML/CFT Policy. Each subsidiary has its own separate AML/CFT Policy, which is implemented in the country and follows the same standards and SOP as the SBI AML/CFT Policy (see under Legal and Compliance above).

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, and management takes measures in case of suspected non-compliance to avoid any breaches. Proactive communication will be 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 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 team ensures through a periodic check that the Company is compliant with all applicable laws and regulations.

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.

With the resignation of Mr. Hans Eskes, effective as of 1 July 2022, the Management Board of the Company currently comprises Mr. Shameran Abed (Director) and Ms. Bridget Dougherty (Director).

At the end of 2022, there were three Supervisory Board members, two women and one man. In 2023, the Supervisory Board will have a membership of two men and two women.

Subsequent Events

With regards to the developed funding strategy of BRAC International Finance B.V., funding commitments totalling USD 40.7 million were secured from investors, Proparco and Global

Partnerships in April 2022. A further drawdown by BRAC International Finance B.V. of USD 9.8 million is scheduled for April 2023. After the drawdown in April 2023, the total amount drawn by BRAC International Finance B.V. under the facility was USD 36.6 million.

In Tanzania, the shareholding of BZFL was restructured from the current shareholding of BIHBV (100%) to BTFL (100%) via a merging of BZFL with BTFL that was formally completed in January 2023. This will not impact the group consolidation as BIHBV is still the ultimate parent.

As of April 2023, BIHBV is no longer a guarantor for the loan from AGD Bank to BRAC Myanmar Microfinance Company Limited. Previously, there was a BIHBV guarantee for 100% of the loan of Kyat 7 billion (USD 3.3 million at 2100 Kyat to USD). With the loan rescheduling, there is no longer any guarantee by the Company.

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 near future, and the experience and professional qualifications of board members. Directors are selected and appointed based on their qualifications and professional experience.

With the resignation of Mr. Hans Eskes effective as of 1 July 2022, the Management Board of the Company currently comprises Mr. Shameran Abed (Director) and Ms. Bridget Dougherty (Director).

The Management Board is responsible for the preparation and fair presentation of the financial statements, comprising of the balance sheet as at 31 December 2022, 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 2022.

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

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

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

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

Signing-Off of Management Board

The Management Board prepared the financial statements and recommends that the AGM adopts the 2022 Financial Statements.

The Hague, 21 July 2023

Mr. Shameran Abed

Ms. Bridget Dougherty

Consolidated Balance Sheet as at 31 December 2022

(before appropriation of result)

		2022		2021 *	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1	4,629,595		3,314,143	
Tangible fixed assets	2	4,550,892		4,745,383	
Financial fixed assets	3	7,678,615		7,926,284	
			16,859,102		15,985,810
Current assets					
Inventories	4	324,678		226,040	
Loans to customers	5	162,725,002		150,799,407	
Trade and other receivables	6	4,612,453		4,509,542	
Cash and cash equivalents	7	87,558,034		51,709,124	
			255,220,166		207,244,113
			<u>272,079,268</u>		<u>223,229,923</u>
Group equity					
Shareholder's equity	8	97,259,481		94,645,921	
Minority Interest	8	7,687,717		7,838,410	
			104,947,198		102,484,331
Non-current liabilities					
	9	74,092,051		32,285,705	
Current liabilities					
Donor funds	10	5,215,255		2,965,068	
Loan Security Fund		29,050,427		27,268,329	
Deposits from savers		19,609,642		20,470,454	
Current portion of the borrowings		28,992,439		28,140,831	
Other current liabilities		10,172,255		9,615,205	
			93,040,019		88,459,887
			<u>272,079,268</u>		<u>223,229,923</u>

* Adjusted for comparison purposes, reference is made to page 35.

The notes on pages 34 to 84 are an integral part of these consolidated financial statements.

Consolidated Profit and Loss Account for the year ended 31 December 2022

		2022		2021 *	
		USD	USD	USD	USD
Interest income	12	77,244,843		69,172,378	
Other interest and similar income	13	6,581,200		5,051,101	
Interest and similar income		83,826,042		74,223,479	
Interest and similar expense	14	(14,068,136)		(9,856,752)	
Net interest income		69,757,907		64,366,727	
Other operating income	15	5,218,970		3,528,332	
Total operating income		74,976,876		67,895,059	
Impairment losses on loans to customers	5	(5,649,398)		(9,716,770)	
Net operating income			69,327,478		58,178,289
Cost of outsourced work and other external cost	16	(17,831,908)		(15,827,802)	
Wages and salaries	17	(26,903,444)		(23,297,845)	
Social security and pension charges	18	(2,520,471)		(2,107,755)	
Amortisation and depreciation on intangible and tangible fixed assets	1,2	(1,994,708)		(1,762,290)	
Other operating expenses	19	(6,266,849)		(5,277,270)	
Total operating expenses			(55,517,380)		(48,272,962)
Result from ordinary activities before tax			13,810,099		9,905,326
Corporate income tax	21		(5,813,023)		(3,843,316)
Result after tax			7,997,076		6,062,010
Minority interests			(279,512)		(148,799)
Net result			7,717,563		5,913,211

* Adjusted for comparison purposes, reference is made to page 35.

The notes on pages 34 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	2022		2021	
	USD	USD	USD	USD
Consolidated net result after attributable to the Company		7,717,563		5,913,211
Translation differences on foreign participating interests	(2,265,322)		(5,910,379)	
Total of items recognised directly in shareholder's equity of the Company as part of the group entity		(2,265,322)		(5,910,379)
Total result of the legal entity		5,452,241		2,832

The notes on pages 34 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Issued capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Unappropriated result	Total
	USD	USD	USD *	USD *	USD	USD
Balance as at 1 January 2021	9,325,960	77,415,714	(4,604,249)	12,726,026	(220,362)	94,643,089
Changes:						
– Reclassification for comparison purposes	–	–	(895,484)	895,484	–	–
– Appropriation of prior year(s) results	–	–	–	(220,362)	220,362	–
– Translation difference share capital	(718,200)	–	–	718,200	–	–
– Translation difference participations	–	–	(5,910,379)	–	–	(5,910,379)
– Result for the year	–	–	–	–	5,913,211	5,913,211
Balance as at 31 December 2021	<u>8,607,760</u>	<u>77,415,714</u>	<u>(11,410,112)</u>	<u>14,119,348</u>	<u>5,913,211</u>	<u>94,645,921</u>

* Adjusted for comparison purposes, reference is made to page 35.

The notes on pages 34 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	Issued capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Unappropriated 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:						
– Appropriation of prior year(s) results	-	-	-	5,913,211	(5,913,211)	-
– Informal capital contribution	-	2,545,942	-	-	-	2,545,942
– Translation difference share capital	(501,600)	-	-	501,600	-	-
– Translation difference participations	-	-	(7,649,946)	-	-	(7,649,946)
– Result for the year	-	-	-	-	7,717,563	7,717,563
Balance as at 31 December 2022	8,106,160	79,961,656	(19,060,058)	20,534,159	7,717,563	97,259,481

The notes on pages 34 to 84 are an integral part of these consolidated financial statements

Consolidated Cash Flow Statement for the year ended 31 December 2022

		2022		2021*	
		USD	USD	USD	USD
Net result			7,717,563		5,913,211
Adjusted for:					
– Depreciation/amortisation/other value adjustments	1, 2	1,994,708		1,762,290	
– Impairment/write-off in loans	5	5,649,398		9,716,770	
– Fair value movement on derivatives		379,360		-	
– Interest expenses		12,772,358		10,001,231	
– Tax on result from ordinary activities	22	5,813,023		3,843,316	
– Change in minority interest		279,512		148,799	
– Other movements in loans	5	(1,718,097)		1,315,944	
– Other movements in Borrowings		(1,036,461)			
– Changes in working capital:					
✓ Change in inventories		(98,638)		(68,517)	
✓ Change in other receivables		(102,911)		185,000	
✓ Change in other liabilities		3,728,524		4,543,829	
			27,660,776		31,448,662
Cash flow from operations			35,378,339		37,361,873
Loans to customers distributed	5	(375,083,576)		(311,925,278)	
Loans to customers repayment	5	345,691,011		289,698,009	
Interest paid – borrowings		(7,890,962)		(7,370,346)	
Interest paid to savers and program participants		(1,728,151)		(1,897,000)	
Income tax paid		(4,887,119)		(2,869,212)	
			(43,898,797)		(34,363,827)
Cash flow from operating activities (carried forward)			(8,520,458)		2,998,046

		2022		2021	
		USD	USD	USD	USD
Brought forward			(8,520,458)		2,998,046
Investments in:					
– Tangible fixed assets	2	(2,017,769)		(966,914)	
– Intangible fixed assets	1	(2,073,255)		(468,274)	
Disposals of (in)tangible fixed assets	2	564,416		358,525	
Investments in capital work in progress to tangible and intangible fixed assets		-		(582,120)	
Cash flow from investing activities			(3,526,608)		(1,658,783)
Increase in borrowings	9	74,200,568		49,690,586	
Repayment of borrowings	9	(26,278,291)		(46,906,811)	
Cash flow from financing activities			47,922,277		2,783,775
Net cash flow			35,875,211		4,123,038
Exchange rate and translation differences on cash and cash equivalents			(26,301)		(1,537,229)
Changes in cash and cash equivalents			35,848,910		2,585,809
				2022	2021
				USD	USD
Cash and cash equivalents as at the beginning of the financial year				51,709,124	49,123,315
Changes in cash and cash equivalents				35,848,910	2,585,809
Cash and cash equivalents as at the end of the financial year				87,558,034	51,709,124

* Adjusted for comparison purposes, reference is made to page 35.

