FMO

Entrepreneurial Development Bank

ACCESS TO ENERGY FUND

Annual Report

2022

The **Access to Energy Fund (AEF)** provides long term finance to projects supporting access to sustainable energy.

Government of the Netherlands

FMO manages the following funds on behalf of the Dutch government: the Access to Energy Fund (AEF), Building Prospects (BP), MASSIF, the Dutch Fund for Climate and Development (DFCD), FOM, B-CD. The total committed portfolio of these funds (excluding grants) amounts to € 1,230 mln as per December 31, 2022. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch government that is managed by FMO, unless reference is made to an investment made under a program.

Front photo is from Nagréongo project, Burkina Faso, and will provide clean, reliable electricity to a country that has one of the lowest electrification rates in West Africa.

The Access to Energy Fund provides funding to projects supporting access to sustainable energy.

LETTER FROM THE MB OF THE FUND MANAGER

Dear reader,

In 2022, the global economy faced an intensification of upheaval. The Ukraine war – first and foremost a humanitarian disaster – led to political and economic crises across the region and beyond. Inequality rose, the climate crisis continued to unfold, and a global recession began to loom, pushing an increasing number of vulnerable people into food insecurity, reduced energy access and poverty. The crises also lead to a heightened stress on global trade systems, in particular in the Energy- and (agricultural) Commodities markets.

The poorest economies, where poverty reduction had already slowed down significantly, face continued challenges, confronting the resilience of society. Development finance institutions such as FMO will need to intensify their operations in the coming years to encourage the flow of private finance to meet sustainable investment needs in these societies.

In close consultation with our stakeholders, we updated our strategy towards 2030. In our 'Pioneer-Develop-Scale' strategy the role of our public funds and facilities is pivotal. These help us explore higher risk opportunities and markets to make them ready for additional private investments.

Our long-standing track record in managing public funds to catalyze private finance, has contributed to a significant expansion of our responsibilities. Over the past few years, FMO set up facilities and investment programs with the European Commission and the Green Climate fund. In 2021, the UK government also decided to entrust FMO with the management of the UK's Mobilising Finance for Forests programme.

With AEF, in 2022, FMO provided a development contribution to the Essor mini-grid project in the Democratic Republic of the Congo (DRC), which aims to improve access to electricity in isolated cities by means of hybrid solar mini-grids implemented under long-term concessional structures. The development contribution finances part of the external development costs including technical and feasibility studies.

In 2022 AEF made a considerable loss, due to a combination of impairments on loans and negative valuations on some of the equity investments – partly a direct result of the war in Ukraine. However, AEF also viewed some successes, with -for example- the transition of Anergi Turkana (wind energy, Kenya) from AEF to FMO's own balance sheet and a new investment in the clean cooking sector.

In 2023, the developing countries will continue to see hardship and challenges. To support them, courage and ambition are imperative in the deployment of FMOs public funds and facilities, especially against the background of the ongoing climate crisis. We will continue to generate investments that create equal opportunities and equitable access to finance, that protect the value of ecosystems and forests, that provide access to renewable energy and that help build up fair value chains in agriculture.

The Hague, 26 April 2023

On behalf of the Management Board

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

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AT A GLANCE

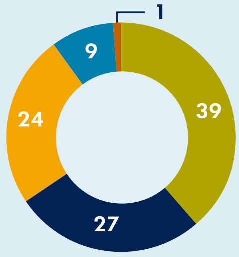
The Access to Energy Fund (AEF) was set up to actively support the creation of access to sustainable energy in developing countries by providing risk bearing funding; equity, local currency/subordinated loans, guarantees and to a limited extent (convertible) grants.

Achievements portfolio as per 31-12-2022

Total committed portfolio

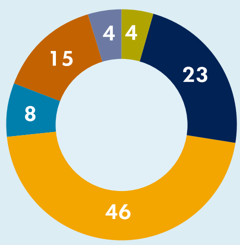
€186mln

Portfolio by product
(in % as of 31 Dec 2022)



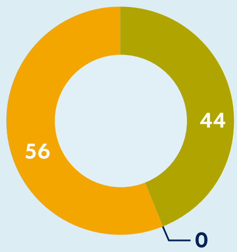
- Loans
- Direct equity
- Fund investments
- Mezzanine
- Guarantees

Portfolio by customer
(in % as of 31 Dec 2022)



- Hydro Energy
- Mixed Renewable
- Solar Energy
- Wind Energy
- Financial Institutions
- Non Renewable Energy

Portfolio by currency
(in % as of 31 Dec 2022)