The notes on pages 34 to 84 are an integral part of these consolidated financial statements.

Notes to the 2022 Consolidated Financial Statements

The Reporting Entity

BRAC International Holdings B.V. ('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, 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') and with the objective to engage 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.

Financial Reporting Period

The financial statements are for the year from 1 January 2022 to 31 December 2022. The comparatives consist of the year 2021, which ended as at 31 December 2021. Refer to the note on accounting policies, paragraph 'General' for the changes made in the comparative figures.

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 result are based on the historical cost convention, unless otherwise stated in the further principles.

Going Concern

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

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

General

The figures for 2021 have been reclassified for the purpose of comparison. The reclassifications are as follows:

- Comparative amounts have been restated in line with current year's classification within shareholder's equity. The translation of the share capital made in EUR into presentation and functional currency USD is incorporated in the retained earnings rather than within the foreign currency translation reserve.

During the year, the company also reviewed financial statements of comparable entities and evaluated the structure of the consolidated profit and loss account and the consolidated cash flow statement, and concluded that reclassifications, which are summarised below, increase transparency resulting in a better reflection of the operations of the company. The reclassifications are as follows:

- Interest income and similar income, in the amount of USD 1,752,521 and interest expenses and similar charges, in the amount of USD 9,856,752, are included in the total operating income to present the net income from operations (i.e. the core activities of the company).
- Loans to customers distributed and loans to customers repayment, in the amount of USD (311,925,278) and USD 289,698,009, are included in the cash flow from operational activities instead of the cash flow from investing activities.

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 as 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 as 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.

Functional and Presentation Currency

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

Use of Estimates and Judgements

The preparation of financial statements in conformity with the Dutch Civil Code requires management to make judgements, 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:

- The valuation of the loans to customers.

Consolidation Principles

Consolidation Scope

The consolidated financial statements include the financial information of the Company, its group companies, and other companies over which the Company can exercise control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result will provide the Company with more or less influence.

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

Consolidation Method

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

In the consolidated financial statements, intragroup shareholdings, debts, receivables, and transactions are eliminated. Also, the results on 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 a 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 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	2022 share of interest %	2021 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

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 has the ability to appoint a 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 2022.

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.

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 and trade and other receivables and other financial liabilities.

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

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

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

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

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

Loans Granted and Other Receivables

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

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 to 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/are amortised over a useful life of more than twenty years' 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.

BRAC considers the useful life of the acquired software to be four years and the software is amortised on a straight line basis.

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.

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. Land is not depreciated.

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

	2022 %	2021 %
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.

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.

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).

Disposal of fixed assets

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

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, less 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.

Impairment of Financial Assets

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio. Management assessed the economic situation in Myanmar and factored the consideration into assessing the level of expected credit loss.

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 judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

The Group reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statements. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on certain assumptions such as the financial situation of the borrowers, types of loan, maturity of the loans, ageing of the portfolio, economic factors etc. The actual performance of loans

may differ from such estimates resulting in future changes to the allowance. Due to the nature of the industry in which the Group operates, i.e. micro credit to low-income clients, the loan portfolio consists of a very high number of individual customers with low value exposures. These characteristics lead the Group to use a provisioning methodology based on a collective assessment of similar loans.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. When a loan is deemed uncollectible, it is written off against the related provision for impairment.

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 taken into account 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.

Shareholder's Equity

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 or acquire shares of the Company.

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

Legal Reserves

Legal reserves consist of a legal reserve for subsidiaries with no share of interest but subsidiaries locally established as companies limited by guarantee and having no share capital.

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.

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.

Provisions

A provision is recognised if the following applies:

- the Company has a legal or constructive obligation, arising from a past event;
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or if the period over which the cash outflows are discounted is no longer than one year.

Non-Current Liabilities

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

Current Liabilities

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

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 estimate future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset. 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 is presented net of expected credit losses.

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. These loans are referred to as 'non-performing' loans. Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest-bearing loans (NIBL)' and are referred to the Board for write-off. The Late and NIBL loans are already included in the staging of the ECL as more than 365 days past due.

Interest income on loans and advances previously accrued but not received on loans subsequently classified as non-performing are written-off. The written-off Interest income on loans and advances is included in the other income only when it is realised.

Interest Expenses and Similar Charges

Interest expenses and similar charges such as premium, discount and redemption premiums are recognised in the period to which they belong.

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). The amounts of the premium that are not yet recognised in the profit and loss account and the redemption premiums already recognised in the profit and loss account, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the profit and loss account are recognised as a reduction of the debt(s) to which they relate.

Additional costs associated with the use of more than customary supplier credit are recognised as interest expense.

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 as 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. BRAC does not incur any additional costs for fundraising purpose other than over heads which are recorded under HO logistic and management expenses and eliminated at the group consolidation level.

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.

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.

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 incentive is based on a predetermined company policy and is recognised in other accruals. The accrual for employee bonus 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.

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. Since the Company has Dutch employees, this paragraph has been included to explain the accounting treatment only).

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. This commitment is measured on the basis of an actuarial valuation principle generally accepted in the Netherlands.

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.

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 in 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.

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.

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.

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

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

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.

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.

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.

1 Intangible Fixed Assets

Movements in intangible fixed assets were as follows:

	Software	Capital work in progress	Total
	USD	USD	USD
Balance as at 1 January 2022:			
– Purchase price	3,546,530	844,539	4,391,069
– Accumulated amortisation and impairment	(1,076,926)	–	(1,076,926)
– Carrying amount	2,469,604	844,539	3,314,143
Changes in carrying amount:			
– Investments	1,464,515	608,740	2,073,255
– Capital work in progress transfer	844,539	(844,539)	–
– Amortisation	(366,814)	–	(366,814)
– Discontinued consolidations purchase price	–	–	–
– Discontinued consolidations accumulated depreciation	–	–	–
– Exchange rate differences purchase price	(463,488)	–	(463,488)
– Exchange rate differences accumulated depreciation	72,498	–	72,498
– Change in carrying amount	1,551,250	(235,799)	1,315,452
Balance as at 31 December 2022:			
– Purchase price	5,392,096	608,740	6,000,836
– Accumulated amortisation and impairment	(1,371,241)	–	(1,371,241)
– Carrying amount	4,020,855	608,740	4,629,595

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 2022.

2 Tangible Fixed Assets

Movements in tangible fixed assets were as follows:

	Buildings	Plant and equipment	Motor Vehicles	Furniture and fixtures	Total
	USD	USD	USD	USD	USD
Balance as at 1 January 2022:					
– Purchase price	43,924	5,421,601	719,703	3,847,481	10,032,709
– Accumulated depreciation and impairment	(2,474)	(2,894,680)	(521,002)	(1,869,171)	(5,287,327)
– Carrying amount	41,450	2,526,921	198,701	1,978,310	4,745,382
Changes in carrying amount:					
– Investments	8,726	1,249,874	241,925	517,243	2,017,769
– Disposals	-	(364,539)	(79,260)	(120,616)	(564,416)
– Depreciation	(1,807)	(1,101,401)	(104,070)	(420,616)	(1,627,894)
– Reversal of depreciation on disposal	-	60,622	58,432	69,357	188,411
– Exchange rate differences purchase price	(895)	(320,030)	(56,755)	(199,094)	(576,773)
– Exchange rate differences accumulated depreciation	117	189,124	48,556	130,616	368,413
	6,141	(286,350)	108,829	(23,110)	(194,490)
Balance as at 31 December 2022:					
– 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)	(2,089,814)	(6,358,397)
– Carrying amount	47,591	2,240,571	307,530	1,955,200	4,550,892

3 Financial Fixed Assets

Movements in financial fixed assets were as follows:

	2022	2021
	USD	USD
Investment in SFRE Fund	3,554,068	3,707,639
Deferred tax assets	4,124,547	4,218,645
	7,678,615	7,926,284

Investment in SFRE Fund, now Triodos Microfinance Fund

An investment has been made to 134,469,210 'S-I' shares in the Triodos Microfinance Fund and recognised at cost less accumulated impairment losses. The cost per share is EUR 25 each and the Net Asset Value (NAV) per share is EUR 24.78. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

The investment in the Triodos Microfinance Fund is a conversion of the previous holding in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund of 56,151 'A' shares. In September 2022, SFRE merged with the Triodos Microfinance Fund.

	2022	2021
	USD	USD
Investment in TMF Fund at cost	4,000,000	4,000,000
Less: Accumulated impairment losses	(445,932)	(292,361)
	3,554,068	3,707,639

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 Sierra Leone and Tanzania due to the provision of impairment losses on receivables. The management estimates to recover the past losses within the next three years.

4 Inventories

	2022	2021
	USD	USD
Finished products and goods for sale	324,678	226,040

No provision for obsolete inventories is deemed necessary (USD 0 in 2021).

5 Loans to Customers

Principal Loans Outstanding

	2022	2021 *
	USD	USD
Microfinance loans	116,704,741	108,810,454
Small enterprise programme (SEP) loans	30,111,537	34,078,883
Agriculture loans	14,958,710	12,916,402
Empowerment and livelihood for adolescents (ELA) loans	3,684,567	3,980,013
Other loans	3,527,322	715,543
	168,986,877	160,501,295

* The comparative information for the Microfinance loans are adjusted for comparison purposes to reflect the gross and net balance of the outstanding loans.

Microfinance loans to group members are traditional small-ticket loans (approximate average loan size is USD 363 per customer) and provided for approximately 20-week or 40-week periods or for a period of 6-12 months. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the ELA (empowerment and livelihood for adolescents) loans and 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 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 tenors of 20-40 weeks and 6-12 months, depending on the loan types.

Deposits from savers includes the voluntary savings made by the clients and is payable on demand.

Loans to Customers

	2022	2021
	USD	USD
Opening balance as at 1 January	160,501,295	153,946,844
Disbursements during the year	375,083,576	311,925,278
Repayment during the year	(345,691,011)	(289,698,009)
Write-offs during the year	(6,542,957)	(5,172,475)
Translation differences	(14,364,026)	(10,500,343)
Gross advance to customers	168,986,877	160,501,295
Interest receivable as at 31 December	4,231,028	4,111,231
Loan loss provision	(10,492,903)	(13,813,119)
Closing balance as at 31 December	162,725,002	150,799,407

The movement of the loan loss provision is below:

	2022	2021
	USD	USD
Opening balance as at 1 January	13,813,119	9,767,806
Charged for the year	5,649,398	9,696,535
Write-off	(8,141,257)	(5,172,475)
Foreign exchange adjustment	(828,357)	(478,747)
Closing balance as at 31 December	10,492,903	13,813,119

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 judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

The Group’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 industry and country in which customers operate.

A credit policy under which each customer is analysed individually in order to obtain a loan has been established. The Group 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 2022, the exposure to credit risk for loan receivables by geographic region was as follows:

	Carrying amount	
	2022	2021
	USD	USD
Sierra Leone	7,783,869	11,706,459
Liberia	13,926,720	11,731,863
Uganda	40,808,911	46,435,835
Rwanda	3,194,854	2,389,193
Tanzania, including Zanzibar	73,454,442	58,249,707
Myanmar	29,818,080	35,160,713
	168,986,877	165,673,770

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 2022.

	Weighted average loss rate	Gross carrying amount	Loss Allowance
		USD	USD
Current (not past due)	2%	155,726,839	2,453,100
1–30 days past due	10%	2,653,496	271,905
31–90 days past due	35%	1,333,497	465,701
91–180 days past due	64%	1,401,621	890,425
181– 365 days past due	77%	3,309,340	2,556,969
More than one year past due	84%	4,562,084	3,854,804
Total		168,986,877	10,492,903

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2021.

	Weighted average loss rate	Gross carrying amount USD	Loss Allowance USD
Current (not past due)	2%	143,966,682	3,163,955
1–30 days past due	23%	5,378,793	1,237,522
31–180 days past due	49%	12,062,447	5,943,820
181– 365 days past due	67%	2,208,018	1,472,947
More than one year past due	97%	2,057,831	1,994,874
Total		<u>165,673,770</u>	<u>18,813,119</u>

6 Trade and Other Receivables

	2022 USD	2021 USD
Advances and prepayments to third parties	2,077,951	1,855,329
Receivable from BRAC NGO operations	55,250	857,384
Other receivables	2,273,793	982,217
Prepaid taxes	205,459	814,612
	<u>4,612,453</u>	<u>4,509,542</u>

Prepayments are mainly rent paid in advance to the landlords for offices and guest houses. All the other receivables are due within 1 year.

Other receivables include deposits to BRAC USA for USD 250,000 for the DFC loan and interest accrued on short-term deposits. The deposit will be received after the repayment of DFC loan in BRAC Myanmar Microfinance Company Ltd.

7 Cash and Cash Equivalents

	2022	2021
	USD	USD
Cash at bank	59,701,882	35,157,636
Short-term deposits	27,253,659	15,670,666
Cash in hand	602,492	880,822
	87,558,034	51,709,124

The cash and cash equivalent balance includes an 'Issuer Reserve' of USD 376,400 that is only available to the Company in order to make a payment to prevent a default in the payment of interest in respect of the Notes held by investors. The remaining balance is available on demand.

8 Group Equity

For a detailed explanation of the share of the Company in group equity, reference is made to note 28 Shareholders' equity in the separate financial statements.

	2022	2021
	USD	USD
Equity	97,259,481	94,645,921
Minority interest	7,687,717	7,838,410
	104,947,198	102,484,331

Refer to note 28 for the movement schedule.

Minority interests

	2022	2021
	USD	USD
BRAC Uganda Bank Ltd.	7,687,717	7,838,410

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

9 Non-Current Liabilities

	2022	2021
	USD	USD
Borrowings	103,084,490	60,426,536
Less: Current portion of borrowings	(28,992,439)	(28,140,831)
Non-current liabilities as per 31 December	<u>74,092,051</u>	<u>32,285,705</u>

Borrowings

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

	2022	2021
	USD	USD
Opening balance as at 1 January	60,426,536	62,635,075
Received during the year	74,200,568	49,690,586
Repayment during the year	(26,278,291)	(46,906,811)
Deferred Set up cost on borrowings	(1,036,461)	-
Finance liability on derivatives	379,360	-
Foreign currency (gain)/loss	(4,607,222)	(4,992,314)
Closing balance as at 31 December	<u>103,084,490</u>	<u>60,426,536</u>

The borrowings per 31 December 2022 can be further disclosed as follows:

		2022	Remaining duration < 1 year	Remaining duration between >1 year and <5 years	Remaining duration >5 years
		USD	USD	USD	USD
responsAbility Investments AG	1	9,324,061	4,149,040	5,175,021	-
Bank of Africa	2	12,847,637	4,940,042	7,907,595	-
Soluti Finance E.A (formerly Stromme Microfinance E.A.) Ltd.		2,137,791	937,630	1,200,161	-
OikoCredit		5,385,566	598,396	4,787,170	-
Netherlands Development Finance Co. (FMO)		2,000,000	2,000,000	-	-
Global Partnerships		10,343,860	1,542,316	8,801,544	-
DFC		3,680,000	3,680,000	-	-
aBi Trust and Finance		7,146,282	1,377,790	5,768,492	-
AGD Bank		3,333,333	-	-	3,333,333
UAB Bank		5,714,286	-	-	5,714,286
Citi Bank		1,862,329	1,064,188	798,141	-
MEB Bank		285,714	-	-	285,714
KIVA		983,144	332,775	-	650,370
Whole Planet Foundation		770,249	103,568	203,611	463,070
Central Bank of Liberia		417,985	-	417,985	-
Proparco		16,456,140	2,453,684	14,002,456	-
EADB		1,071,728	134,134	312,980	624,613
KCB Bank		2,401,739	573,894	1,827,845	-
Triple Jump		2,147,516	-	2,147,516	-
Agent for Impact (AFI)		3,703,763	1,234,588	2,469,175	-
BlueOrchard Microfinance Fund		11,728,469	3,870,395	7,858,074	-
Deferred set up cost on borrowings		(1,036,461)	-	(1,036,461)	-
Finance liability on derivatives		379,360		379,360	
		<u>103,084,491</u>	<u>28,992,439</u>	<u>63,020,665</u>	<u>11,071,386</u>

The borrowings per 31 December 2021 can be further disclosed as follows:

	2021	Remaining duration < 1 year	Remaining duration between >1 year and <5 years	Remaining duration >5 years
	USD	USD	USD	USD
responsAbility Investments AG	6,517,967	1,994,150	4,523,817	–
Bank of Africa	4,063,246	1,957,048	2,106,198	–
Soluti Finance E.A (formerly Stromme Microfinance E.A.) Ltd.	3,180,438	447,846	1,245,013	1,487,579
Oiko Credit	–	–	–	–
Netherlands Development Finance Co. (FMO)	3,540,853	1,874,186	1,666,667	–
Triodos Investment Management	1,541,126	1,541,126	–	–
Global Partners	1,944,966	1,944,966	–	–
OPIC	3,680,000	1,650,000	2,030,000	–
aBi Trust and Finance	2,770,664	925,830	1,844,835	–
Yoma Bank	–	–	–	–
AGD Bank	3,937,008	–	3,937,008	–
UAB Bank	4,498,337	1,262,021	3,236,316	–
Citi Bank	3,066,332	1,115,030	1,951,302	–
UECCC	1,128,573	282,143	846,429	–
Mastercard Foundation	1,470,000	1,470,000	–	–
CRDB Bank	1,949,740	1,949,740	–	–
MEB Bank	3,586,895	2,688,862	898,033	–
Whole Planet Foundation	1,156,528	575,675	407,674	173,179
Central Bank of Sierra Leone	1,156,018	1,156,018	–	–
Agent for Impact (AFI)	5,032,498	5,032,496	–	–
Standard Chartered Bank	4,332,756	–	4,332,756	–
Others	1,872,591	273,695	1,099,759	499,137
	60,426,536	28,140,831	30,125,806	2,159,895

The main features of the borrowings can be summarised as follows:

9.1 responsAbility Investments AG:

In June 2019, BRAC Tanzania Finance Ltd secured term loans amounting to USD 1 million with a loan tenure of 36 months at an interest of 17.50% per annum. However, in June 2020, the loan agreement was revised to reduce the interest rate to 16.85% and defer the June 2020 repayment by 18 months, with other loan terms remaining constant. The principal and interest repayments are made every six months. The loans were fully repaid.