- EUR
- Local[1]
- USD/Indirect Local

€4.9mln
Public co-investments

€1.6mln
Private co-investments

128%
Revolvability

30%
MFA focus countries

(excluding new investments 2022)

0.3mln
Beneficiaries reached

6,458
Direct jobs supported

2,531
Direct jobs supported women

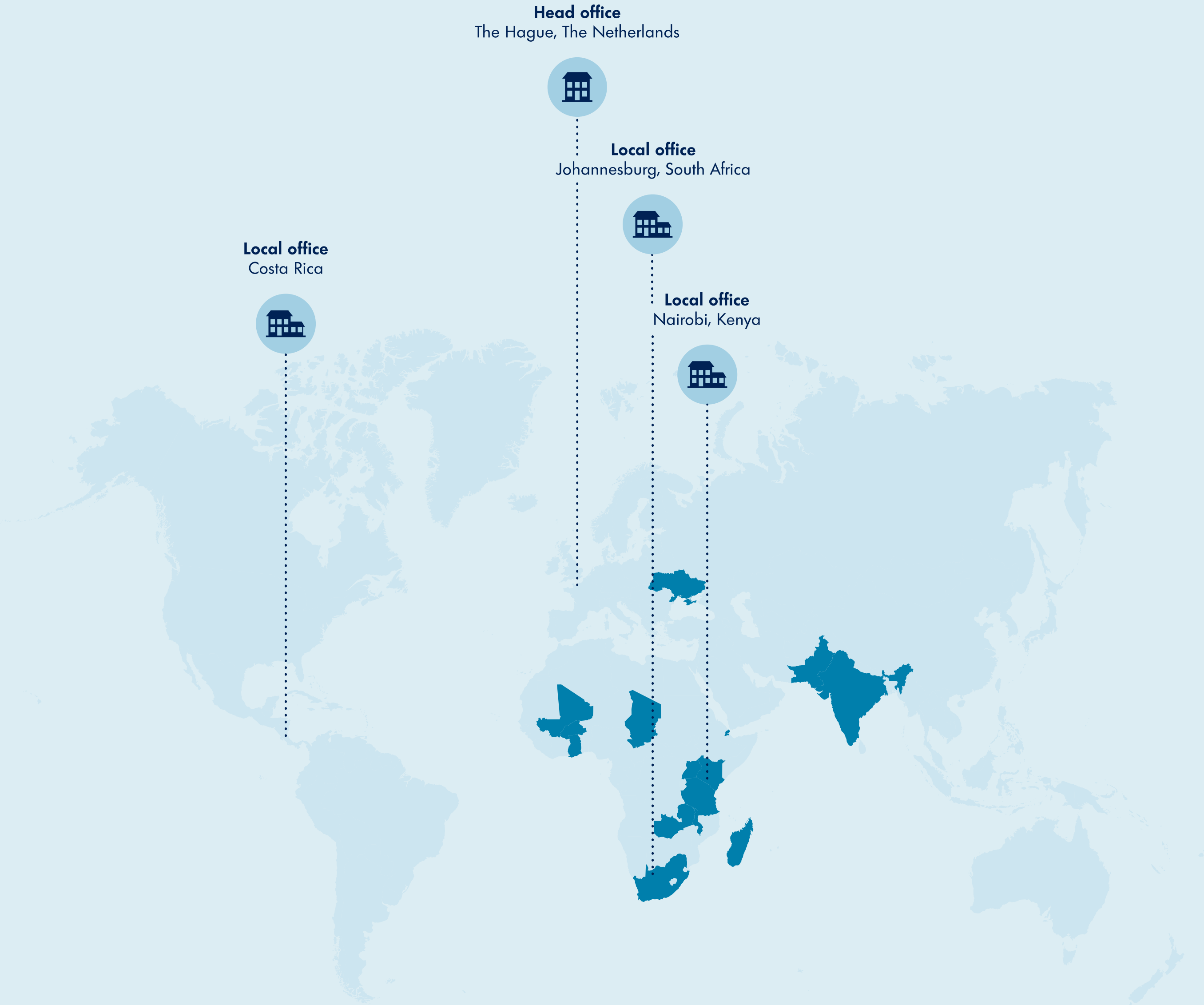
725MW
Installed capacity

161,263
Indirect jobs supported[2]

40,157
Indirect jobs supported women

5,077,373
tCO_2eq/yr
GHG Avoidance

1 Investments include hard currency with a local currency risk
2 Increase in indirect job supported is due to inclusion of investee level data and the new methodology: the Joint Impact Model (JIM). For more information on the JIM, visit jointimpactmodel.com



Total committed portfolio by region (per 31 December 2022)

Latin America & the Caribbean	Africa	Europe & Central Asia	Asia	Non-specific region
€0mln	€146mln	€7mln	€23mln	€10mln