In March 2021, BRAC Tanzania Finance Ltd secured term loans amounting to USD 4 million with a tenure of 36 months at an interest rate of 14.90% per annum. The principal and interest repayments are made every six months.

In October 2021, BRAC Tanzania Finance Ltd entered a loan agreement via responsibility Investments AG to secure loans amounting to USD 3 million, which was disbursed in two

tranches. The first tranche amounting to USD 1.5 million was disbursed immediately, whereas the second tranche amounting to USD 1.5 million was disbursed in November 2021. The interest rate of the term loans is 15.65% per annum. Interest repayments are made every six months and principal payments made in three equal yearly instalments.

In August 2022, BRAC Tanzania Finance Ltd entered a loan agreement via responsAbility Investments AG to secure loans amounting to USD 5 million, which was disbursed in a single tranche. The interest rate of the term loans is 15.00% per annum. Interest repayments are made every six months and principal payments are made half-yearly in equal instalments.

9.2 Bank of Africa:

In March 2019, BRAC Uganda Bank Ltd obtained a loan from Bank of Africa amounting to UGX 15 billion (USD 4.1 million) for a period of 3 years. Interest and principal is paid on a quarterly basis at a rate of 14% per annum. The loan is tagged to T-bill of 182 days and the outstanding balance was UGX 1.5 billion (USD 0.42 million), which matured in March 2022. The loan was secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In April 2022, the Bank received another loan of UGX 10 billion (USD 2.7 million) for a period of 3 years from Bank of Africa. Interest and principal is paid on a quarterly basis at a rate of 14% per annum. The loan is tagged to T-bill of 182 day and the outstanding balance is UGX 8.02 billion (USD 2.2 million). The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In June 2021, BRAC Tanzania Finance Ltd secured a term loan amounting to TZS 8,000 million (USD 3.5 million) from Bank of Africa Tanzania. The loan was obtained to finance microfinance lending. The loan tenure is 36 months with equal monthly instalments at a fixed interest rate of 15% per annum. BRAC Tanzania Finance Ltd has a stand-by overdraft facility amounting to TZS 2,000 million (USD 0.85 million) and short-term revolving facility amounting to TZS 1,500 million (USD 0.64 million) with a tenure of 150 days with an interest rate of 17% per annum. This short-term revolving facility was not utilised in 2022.

Through a facility letter dated April 2022, BRAC Tanzania Finance Ltd secured a back-to-back loan amounting to TZS 20,800 million (USD 8.8 million) from Bank of Africa Tanzania. The loan was obtained to finance microfinance lending operations. The loan tenor is up to 48 months with quarterly interest payment and principal payment made in three equal yearly instalments at a fixed interest rate of 8.3% per annum.

9.3 Soluti Finance East Africa:

In June 2021, BRAC Uganda Bank Ltd obtained a loan from Soluti Finance amounting to UGX 6 billion (USD 1.7 million) for a period of 4 years with a grace period on principal repayments of 6 months. This loan facility has two purposes: UGX 2 billion for agriculture loans at an interest rate of 12.25% per annum and UGX 4 billion for general business loans at an interest rate of 17.5% per annum. Interest and principal is paid on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and is tagged to the T-bills 182

days the interest rate is being reviewed every six months. As at 31 December 2022, the facility had an outstanding balance of UGX 4.4 billion (USD 1.2 million).

BRAC Tanzania Finance Ltd secured a term loan amounting to TZS 3.6 billion (USD 1.6 million) from Soluti Finance East Africa Limited in August 2020 for a period of 4 years from the date of disbursement with a grace period of 12 months on the principal facility but paying interest accruing during the grace period on a quarterly basis. The loan was disbursed in two tranches of TZS 2 billion and TZS 1.6 billion with a six-month gap between the tranches. The loan is quoted at the rate of 17% fixed with no expected increase until maturity. The loan was obtained to promote development through microfinance lending.

9.4 OikoCredit:

In July 2022, BRAC Uganda Bank Ltd signed a loan from OikoCredit amounting to UGX 30 billion (USD 8.1 million) at a fixed interest rate of 15% per annum for a period of 3 years, thereafter interest rate will be reviewed to the prevailing 2-years Bond+4.5%. Interest is payable on a quarterly basis. The first principal repayment will be paid after 12 months, thereafter every six months in equal instalments. The loan was disbursable in two tranches. The first drawdown of UGX 20 billion (USD 5.4 million) was done in July 2022. As at 31 December 2022, the facility had an outstanding balance of UGX 20 billion (USD 5.4 million).

9.5-7 Netherlands Development Finance Co. (FMO), Triodos Investment Management, Global Partnerships:

In July 2017, BRAC Uganda Bank Ltd and BRAC Tanzania Finance Ltd obtained a club finance facility of USD 21 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partnerships for a period of 4 years, at a rate of 14% to 18% and to be disbursed in 4 tranches. The first principal repayment was originally due in June 2020; however, it was renegotiated to be paid in June 2022 and rest of the principal repayments remain as scheduled originally. The loan is not secured. The loans were paid off in June 2022.

BRAC Myanmar Microfinance Company Ltd has signed an agreement with FMO for USD 7.5 million, of which USD 2 million was disbursed in January 2022. The interest rate for this loan is 4.75% p a. The FMO loan needs to be repaid in 6 semi-annual instalments and the final repayment is due in January 2025. Due to the current restrictions by the Myanmar government on overseas payments, BRAC Myanmar Microfinance is negotiating with FMO to reschedule this loan. Payment waivers have been obtained in the meantime (until June 2023) to allow for that process to be completed. If required, it is projected that BRAC Myanmar Microfinance Company Ltd will be able to make repayment of all unpaid amounts on the loan from July 2023 (immediately after expiration of the waiver).

BRAC Liberia Microfinance Company Ltd received USD 500,000 from Global Partnerships in September 2019 and USD 500,000 in April 2021 at 6.6% interest rate with quarterly interest repayments. During the year 2021, a total of USD 250,000 has been repaid (USD 125,000 in June and USD 125,000 in December). The outstanding USD 750,000 has been repaid in two

instalments (USD 125,000 in June 2022 and USD 615,000 in December 2022). Therefore, no balance as at 31 December 2022 is due to the Global Partnerships.

See also number 28 for Global Partnerships in regard to the BIFBV Debt Programme.

9.8 aBi 2020 Limited:

In July 2019, a loan agreement was signed between BRAC Uganda Ltd and aBi Finance Limited amounting to UGX 10 billion (USD 2.7 million). The principal is repayable within 5 years and attracts an interest rate of minimum 12.8% per annum with six months grace period for principal. The Company changed its name to aBi 2020 Limited in 2020. The amount was disbursed on 1 October 2019. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. This facility is tagged to 182Tb+2%. The outstanding loan balance is UGX 6.5 billion (USD 1.8 million).

In August 2022, a loan agreement was signed between BRAC Uganda Bank Ltd and aBi Finance Limited amounting to UGX 20 billion (USD 5.4 million). The principal is repayable within 4 years and attracts an interest rate of minimum 11.60% per annum with six months grace period for principal. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. The outstanding loan balance is UGX 20.25 billion (USD 5.4 million).

9.9 DFC (OPIC):

In February 2019, BRAC Myanmar Microfinance Company Ltd obtained a loan facility of USD 5 million from DFC. The loan is repayable in four semi-annual instalments and attracts interest of 5% per annum. The loan is secured against a corporate guarantee from BRAC International Holdings B.V. BRAC Myanmar Microfinance Company Ltd has already made one instalment of USD 1.3 million, and the remaining balance is USD 3.68 million. Due to the current restrictions by the Myanmar government on overseas payments, BRAC Myanmar Microfinance Company Ltd is negotiating with DFC to reschedule this loan. Payment waivers have been obtained in the meantime (until June 2023) to allow for that process to be completed. If required, it is projected that BRAC Myanmar Microfinance Company Ltd will be able to make repayment of all unpaid amounts on the loan from July 2023 (immediately after expiration of the waiver).

9.10 AGD Bank:

In 2020, BRAC Myanmar Microfinance Company Ltd entered into a facility agreement of Kyat 7 billion (USD 3.3 million) with AGD bank. The interest rate for the loan is fixed at 10% per annum for the first tranche of Kyat 2.1 billion and 14.5% for the second tranche of Kyat 4.9 billion. The loan was originally scheduled to be repaid over a 36-month period, with the final payment due on 7 April 2023. However, due to the current situation in Myanmar, the repayment period has been extended by one year, and the final bullet payment of the loan is now due on 7 April 2024. If required, it is projected that BRAC Myanmar Microfinance

Company will be able to make repayment of the loan from April 2023 immediately at the due date.

9.11 UAB Bank:

In 2020, BRAC Myanmar Microfinance Company Ltd entered a deal to accept and utilize 95% Kyat withdrawal against deposited USD 7.5 million, initially for three months with monthly rollover (if required) under the same bank cross-currency swap option. In 2021, BRAC Myanmar Microfinance Company Ltd obtained a Kyat 12 billion loan (multiplier loan), which is equivalent to USD 6 million in two tranches. Interest rate is 12.25% per annum. BRAC Myanmar Microfinance Company Ltd needs to pay back this loan in three instalments for each tranche. The original loan repayment schedule was 30% at the end of the first year, 30% at the end of the second year, and 40% at the end of the third year. However, due to the current situation in Myanmar, BRAC Myanmar Microfinance Company Ltd negotiated with UAB Bank to extend by one year. The revised loan repayment schedule is as follows: the first payment of Kyat 3,600 million is due in February 2024, the second payment of Kyat 3,600 million is due in February 2025, and the third payment of Kyat 4,800 million is due in February 2026.

9.12 Citi Bank:

In January 2020, BRAC Uganda Bank Ltd obtained a loan from Citi Bank amounting to UGX 14.8 billion equivalent to USD 4,000,000 with a tenor of 4 years and a grace period of one year. Interest and principal is paid on a quarterly basis. The loan interest rate is tagged to T-bill of 182 day + 2.5% and the average interest rate for the 2022 was 11.32%. The loan is secured by a floating charge on BRAC Uganda Bank Ltd.'s loan portfolio and the outstanding balance is UGX 6.92 billion (USD 1.9 million).

9.13 Uganda Energy Credit Capitalization Company (UECCC):

In December 2020, BRAC Uganda Bank Limited obtained a loan from UECCC amounting to UGX 8 billion (USD 2.2 million) at an interest rate of 5% per annum for a period of 5 years with a one-year grace period. Interest and principal is paid on a quarterly basis. During 2020, the Bank drew down UGX 4 billion. The loan was secured by a floating charge on BRAC Uganda Bank Ltd.'s loan portfolio. The outstanding balance of UGX 4 billion (USD 1.1 million) was fully repaid in 2022.

9.14 Mastercard Foundation:

In July 2020, BRAC Uganda Bank Ltd obtained managed funds from Mastercard Foundation amounting to USD 1.47 million equivalent to UGX 5.3 billion for one year to facilitate refinancing of clients to help them recover from the impact of the COVID-19 pandemic on their businesses. After the second lockdown in 2021 by the government due to the pandemic, the repayment of these funds was deferred to March 2022 and then to July 2022. The funds were fully paid off as at 31 December 2022.

9.15 CRDB Bank:

In December 2020, BRAC Tanzania Finance Ltd secured a term loan of TZS 4,500 million (USD 1.9 million) from CRDB Bank PLC for working capital. The loan duration is for 24 months with interest payment made quarterly and one lumpsum principal repayment at the end of the loan term. The interest rate is fixed at 12% per annum. The loan was fully repaid in December 2022.

9.16 MEB Bank:

In 2021, BRAC Myanmar Microfinance Company Ltd obtained a Kyat 1,200 million commercial loan (equivalent to USD 0.6 million) and a Kyat 10.355 billion interest-free loan (equivalent to USD 4.9 million). Interest rate is 11.5% per annum. Repayments are due in July 2022, January 2023, and July 2023.

9.17 Kiva:

In November 2007, BRAC Uganda Bank Ltd signed a hosting agreement with Kiva to obtain access to post on the website descriptions of businesses in need of debt capital as well as proposed terms for making loans to such businesses. This was with the hope of obtaining capital in the form of loans from the individuals and entities who also access the Kiva website and the loan is interest-free. The first loan tranche was received in December 2007. During 2022, BUBL received USD 95,345 and repaid USD 42,059. The facility has an outstanding balance of USD 257,082 equivalent to UGX 954,706,370. The loan has no security and there is no interest rate attached to it.

In October 2010, BRAC Microfinance (SL) Ltd signed an agreement with KIVA to obtain access to post on the website descriptions of businesses in need of debt capital as well as proposed terms for making loans to such businesses. The debt capital sourced for BMSLL on the Kiva website is earmarked to provide or refinance the capital used to disburse loans to their clients. During 2022, BMSLL received USD 227,113 and repaid USD 125,402. There are no guarantees or interest rates associated with Kiva financing.

In October 2010, BRAC Liberia Microfinance Company Ltd signed an agreement with KIVA. The Company received loans from KIVA at 0% interest rate. These loans were received from individual lenders through the KIVA website for on lending. These short-term loans are to be repaid as per the collection status of borrowers, which is usually within one year. The current facility limit is USD 800,000. In 2022, BLMCL received USD 147,418 and paid USD 172,243.

9.18 Whole Planet Foundation:

BRAC Tanzania Finance Ltd secured an interest-free loan from Whole Planet Foundation (WPF) in July 2018 for a period of 36 months. The loan amount is USD 150,000 payable in three equal instalments (USD 50,000 each) after a grace period of 24 months. The loan is interest free as WPF used to be a partner in microfinance and in 2018, a loan was issued after realising that BTFL is financially stable and self-sustaining. The loan was fully repaid in January 2022.

BRAC Liberia Microfinance Company Ltd obtained loan amounts of USD 100,000, USD 200,000, and USD 200,000 in June 2018, April 2019, and January 2021, respectively, at 0% interest rate. Furthermore, in 2022, WPF reinvested the instalment that was due in July 2021 amounting to USD 100,000. The organisation paid back USD 100,000 in July 2022. The remaining loans are now repayable on January 2026.

BRAC Microfinance (SL) Ltd obtained a total of USD 600,000 loan from WPF in three equal instalments in May 2019, August 2020, and July 2021. The loans are now repayable in July 2022, October 2023, and October 2024 in three equal instalments.

9.19 Central Bank of Liberia

BRAC Liberia Microfinance Company Ltd received USD 325,000 on 19 October 2017, and USD 228,712 on 31 May 2018, at 2% interest rate which is to be paid on a quarterly basis. The principal for each loan is to be repaid to the Central Bank of Liberia as instalment basis on October 2023 and December 2024 in equivalent local currency (LRD) as per amendment agreement which is LRD 115.09/USD.

9.20 Central bank of Sierra Leone:

In May 2021, BRAC Microfinance (SL) Ltd received 22,306 billion SLL (USD 1.2 million) at 0% interest rate. The loan has been repaid in 12 equal instalments with the last instalment on July 2022. Therefore, no balance as of 31 December 2022 is due to the Central Bank of Sierra Leone.

9.21 East African Development Bank (EADB):

In December 2021, BRAC Uganda Bank Ltd signed a loan from EADB amounting to UGX 4.1 billion at an interest rate of 12% per annum for a period of 5 years with a one-year grace period. Interest and principal is paid on a quarterly basis. During 2022, the Bank drew down UGX 1.9 billion (USD 0.5 million). The loan is secured by a floating charge on BRAC Uganda Bank Ltd.'s loan portfolio. As at 31 December 2022, the facility had an outstanding balance of UGX 4.1 billion (USD 1.1 million).

9.22 Kenya Commercial Bank (KCB):

In March 2022, BRAC Uganda Bank Ltd signed a loan from KCB amounting to UGX 10.5 billion (USD 2.8 million) at an interest rate of 15% per annum for a period of 4 years. Interest rate is tagged to prime rate less 6%. Interest and principal are payable on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. As at 31 December 2022, the facility had an outstanding balance of UGX 8.9 billion (USD 2.4 million).

9.23 Stichting Oxfam Novib /Triple Jump:

In June 2022, BRAC Uganda Bank Ltd obtained a loan from Triple Jump amounting to UGX 7.9 billion equivalent to USD 2,135,400 with a tenure of 3 years. Interest is paid on a quarterly basis. The principal will be paid as a bulk payment at the end of the loan term. The loan interest rate is a fixed rate of 16%. The loan is secured by a floating charge on BRAC Uganda

Bank Ltd.'s loan portfolio. As at 31 December 2022, the facility had an outstanding balance of UGX 8.1 billion (USD 2.2 million) including interest accrued.

9.24 Standard Chartered Bank:

In September 2021, BRAC Tanzania Finance Ltd secured a short-term loan facility amounting to TZS 10 billion (USD 4.3 million) from Standard Chartered Bank Tanzania Limited for the purpose of working capital. The loan duration is for 11 months with interest repayment made monthly and principal repayment made in two equal instalments. The interest rate is fixed at 9.8% per annum. The loan was fully repaid in August 2022.

9.25 Agent for Impact (AFI): HANSAINVEST Finance I GmbH & Co. geschlossene Investmentkommanditgesellschaft

In September 2021, BRAC Tanzania Finance Ltd signed a loan agreement with HANSAINVEST Finance I GmbH worth USD 5 million. The full amount was disbursed in a single tranche. The facility is payable in four equal instalments for a period of 36 months at an interest rate of 5.75% per annum. The interest rate is fixed for the entire duration of the loan agreement.