Total committed portfolio

€186mln

PERFORMANCE ON OUR STRATEGY

Highlights

To speed up the energy transition in developing countries and fight climate change and poverty, more than 25 Dutch organizations have teamed up in the NL Energy Compact, headed by the Netherlands Ministry of Foreign Affairs. On 6 and 7 July 2022, FMO joined the NL Energy Compact in the Hague, and committed to the Compact's joint ambition: "We will support people in low and middle-income countries to reach the SDG7 goals by 2030 and net-zero emissions by 2050. We are presenting our ambition and commitment in the form of a multi-stakeholder energy compact engaging government, private sector, finance, civil society, academia, and youth. Together and individually, we will support a just and inclusive energy transition that is gender sensitive, locally led and globally connected".

In 2022 the Access to Energy Fund received a further payment of EUR 5 million (grant commitment signed in 2020). The fund's total assets decreased from EUR 163 million (2021) to EUR 156 million (2022), partly due to lower valuations and impairments, but also due to the successful exit of Anergi Turkana.

CQC

C-Quest Capital ("CQC") is a diversified impact-investment enterprise, with operational platforms in various countries. It structures and finances carbon-based investment programs, providing investors with the opportunity to purchase carbon credits for the VERRA market, while realizing substantial social impact. CQC is one of the largest players in clean cooking, having distributed clean cooking stoves to over one million households since 2014.

The AEF loan helps the deployment of clean cooking stoves and other carbon programs across various jurisdictions in Sub-Saharan Africa. Clean cookstoves have a substantial impact on various SDG's, incl. increased access to affordable and clean energy (SDG 7), reduced inequalities (SDG 10), and reduction of GHG emissions (SDG 13). In addition, clean cooking stoves provide numerous health benefits (SDG 3), and reduce the labour burden for fuel collection (SDG 8), both particularly benefiting women (SDG 5).

Essor / AEE Power Ventures

AEF provides a Repayable Development Contribution to partially finance the development phase (the phase before construction) of the ESSOR mini-grid project in the Democratic Republic of the Congo (DRC), which aims to improve access to electricity in isolated cities by means of hybrid solar mini-grids. In due course, the project will implement three independent mini-grids in the cities of Bumba, Gemena and Isiro (each with a population of over 150k people) and is expected to electrify 58,000 households and 2,100 businesses.

GOGLA

GOGLA (Global Off-Grid Lighting Association) is the independent, not-for-profit industry association for the off-grid energy sector that promotes responsible business practices in the sector. FMO has signed a partnership agreement with GOGLA, partially financed through AEF. The funding will enable GOGLA to expand their work in -for example- financial transparency, consumer protection, e-waste and gender, which supports the development of industry standards.

Gajam Group Limited UK ('Dharma Life')

Dharma Life is a social enterprise operating in India, targeting the Base of the Pyramid (BoP). Dharma Life does this through a model whereby women entrepreneurs sell products to rural households, including solar lamps and cooking stoves. Via an AEF Technical Assistance contribution, FMO aims to support Dharma Life in building their capabilities in three interrelated areas: i) strengthening Client Protection Principles, ii) enhancing the core finance function and Enterprise Resource Planning (ERP) compliance and iii) improving the credit risk management.

Production

Production 2022	
CQuestCapital	**C-Quest Capital SG Africa Holdings Private Limited – USD 6.4 mln debt** Clean cooking stoves have a substantial (social) impact, including a reduction of GHG emissions, avoided deforestation, numerous health benefits, and reduced labour burden for fuel collection. Health and labour benefits particularly affect women. The transaction fits AEF's strategy, as well as FMO EN's inclusive business and green strategy. The transaction concerns a senior debt facility to C-Quest Capital Africa (CQC-A), to finance the deployment of clean cooking stoves and other carbon programs across various jurisdictions in Sub-Saharan Africa. CQC is one of the market leaders in the sector, offering a scalable model while realizing substantial social impact.
d.light	**d.light design Ltd – USD 0.7 mln warrant** d.light is a leading off-grid energy provider that offers a range of solutions to lower income households, from small solar-lanterns to pay-as-you-go ("PAYGO") solar home systems. d.light is headquartered in Nairobi and mostly sells and finances their products in East Africa and India, thereby providing a sustainable alternative to polluting kerosene lanterns and other fossil fuel based alternative energy sources.

Exits and Sales

Turkana exit

In line with its mandate, AEF provides funding for higher-risk clients. As clients grow and mature, their risk profile may improve, enabling them to secure financing from other parties and effectively reducing the on-going relevance of the Government Fund as a financier.

In 2021 the AEF equity participation in Anergi Turkana (wind energy, Kenya) was transferred to FMO's balance sheet. At the time of initial investment, in 2013, equity capital for renewable energy projects in Kenya was scarce and the AEF investment was seen as highly additional.

Since Turkana is operational, it has increased the availability and affordability of energy in the country, while contributing to GHG avoidance (~155,295 tCO_2eq annually). The wind farm supports 385 direct jobs. Via its foundation, Turkana implements activities intended to contribute to uplifting the livelihoods of the communities in and around the area.

Production capacity development

Contracts CD 2022	
	AEE Power Ventures, S.L. - USD 0.75 Technical Assistance AEE Power Ventures ("AEE-PV"), domiciled in Spain, is a subsidiary of AEE Power Holdings SARL ("AEE"), active in the development, financing, construction, and operations of energy infrastructure projects in Sub Saharan Africa. In December 2020, AEE-PV (together with two other partners) was retained as preferred bidder for the ESSOR Mini-Grid Project in the DRC, which aims to improve access to electricity in isolated cities by means of hybrid solar mini-grids implemented under long-term concessional structures. The project will implement three independent mini-grids in the cities of Bumba, Gemena and Isiro (each with a population of over 150k people). As one of the first mini-grid initiatives in DRC, the Project is expected to pave the way for comparable initiatives in the country.
	Dharma Life - EUR 100,000 Technical Assistance The objective of the project is to support the social enterprise Dharma Life to build their capabilities in three interrelated areas: i) strengthening Client Protection Principles, ii) enhancing the core finance function and Enterprise Resource Planning (ERP) compliance and iii) improving the credit risk management function.
	GOGLA EUR 10,000 Development Contribution GOGLA promotes responsible business in the off-grid solar industry. The funding provided will enable GOGLA to expand the value and influence of their work on financial transparency and consumer protection and supports the development of setting the industry standards on other topics such as e-waste. International Conflict and Security - EUR 18,600 Technical Assistance Security and human rights training for Energy customers operating in fragile states.
	d.light - EUR 18,650 Technical Assistance Through this project, FMO supports its customer d.light Kenya to strengthen their Client Protection Principles based on the GOGLA Consumer Protection Code.

INTERNATIONAL PRINCIPLES

Our impact goes beyond our investments. To embrace our mission fully, we are committed to doing business in a responsible and sustainable way, guided by global standards and guidelines.

	Equator Principles We have been implementing the Equator Principles (EP) since 2006. This risk management framework provides financial institutions with a minimum standard for due diligence and monitoring to determine, assess and manage environmental and social risks in projects. Our annual EP report is available online.	Signatory
	IFC Performance Standards Our E&S approach is guided by the IFC Performance Standards of Environmental & Social Sustainability . This framework helps us understand, avoid and mitigate E&S risks and impacts, for example through stakeholder engagement and disclosure obligations of the customer in relation to project-level activities.	Adopter
	OECD Guidelines for Multinational Enterprises We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.	Adopter
	UN Guiding Principles on Business and Human Rights We integrate the set of guidelines defined by the UN for states and companies to prevent, address and remedy human rights abuses in business operations.	Adopter
	ILO Standards We follow the set of ILO legal instruments that set out basic principles and rights at work.	Adopter
	Operating Principles for Impact Management In 2019, FMO became a signatory to and advisory board member of the Operating Principles for Impact Management, a global initiative led by the IFC to increase the transparency and accountability of impact investing. FMO publishes a report every year to disclose how it has interpreted and applied these nine principles. These reports are available on our website.	Signatory
	Principles of Repsonsible Investment FMO applies the six principles of the PRI: incorporating ESG into investment practices (Principle 1 and 2), disclosing on ESG issues (Principle 3), supporting acceptance and effective implementation of the principles (Principle 4 and 5), and reporting on progress (Principle 6). FMO's latest report is available on the PRI website.	Signatory
	UNEP FI | Principles for responsible banking FMO is a signatory of the Principles for Responsible Banking. FMO publishes a report every year to disclose how it has progressed towards implementing these principles.	Signatory
	Global Impact Investing Network We support the GIIN because it is dedicated to increasing the scale and effectiveness of impact investing through knowledge sharing, best practice exchanges, and tools and resources production.	Member
	Sustainable Development Goals Charter We joined the SDG Charter Network to foster cooperation between business, civil society and local governments in the Netherlands, in order to achieve the SDGs at home and abroad.	Signatory
	Natural Capital Finance Alliance We closely follow the developments of the NCFA initiative to integrate natural capital considerations into loans, public and private equity, and fixed income and insurance products.	Member
	UNEP FI / EBF Working Group on Banking and Taxonomy We are part of the UNEP Finance Initiative / European Banking Federation Working Group that assesses how the EU Taxonomy on Sustainable Activities can be implemented by banks and applied to selected banking products.	Signatory
	Dutch Climate Accord We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord. In 2022, we published our Climate Action Plan, which is available on our website.	Member
	Client Protection Principles FMO has adopted the CPP which set the minimum standards that end-customers should expect to receive when doing business with a financial service provider.	Signatory

Partnership for Carbon Accounting Financials — Signatory

We are one of the early adopters of PCAF, an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans and investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.