9.26 BlueOrchard Microfinance Fund:

Under the BlueOrchard Fund, BRAC Tanzania Finance Ltd has been able to secure two term loans from its portfolio from BlueOrchard Microfinance Fund and Covid-19 Emerging & Frontier Markets MSME Fund in May 2022. The purpose of these loans is to finance microfinance lending operations. The two secured term loans amount to USD 12 million with a loan tenure of 36 months at an interest of 14.75% per annum where principal payment is made in three equal instalments and interest payments are made every six months.

9.27-28. Proparco and Global Partnerships

The Debt Programme was successfully launched via BRAC International Finance B.V. in 2022, with Global Partnerships and Proparco providing financing for a 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 has been secured from the two anchor investors. In 2022, USD 26.8 million (USD 16.5 million from Proparco and USD 10.3 million from Global Partnerships) was utilised out of the total commitments for Series 1 and invested in four BIHBV entities:

BRAC Tanzania Finance Ltd

BRAC Tanzania Finance Ltd secured a term loan amounting to USD 9 million through BRAC International Finance B.V. (BIFBV) (USD 5.5 million from Proparco and USD 3.5 million from Global Partnerships) in May 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 5.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is fully hedged by BRAC Tanzania Finance Ltd using a back-to-back structure with a local bank.

In September 2022, BRAC Tanzania Finance Ltd received a second tranche term loan amounting to USD 6 million through BRAC International Finance B.V. (BIFBV) (USD 3.7 million from Proparco and USD 2.3 million from Global Partnerships) for a period of 3 years from the date of disbursement. Principal payment is made yearly in 3 equal instalments whereas the interest payment is made on a quarterly basis. The loan is quoted at the rate of 6.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is fully hedged by BRAC Tanzania Finance Ltd using a back-to-back structure with a local bank.

In December 2022, BRAC Tanzania Finance Ltd received a third tranche term loan amounting to USD 5 million through BRAC International Finance B.V. (BIFBV) (USD 3.1 million from Proparco and USD 1.9 million from Global Partnerships) for a period of 4 years from the date of disbursement with grace period of 12 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 7.35% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is fully hedged by BRAC Tanzania Finance Ltd using a third-party hedging provider (MFX Solutions Inc.).

BRAC Rwanda Microfinance Company PLC

BRAC Rwanda Microfinance Company PLC secured a term loan amounting to USD 2 million through BRAC International Finance B.V. (BIFBV) (USD 1.2 million from Proparco and USD 0.8 million from Global Partnerships) in May 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 5.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is hedged by BRAC Rwanda Microfinance Company PLC using a third-party hedging provider (MFX Solutions Inc.).

BRAC Rwanda Microfinance Company PLC secured a term loan amounting to USD 1.6 million through BRAC International Finance B.V. (BIFBV) (USD 1.0 million from Proparco and USD 0.6 million from Global Partnerships) in September 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 6.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is hedged by BRAC Rwanda Microfinance Company PLC using a third-party hedging provider (MFX Solutions Inc.).

BRAC Liberia Microfinance Company Ltd

BRAC Liberia Microfinance Company Ltd secured USD 1 million in May 2022 through BRAC International Finance B.V. (BIFBV) (USD 0.6 million from Proparco and USD 0.4 million from Global Partnerships) and another USD 1 million through BRAC International Finance BV (BIFBV) (USD 0.6 million from Proparco and USD 0.4 million from Global Partnerships) in September 2022 making total loans of USD 2 million secured through BRAC International

Finance B.V. (BIFBV). The interest rates are 5.85% and 6.85% respectively. The funding secured in May 2022 has a tenor of 3 years, while the funding secured in September 2022 has a tenor of 4 years. The loans were obtained for facilitating microfinance lending and both loans are hedged by BRAC Liberia Microfinance Company Ltd using back-to-back structures with a local bank.

BRAC Microfinance (SL) Ltd

BRAC Microfinance (SL) Ltd secured USD 1.2 million through BRAC International Finance B.V. (BIFBV) (USD 0.7 million from Proparco and USD 0.5 million from Global Partnerships) in December 2022. The interest rate is 7.35% per annum. The maturity date for this arrangement is December 2026. The loan was obtained for facilitating microfinance lending and is hedged by BRAC Microfinance (SL) Limited using a third-party hedging provider (MFX Solutions Inc.).

Covenant Breaches

At the end of December 2022, financial covenants were in breach for loans from Citi Bank, Bank of Africa, Soluti and Triple Jump to BRAC Uganda Bank Ltd for the following ratios:

Triple Jump

- PAR 30
- Write off
- Solvency
- CAR
- Unhedged foreign currency position

Bank of Africa

- Cost to income

Soluti

- Write off

Citi Bank

- Write off.

Waivers for all these breaches were obtained from the respective investors.

Due to the current situation in Myanmar, there were financial covenant breaches for the international loans from FMO and DFC and the local bank loans from UAB Bank and AGD Bank to BRAC Myanmar Microfinance Company Ltd for the following ratios:

FMO

- Open Asset exposure ratio
- Aggregate un-hedged open currency position

DFC

- PAR 30
- Write off

- Loan loss reserve
 - Operating self-sufficiency
 - Return on assets
- AGD*
- PAR 30.

Waivers for the financial covenant breaches were received from FMO and DFC as well as for AGD Bank (UAB has no covenants). The lenders are apprised and have accepted the covenant breaches. They are well aware of the situation in Myanmar that is impacting all of their borrowers, including BRAC Myanmar Microfinance Ltd.

Though Sierra Leone was initially at breach of write off ratio as per year-end management accounts, there was no breach of the financial covenants as per audited accounts. To be on the safer side, possible breaches of PAR 30 ratio and write off ratio were identified before Sierra Leone took a loan from the debt programme in December 2022 and the ratios have been waived until 31 March 2023. As of March 2023, BRAC Sierra Leone is compliant with the financial covenants.

As waivers for all the above breaches were obtained from the respective investors, they do not result in a going concern uncertainty for the group as a whole.

10 Current Liabilities

	2022	2021
	USD	USD
Donor funds	5,215,255	2,965,068
Loan Security Fund	29,050,427	27,268,329
Deposits from savers	19,609,642	20,470,454
Current portion of the borrowings (note 9)	28,992,439	28,140,831
Other current liabilities	10,172,257	9,615,205
	93,040,019	88,459,887

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 types. Deposits from savers includes the voluntary savings made by the clients and is payable on demand.

Donor Funds

	2022	2021
	USD	USD
Donor funds received in advance	2,494,796	1,901,141
Donor funds invested in microfinance loans	1,770,006	1,041,325
Donor funds utilized in fixed assets	950,453	22,602
	5,215,255	2,965,068

All amounts included are due within one year.

Donor Funds Received in Advance

	2022	2021
	USD	USD
Opening balance as at 1 January	1,901,141	2,564,860
Received during the year	5,328,572	1,314,923
Transferred to donor funds invested in fixed assets	(634,906)	(14,731)
Transferred to donor fund investment in loans	(1,431,176)	(611,728)
Released to profit and loss account	(2,333,560)	(1,020,409)
Other	(335,275)	(331,774)
	2,494,796	1,901,141
Closing balance as at 31 December		

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

	2022	2021
	USD	USD
Opening balance as at 1 January	1,041,325	1,329,084
Transferred from donor funds received in advance	1,431,176	611,728
Transferred to income and expenses	(394,714)	(647,392)
Currency translation	(307,781)	(252,095)
	1,770,006	1,041,325
Closing balance as at 31 December		

Donor Funds Utilised in Fixed Assets

	2022	2021
	USD	USD
Opening balance as at 1 January	22,602	4,371
Transferred from donor funds received in advance	634,906	14,731
Depreciation charged for the year released to the profit and loss account	(117,730)	(9,415)
Transferred to Capital Fund	11,588	-
Assets handed over to others	379,727	-
Currency translation	19,360	12,915
Closing balance as at 31 December	950,453	22,602

Other Current Liabilities

	2022	2021
	USD	USD
Payable to Stichting BRAC International	54,992	2,589,070
Payable to BRAC Bangladesh	169,014	123,590
Payable to BRAC IT Services Limited)	342,024	421,200
Corporate income tax payable	1,528,456	1,962,072
Withholding and other taxes	1,032,739	754,621
Accrued expenses	498,183	1,798,546
Interest payable on borrowings	2,234,433	373,988
Social security fund	712,516	173,914
Bonus accrual	7,620	17,489
Employee Insurance Fund	67,389	47,519
Other liabilities	3,524,891	1,353,196
	10,172,257	9,615,205

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 are part of the other liabilities. All the other liabilities are payable within one year.

11 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, and were affected by adverse movements, BRAC 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, 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. No individual significant balances are identified.

The company exposure to credit risk 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 loan loss provision 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 on external ratings of banks selected for deposit-taking.