Netherlands Advisory Board on Impact Investing — Signatory

FMO is an active member of the Netherlands Advisory Board (NAB) on Impact Investing - a foundation that is part of the Global Steering Group for impact investment and aims to accelerate the growth and improve the effectiveness of the Dutch impact investing market.

Consultative Group to Assist the Poor — Adopter

We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.

European Microfinance Platform — Member

We are part of the e-MFP network to foster activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked through knowledge-sharing, partnership development and innovation.

2X Challenge — Member

In 2019, FMO joined the 2X Challenge, which was launched in 2018 by DFIs from the G7 countries. The initiative allows for setting financial ambitions among DFIs and collaboration with various stakeholders towards women's empowerment. FMO continues to be a participant in the 2X Challenge and a member of the 2X Collaborative (now 2X Global)

Global Private Capital Association — Member

We are a member of the GPCA. This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.

Corporate Governance Development Framework — Member

We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.

Financial Action Task Force — Member

We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.

Global Reporting Initiative (GRI) — Adopter

We report according to the standards defined by the GRI to help businesses and governments understand and communicate about their impact on critical sustainability issues.

The Paris Development Banks Statement on Gender Equality and Women Empowerment — Adopter

We call for accelerating the realization of gender equality and the empowerment of all women and girls through the international financial system. We recognize our substantive role in the achievement of the SDGs.

EDFI statement on climate and energy finance — Adopter

We commit to this statement where EDFI group outlines shared commitments to phase out fossil fuels and mobilise private sector climate finance, aligning with Paris Agreement and high disclosure standards.

COP26 Joint Statement on Public Finance — Adopter

We commit to supporting the clean energy transition and end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.

Accelerating Investment in Adaptation and Resilience — Adopter

We are a signatory member to the Adaptation and Resilience Investors Collaborative, an international partnership of development finance organizations. We have committed to substantially increase investments in climate adaptation and resilience to support vulnerable developing and emerging countries.

Value Reporting Foundation - Integrated Reporting Framework — Adopter

We follow the Integrated Reporting framework to produce our annual report. In line with this, we link our strategy and performance to the external environment and value creation in the longer term.

LIST OF ABBREVIATIONS

AC	Amortized Cost
AEF	Access to Energy Fund
B-CD	Capacity Development Program
CD	Capacity Development
CIO	Climate Investor One
CIP	Clearance in Principle
COVID	Coronavirus disease
DA	Development Accelerator
DAC	Development Assistance Committee
DFCD	Dutch Fund for Climate and Development
DFI	Development Finance Institution
DGIS	Directorate-General for International Cooperation
ECL	Expected Credit Loss
EEGF	Energy Entrepreneurs Growth Fund
ESG	Environmental, Social and Governance
E&S	Environmental and Social
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
FOM	Faciliteit Opkomende Markten
FOM-OS	Fonds Opkomende Markten - Ontwikkelingssamenwerking
FP	Financial Proposal
FV	Fair Value
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Green House Gas
IASB	International Accounting and Standards Board
IFRS	International Financial Reporting Standards
IFC	International Finance Corporation
IPP	Independent Power Producer
IRC	Investment Review Committee
LCY	Local Currency
LGD	Loss Given Default
MB	Management Board
MFA	Ministry of Foreign Affairs
MW	Mega Watt
NPL	Non-Performing Loans - loans in default
OCI	Other Comprehensive Income
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PD	Probability of Default
PDF	Partnership Development Facility
PEII	Pioneer Energy Investment Initiative
PIM	Public Investment Management team within FMO
PV	Photovoltaic System
SDGs	Sustainable Development Goals
SPPI	Solely Payments of Principal and Interest
SSA	Sub-Saharan Africa
tCO2eq	Tonnes of CO2 equivalent
YE	Year End

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

Annual accounts

Statement of financial position

At December 31, 2022

	Notes	2022	2021
Assets			
Banks	(1)	17,472	15,847
Current account with FMO	(2)	406	122
Loan portfolio	(3)		
- of which: at Amortized cost		45,112	32,031
- of which: at Fair value through profit or loss		15,141	26,436
Equity investments	(4)	48,845	74,830
Investments in associates	(5)	12,227	14,018
Other financial assets at FV		16,436	-
Other receivables	(6)	303	91
Total assets		**155,942**	**163,375**
Liabilities			
Accrued liabilities	(7)	341	355
Provisions	(8)	463	180
Total liabilities		**804**	**535**
Fund capital			
Contribution DGIS previous years		135,880	125,880
Contribution DGIS current year		5,000	10,000
Total contribution DGIS	**(9)**	**140,880**	**135,880**
Translation reserve		1,190	91
Other reserves		7,491	7,491
Undistributed results previous years	(9)	19,378	3,558
Net profit/(loss)		-13,801	15,820
Total fund capital		**155,138**	**162,840**
Total liabilities and fund capital		**155,942**	**163,375**
Irrevocable facilities	**(16)**	**35,784**	**57,110**
Total subsidy allocated to AEF		150,880	150,880
Total subsidy withdrawn from DGIS for AEF		140,880	135,880
"Subsidy available AEF"		**10,000**	**15,000**

Statement of comprehensive income

At December 31, 2022

	Notes	2022	2021
Income			
Interest income from financial instruments measured at AC		3,461	4,384
Interest income from financial instruments measured at FVPL		396	1,269
Interest expenses from financial instruments measured at AC		-28	-63
Total net interest income	**(10)**	**3,829**	**5,590**
Fee and commission income	(11)	718	92
Dividend income	(12)	-	329
Results from equity investments	(13)	-5,215	9,234
Results from financial transactions	(14)	4,152	1,661
Results from development contributions		-	-
Total income		**3,484**	**16,906**
Expenses			
Remuneration FMO		-3,933	-3,253
CD expenses		-4,498	-79
Evaluation expenses		-174	-76
Total expenses	**(15)**	**-8,605**	**-3,408**
Impairments on			
Banks		-	1
Loans	(3)	-5,511	18
Commitments		-144	-
Guarantees		-134	-21
Total impairments		**-5,789**	**-2**
Share in result of associates	**(5)**	**-2,891**	**2,324**
Net profit/(loss)		**-13,801**	**15,820**
Other comprehensive income			
Translation reserve		1,099	792
Other comprehensive income		**1,099**	**792**
Total comprehensive income		**-12,702**	**16,612**

Statement of changes in fund capital

At December 31, 2022

	Contributed Fund capital	Translation reserve	Other reserves	Undistributed results previous years	Net profit	Total fund capital
Balance at January 1, 2021	**125,880**	**-701**	**7,491**	**12,123**	**-8,565**	**136,228**
Transfer profit/(loss) PY to Undistr. Results PY	-	-	-	-8,565	8,565	-
Contribution DGIS	10,000	-	-	-	-	10,000
Contribution FMO	-	-	-	-	-	-
Translation reserve	-	792	-	-	-	792
Results current year	-	-	-	-	15,820	15,820
Net balance at December 31, 2021	**135,880**	**91**	**7,491**	**3,558**	**15,820**	**162,840**
Balance at January 1, 2022	**135,880**	**91**	**7,491**	**3,558**	**15,820**	**162,840**
Transfer profit/(loss) PY to Undistr. Results PY	-	-	-	15,820	-15,820	-
Contribution DGIS	5,000	-	-	-	-	5,000
Contribution FMO	-	-	-	-	-	-
Translation reserve	-	1,099	-	-	-	1,099
Results current year	-	-	-	-	-13,801	-13,801
Net balance at December 31, 2022	**140,880**	**1,190**	**7,491**	**19,378**	**-13,801**	**155,138**

Statement of cash flows

At December 31, 2022

	Notes	2022	2021
Cash flow from operating activities			
Inflows			
Interest received on loans		2,941	3,318
Repayments on loans	(3)	11,331	11,100
Sale of loans to FMO	(3)	-	-
Sale of equity instruments to parties other than FMO		630	88
Sale of equity instruments to FMO		13,899	-
Repayments on development contributions		-	1,234
Dividends and fees received		474	475
Other received amounts		6	9
Outflows			
Disbursements on loans	(3)	-23,225	-18,971
Investments in equity instruments & associates	(4), (5)	-3,246	-8,157
Disbursements on development contributions		-342	-412
Investments in other assets at fair value		-1,136	-
Management fees FMO		-3,933	-3,253
Other paid amounts		-202	-148
Net cash from operating activities		**-2,803**	**-14,717**
Cash flow from financing activities			
Inflows			
Contribution DGIS current year	(9)	5,000	10,000
Net cash from financing activities		**5,000**	**10,000**
Net change in cash & cash equivalent		**2,197**	**-4,717**
Position of cash at January 1 [1)]		15,969	20,381
Foreign exchange translation		-288	305
Position of cash at end of period [1)]		**17,878**	**15,969**