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

During the reporting period, the Company has recorded an amount of USD 5,649,398 (USD 9,716,770 in 2021) in profit or loss as a result of impairments. These impairments are the result of overdue payments on loans extended by the microfinance entities to borrowers.

The carrying amount of financial assets that the Company has pledged for collateral for liabilities amounts to USD 0 (USD 0 in 2021).

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.

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 Executive Director will be 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.

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 is the US dollar (USD), 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. BRAC follows an inhouse natural hedging mechanism to mitigate currency risks. Management regularly reviews currency trends to manage currency risks.

Interest Rate Risk and Cash Flow Risk

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 company is exposed to loan covenants and in case of breaches, loans can become payable on demand based on the loan agreement with the lender. The breaches as per balance sheet date are disclosed in note 9 'Borrowings'. Management is monitoring compliance of covenants towards year-end to avoid any cashflow risks and is actively managing the relevant ratios, including the portfolio at risk.

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, while optimising the return on risk.

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 in order 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 so as 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.

12 Interest Income

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

	2022 USD	2021 USD
Africa		
Uganda	20,181,975	21,565,185
Tanzania	32,966,767	25,101,234
Sierra Leone	5,322,165	5,839,335
Liberia	7,116,326	5,022,080
Zanzibar	1,386,924	1,123,493
Rwanda	1,154,082	637,823
	68,128,240	59,289,150
Asia		
Myanmar	9,116,603	9,883,228
	77,244,843	69,172,378
	=====	=====

Interest income on loans and advances denotes the interest income earned on loans and advances disbursed.

13 Other Interest and Similar Income

	2022 USD	2021 USD
Fees and commission income	4,048,683	3,298,580
Bank Interest	1,861,283	1,558,162
Exchange differences	671,233	193,659
	6,581,200	5,051,101
	=====	=====

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to customers, and sale of passbook.

14 Interest Expenses and Similar Charges

	2022	2021
	USD	USD
Interest expense on external borrowings	10,855,276	7,535,420
Interest expense on savings deposit	1,917,083	1,897,160
Bank charges	417,386	312,912
Foreign exchange loss realised	878,392	111,260
	14,068,136	9,856,752
	=====	=====

15 Other Operating Income

	2022	2021
	USD	USD
Grant income	2,864,885	1,677,217
Other income	2,354,085	1,851,115
	5,218,970	3,528,332
	=====	=====

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

16 Cost of Outsourced Work and Other External Costs

	2022	2021
	USD	USD
General and administrative expenses	745,445	2,727,721
Travel and transportation	7,011,032	4,687,792
Office rent and utilities	2,475,506	2,582,557
Printing and office stationery	1,085,437	1,059,805
Staff training and development	340,345	414,999
Audit fees	324,689	342,261
Professional and consultancy	3,033,658	1,825,073
Software maintenance costs	2,274,865	1,309,372
Internet subscription charges	540,931	878,222
	17,831,908	15,827,802
	=====	=====

17 Wages and Salaries

	2022	2021
	USD	USD
Salaries and benefits	26,903,444	23,297,845
	=====	=====

During the 2022 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 6,012 people (2021: 5,661 people). All staff except 6 (2021: 4) were employed outside the Netherlands.

This staffing level (average number of staff) can be divided into the following staff categories:

	2022	2021
Management	41	82
Microfinance services	4,900	4,712
Finance and IT	642	586
Monitoring, Risk and Internal Audit	105	90
Human Resources	28	27
Other Support functions	296	164
	6,012	5,661

18 Social Security and Pension Charges

	2022	2021
	USD	USD
Social security charges and pension charges	2,520,471	2,107,755
	=====	=====

Social security benefits include payments made by the Company and its subsidiaries in various social welfare funds/ pension 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%. The total contribution for the year 2022 is USD 23,692 (2021: USD 4,285).

19 Other Operating Expenses

	2022	2021
	USD	USD
Other operating expenses	6,266,849	5,277,271
	=====	=====

Other expenses include self-insurance provision, software maintenance, and group members' death benefits provided to their families.

20 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.

	KPMG Accountants N.V.	KPMG Network	Total KPMG
	USD 1,000	USD 1,000	USD 1,000
2022			
Audit of the financial statements	111	66	177
Other audit engagements	-	-	-
Tax-related advisory services	101	6	107
Other non-audit services	-	-	-
	=====	=====	=====
	212	72	284
	=====	=====	=====
2021			
Audit of the financial statements	108	73	181
Other audit engagements	-	-	-
Tax-related advisory services	74	30	104
Other non-audit services	6	-	6
	=====	=====	=====
	188	103	291
	=====	=====	=====

The fees mentioned in the table for the audit of the financial statements 2022 (2021) relate to the total fees for the audit of the financial statements 2022 (2021), irrespective of whether the activities have been performed during the financial year 2022 (2021).

21 Corporate Income Tax

The major components of the tax charge are as follows:

	2022	2021
	USD	USD
Current tax	5,634,825	4,374,068
Movement in temporary differences	178,197	(530,752)
Tax on result from ordinary activities	5,813,023	3,843,316
	=====	=====

The applicable weighted average tax rate in 2022 was 42.1%, whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

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

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

	2022		2021	
	USD	%	USD	%
Result before tax	13,810,099		9,905,326	
Tax using the Company's domestic tax rate	3,563,005	25.8	2,476,332	25.0
Unused local tax losses	-		1,014,568	
Movement in temporary difference	178,197		(530,752)	
Application of different tax rate	2,071,820		883,169	
Income tax according to consolidated profit and loss account	5,813,023	42.1	3,843,316	38.9

22 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.

23 Subsequent Events

With regards to the developed funding strategy of BRAC International Finance B.V., funding commitments totalling USD 40.7 million were secured from investors Proparco and Global Partnerships in April 2022. A further drawdown by BRAC International Finance B.V. of USD 9.8 million is scheduled for April 2023. After the drawdown in April 2023, the total amount drawn by BRAC International Finance B.V. under the facility was USD 36.6 million.

The shareholding of BRAC Zanzibar Finance Ltd (BZFL) was restructured from the current shareholding of BIHBV (100%) to BRAC Tanzania Finance Ltd (BTFL) (100%) via a merging of BZFL with BTFL that was formally completed in January 2023. This will not impact the group consolidation as BIHBV is still the ultimate parent.

As of April 2023, BRAC International Holdings B.V. is no longer a guarantor for the loan from AGD Bank to BRAC Myanmar Microfinance Company Ltd. Previously, there was a BIHBV guarantee for 100% of the loan of Kyat 7 billion (USD 3.3 million at 2,100 Kyat to USD); with the loan rescheduling, there is no longer any guarantee by the Company.

Company Balance Sheet as at 31 December 2022

(before profit appropriation)

		2022		2021*	
		USD	USD	USD	USD
Fixed assets					
Financial fixed assets	24		72,351,223		68,318,922
Current assets					
Receivables	25	8,521,914		15,119,350	
Cash and cash equivalents	26	17,380,762		14,390,736	
			25,902,676		29,510,086
			98,253,899		97,829,008
Shareholder's equity					
Issued capital	27	8,106,160		8,607,760	
Share premium reserve	27	79,961,656		77,415,714	
Foreign currency translation reserve	27	(19,300,773)		(11,650,828)	
Retained earnings	27	20,774,875		14,360,064	
Unappropriated result	27	7,717,562		5,913,211	
			97,259,480		94,645,921
Current liabilities					
Payable to shareholder and other related parties	28	679,164		2,865,094	
Accrued liabilities	28	315,255		317,993	
			994,419		3,183,087
			98,253,899		97,829,008

* Adjusted for comparison purposes, reference is made to page 35.

The notes on pages 87 to 96 are an integral part of these company financial statements.

Company Profit and Loss Account for the year ended 31 December 2022

		2022		2021	
		USD	USD	USD	USD
Interest & other income		355,409		695,593	
Grant income		665,320		-	
Total operating income			1,020,729		695,593
Office expense and professional fees	30	861,325		(246,166)	
Total operating expense			861,325		(246,166)
Financial expenses /(income)	31	312,659		(448,899)	
Operating result			(153,255)		1,390,658
Tax on operating result	32		215,000		280,991
Net operating result			(368,255)		1,109,667
Share in result of participating interests	33		8,085,817		4,803,544
Net result			7,717,562		5,913,211

The notes on pages 87 to 96 are an integral part of these company financial statements.

Notes to the Company Financial Statements 2022

General

The company financial statements are part of the 2022 financial statements of the group.

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.

The figures for 2021 have been reclassified for the purpose of comparison. The reclassifications are as follows:

Comparative amounts have been restated in line with current year's classification within shareholder's equity. The translation of the share capital made in EUR into presentation and functional currency USD is incorporated in the retained earnings rather than within the foreign currency translation reserve.

Accounting Policies

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

Financial Instruments

In the company financial statements, financial instruments are presented on the basis of their legal form.

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.

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.