1 Cash includes current account with FMO.

Summary of accounting policies

General information

The Access to Energy Fund (AEF), the Fund, is established in 2007 by the Dutch Ministry of Foreign Affairs to support the creation of sustainable access to energy in developing countries by providing risk bearing funding; equity, subordinated loans, local currency loans and convertible development contributions. FMO executes the Fund at the risk and expense of the Dutch State. The total subsidy granted to date amounts to €150.9 million (€140.9 million drawn) and the anticipated end date of the Fund is December 2028.

Basis of preparation

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

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

- Equity investments that are measured mandatorily at fair value through profit and loss;
- A part of the loan portfolio which is mandatorily measured at fair value.

Adoption of new standards, interpretations and amendments

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

Issued but not yet adopted standards

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

Foreign currency translation

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

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

When preparing the annual accounts, the Fund's share in associates is translated at the exchange rates at the balance sheet date, while income and expense items are translated at weighted average rates for the period. Differences resulting from the use of closing and weighted average exchange rates, and from revaluation of a entity's opening net asset value at closing rate, are recognized directly in the translation reserve within fund capital. These translation differences are maintained in the translation reserves until disposal of the associate.

Offsetting financial instruments

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

Fair value of financial instruments

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

Amortized cost and gross carrying amount

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

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

Assets

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through profit and loss (FVPL) or fair value through other comprehensive income (FVOCI)

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

Business model assessment

The Fund has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

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

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

Contractual cashflow assessment
For the purpose of the contractual cash flow assessment, related to solely payments of principal and interest (SPPI), 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund has considered the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund has considered among others:

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

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

Financial assets – Impairment
The Fund estimates an allowance for expected credit losses for the following financial assets:

- Banks;
- Loans;
- Loan commitments.

No impairment loss is recognized on equity investments.

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

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

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

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

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. The Fund uses an scorecard model based on quantitative and qualitative indicators to assess current and future clients and determine PDs. The output of the scorecard model is mapped to the Moody's PD master scale based on idealized default rates. A point in time adjustment is made to these PDs using a z-factor approach to account for the business cycle;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected drawdowns and accrued interest from missed payments;
- LGD: the Loss Given Default is an estimate of the Funds loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows or collateral that the Fund would expect to receive;

- Z-factor: the Z-factor is a correction factor to adjust the client PDs for current and expected future conditions. The Z-factor adjusts the current PD and PD two years into the future. GDP growth rates per country from the IMF, both current and forecasted, are used as the macro-economic driver to determine where each country is in the business cycle. Client PDs are subsequently adjusted upward or downward based on the country where they are operating.

Macro economic scenarios in PD estimates

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

The three scenarios applied are:

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

ECL measurement Stage 3

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

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

Staging criteria and triggers

Financial instruments classified as low credit risk

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

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

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

Significant increase in credit risk (Stage 2)