24 Financial Fixed Assets

	2022	2021
	USD	USD
Participating interests in group companies	68,797,155	64,611,283
Investment in SFRE Fund	3,554,068	3,707,639
	72,351,223	68,318,922
	=====	=====

Participating Interests

	2022	2021
	USD	USD
Opening balance as at 1 January	64,611,283	62,706,951
Investment in BRAC International Finance B.V.	400,000	–
Investment in BRAC Rwanda Microfinance Co. PLC	2,600,000	1,426,169
Investment in BRAC Ghana Savings & Loans Ltd.	2,900,000	–
Dividend from BRAC Tanzania Finance Ltd.	(2,150,000)	–
Conversion of sub debt in BUBL	-	1,584,997
Foreign currency translation differences	(7,649,945)	(5,910,378)
Result of subsidiaries	8,085,817	4,803,544
	68,797,155	64,611,283
	=====	=====
Closing balance as at 31 December		

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

Name	Legal address	2022 share of interest %	2021 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

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

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of the Company. Within these consolidated group companies, at least one of the executives of the Company is involved as member of the Board of Directors. BRAC Lanka Investments (Private) Ltd. has been a dormant entity since 2015.

Investment in SFRE Fund, now Triodos Microfinance Fund

An investment has been made to 134,469,210 'S-I' shares in the Triodos Microfinance Fund and recognised at cost less accumulated impairment losses. The cost per share is EUR 25 each and the Net Asset Value (NAV) per share is EUR 24.78. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

The investment in the Triodos Microfinance Fund is a conversion of the previous holding in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund of 56,151 'A' shares. In September 2022 SFRE merged with the Triodos Microfinance Fund.

	2022 USD	2021 USD
Investment in TMF Fund at cost	4,000,000	4,000,000
Less: Accumulated impairment losses	(445,932)	(292,361)
	3,554,068	3,707,639
	=====	=====

25 Receivables

	2022	2021
	USD	USD
Receivable from BRAC USA DFC loan in Myanmar	250,000	250,000
Short Term loan receivables - BRAC Myanmar Microfinance Company Ltd	4,880,563	4,805,541
Short-Term subordinated loan receivables - BRAC Uganda Bank Ltd	250,999	2,749,442
Short-Term loan receivables - BRAC Rwanda Microfinance Company PLC	-	402,027
Receivables from subsidiaries	2,933,574	6,787,779
Other Receivables	206,778	124,561
	8,521,914	15,119,350
	=====	=====

The receivables from subsidiaries mainly relates to the receivable of management and logistics expenses as per TP policy.

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

26 Cash and Cash Equivalents

	2022	2021
	USD	USD
Cash at bank	13,599,861	10,757,195
Term deposits	3,780,901	3,633,541
	17,380,762	14,390,736
	=====	=====

All cash and cash equivalent balances are available on demand.

27 Shareholder's Equity

	Issued capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Unappropriated result	Total
	USD	USD	USD*	USD*	USD	USD
Balance as at 1 January 2021	9,325,960	77,415,714	(4,604,249)	12,726,026	(220,362)	94,643,089
Changes:						
– Reclassification for comparison purposes	–	–	(895,484)	895,484	–	–
– Transfer of unappropriated results	–	–	–	(220,362)	220,362	–
– Informal capital contribution (ref. – note 1)	–	–	–	–	–	–
– Translation differences - share capital	(718,200)	–	–	718,200	–	–
– Translation differences - participation interest	–	–	(5,910,379)	–	–	(5,910,379)
– Result for the year	–	–	–	–	5,913,211	5,913,211
Balance as at 31 December 2021	8,607,760	77,415,714	(11,410,112)	14,119,348	5,913,211	94,645,921
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

Issued Capital

The Company's authorised capital, amounting to EUR 7,600,000 (USD 8,106,160), and in 2021, EUR 7,600,000 (USD 8,607,760), consists of 7,600,000 ordinary shares of EUR 1 each. All shares have been issued and fully paid up.

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.

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 2021

The financial statements for the reporting year 2021 have been adopted by the General Meeting on 14 June 2022. The General Meeting has adopted the appropriation of profit after tax for the reporting year 2021 as proposed by the Board of Management.

Proposal for Profit Appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2022 result after taxation to add the result to the retained earnings. In anticipation of the decision by the General Meeting of Shareholders, the result after tax for 2022 has been included under unappropriated result in shareholder's equity.

28 Current Liabilities

	2022	2021
	USD	USD
Related party payables	679,164	2,865,094
Other liabilities	315,255	317,993
	994,419	3,183,087
	=====	=====

Related party payables represent short-term advances provided by Stichting BRAC International, which is repayable on demand.

29 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 2022, the total amount drawn under this facility is USD 26.8 million. As of 31 December 2022, the amount guaranteed by the Company is USD 4.0 million (15% of the outstanding principal amount) 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 (USD 3.6 million) are guaranteed by the Company.

The Company has extended a loan facility of USD 9 million in BRAC Myanmar Microfinance Company Limited to finance its growth opportunities. As of 31 December 2022, USD 7.5 million has been disbursed with a current outstanding balance of USD 4.5 million.

The Company provided a corporate guarantee to AGD Bank for USD 3.3 million (30% cash backed) for a term loan to BRAC Myanmar Microfinance Company Limited (this was removed as part of the April 2023 rescheduling, see subsequent events note). As of December 2022, the outstanding balance of the loan is USD 3.3 million.

The Company provided a corporate 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 by way of BRAC USA. As of 31 December 2022, the outstanding balance of the DFC loan is USD 3.7 million.

As part of the process to obtain the banking licence in Uganda, the company declared a dividend in 2018, which was paid in tranches during 2019. The Uganda Tax legislation normally requires that withholding tax is applicable over such transactions. However, no withholding tax has been paid, as the company is of the opinion that the conditions are met that avoid double tax payments as stipulated in the tax treaty between Uganda and the Netherlands. BRAC Uganda Bank Ltd sought a private ruling from Uganda Revenue Authority (URA) to confirm management's view as to whether this dividend payment qualifies for WHT exemption under the treaty. Management believes the ruling will be made in favour of the bank and as such no provision is made in these financial statements. For the unlikely event that the outcome be different, the company has provided a guarantee to BRAC Uganda Bank for the amount of withholding tax.

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 and is taking appropriate advice to appeal to this position.

Operational lease agreements for buildings with third parties can be terminated on a yearly basis. The expected lease commitment for 2023 amounts to USD 2.5 million.

30 Office Expense and Professional Fees

	2022	2021
	USD	USD
Secretariat expenses	917,559	1,025,054
Bank charge	4,808	4,003
Salaries and benefits	827,773	258,670
Training and development	15,908	800
Travel and transportation	129,709	13,689
Rent	35,894	14,163
Software maintenance cost	84,811	119,106
Professional and consultancy fees	777,512	843,447
Taxation consultancy fees	-	57,029
Audit fees	79,330	112,444
Meeting and workshop	36,409	35,731
Other operating expenses	920,664	427,762
Recharging of expense to the subsidiaries	(2,754,052)	(3,158,064)
	1,076,325	(246,166)
	=====	=====

Secretariat Expenses

The total BRAC International secretariat cost has been allocated between the Company and its parent at the rate of 29.8% and 70.2% (2021: 48% and 52%). The Company changed the allocation of expenses based on functional analysis (i.e. budgeted expenses) whereas it was based on headcount in the past.

Recharging of Expense to Subsidiaries

In 2020, the Company approved a transfer pricing policy to charge its expenses to the subsidiaries based on the OECD guidelines.

Salaries and Benefits

	2022	2021
	USD	USD
Salaries and benefits	781,928	245,402
Social security charges	45,845	13,267
	827,773	258,670
	=====	=====

31 Financial Expenses/(income)

	2022	2021
	USD	USD
Impairment loss / (income) on SFRE Investment Fund (ref note 25)	153,571	(348,676)
Foreign currency loss / (gain)	159,088	(100,223)
	312,659	(448,899)
	=====	=====

32 Tax on Operating Result

	2022	2021
	USD	USD
Corporate income tax	-	319,916
Tax expense prior years	-	(38,925)
Withholding tax on dividend from BRAC Tanzania Finance Ltd	215,000	-
	215,000	280,991
	=====	=====

33 Share in Result of Participating Interests After Tax

	2022	2021
	USD	USD
BRAC Uganda Bank Ltd	268,551	142,964
BRAC Tanzania Finance Ltd	7,335,965	4,147,493
BRAC Zanzibar Finance Ltd	580,959	292,234
BRAC Microfinance Sierra Leone Ltd	1,694,083	2,189,140
BRAC Liberia Microfinance Company Ltd	2,258,558	1,442,591
BRAC Myanmar Microfinance Company Ltd	(1,523,228)	(1,796,433)
BRAC Rwanda Microfinance Company Plc	(2,540,524)	(1,614,445)
BRAC Ghana Savings & Loans Ltd	(117,515)	-
BRAC International Finance B.V.	128,597	-
	8,085,817	4,803,544
	=====	=====

34 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 287,347 (2021: USD 222,369) for current and former 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 2022 total honorarium paid to the Supervisory Board members amounted to USD 800 (2021: USD1,400).

The Hague, 12 July 2023

Management Board, BRAC International Holdings B.V.

Mr. Shameran Abed

Ms. Bridget Dougherty

Supervisory Board, BRAC International Holdings B.V.

Mr. Stephen Frederick Rasmussen, Board Chair

Ms. Amira Mosad Elmissiry