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

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

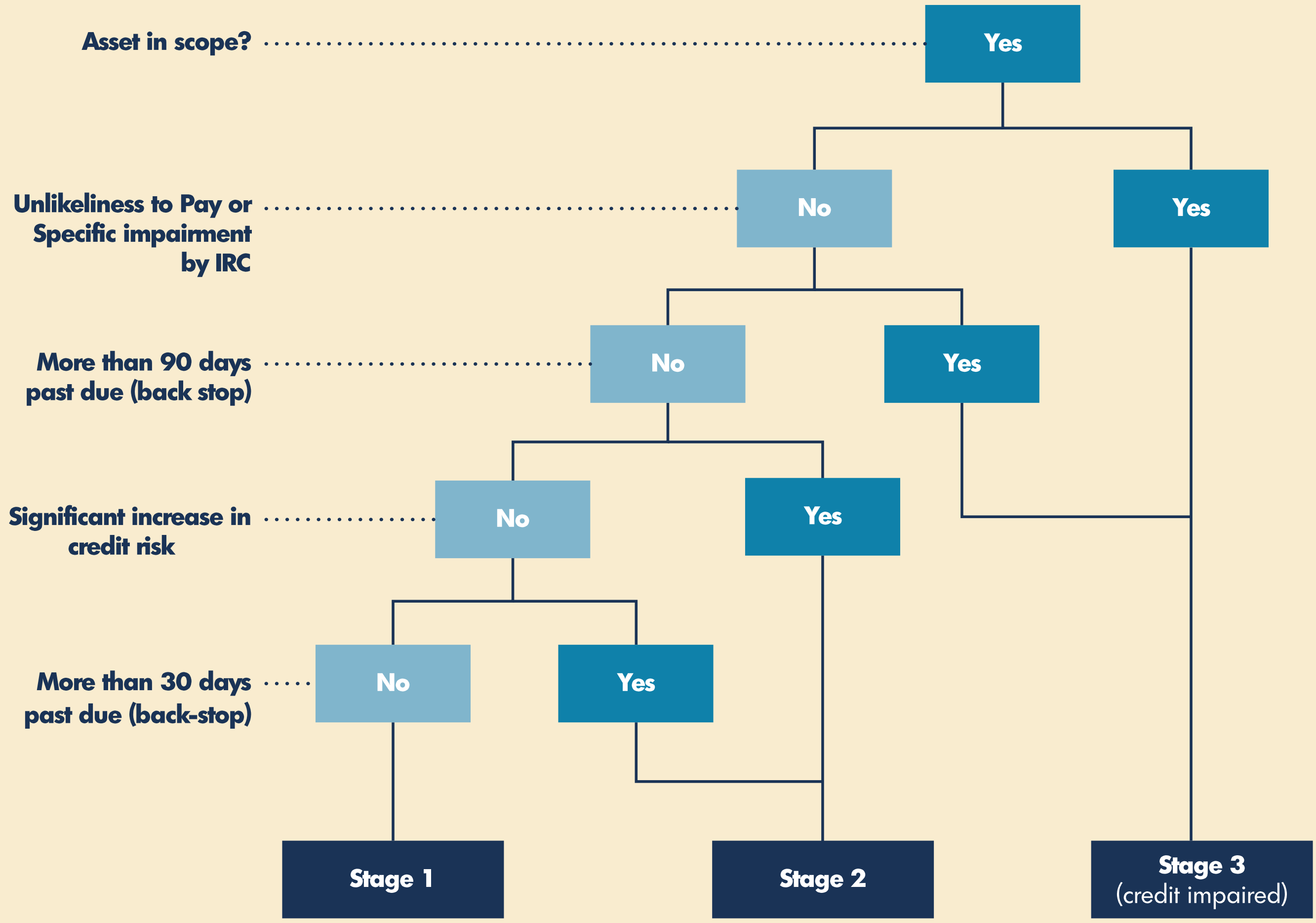
Definition of default (Stage 3)

A financial asset is considered as default when any of the following occurs:

- The client is past due more than 90 days on any material obligation to the Fund, including fees (excluding on-charged expenses);

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

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



Reverse staging

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

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

Written-off financial assets

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

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

Modification of financial assets

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

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

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

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

Modification of contractual terms versus forbearance

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

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

Cash and cash equivalents

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

Loans

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

Loans on the balance sheet of the Fund include:

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

Equity investments

Equity investments on the balance sheet of the Fund include:

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

Investment in associates
Equity investments in companies in which the Fund has significant influence ('associates') are accounted for under the equity accounting method. Significant influence is normally evidenced when the Fund has from 20% to 50% of a company's voting rights unless:

- The Fund is not involved in the company's operational and/or strategic management by participation in its Management, Supervisory Board or Investment Committee; and
- There are no material transactions between The Fund and the company; and
- The Fund makes no essential technical assistance available

Investments in associates are initially recorded at cost and the carrying amount is increased or decreased after the date of acquisition to recognize the Fund's share of the investee's results or other results directly recorded in the equity of associates.

Investments in associates are reviewed and analyzed on at least a semi-annual basis. A net investment in an associate is impaired or impairment losses occur where there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the net investment and the loss event has an impact on the estimated future cash flows from the net investment that can be reliably estimated. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is considered as the primary objective evidence of impairment, in addition to other observable loss events. The Fund considers a difference between fair value and its cost of more than 10% as significant and greater than one year as prolonged. In the event of an impairment on one of these investments, the impairment is recognized in the profit and loss account under 'Share in the results on associates'.

Other financial assets at FV
Other financial assets reflect the Dutch State's investment in the Ventures Program. The Program is a structured entity and is a co-investment between FMO, the Dutch Government and the European Commission. Following the specific conditions the investment of the State Funds the asset is classified as “Other financial assets at fair value”. The balance sheet presentation has been amended in the 2021 comparative information in which the investment was classified as equity investment. The change in presentation does not impact fund capital, comprehensive income or cashflows.

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

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

Liabilities

Provisions
Provisions are recognized when:

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

Provisions are recognised for loan commitments.

Fund Capital

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

Translation reserve
The assets, liabilities, income and expenses of foreign operations and associates are translated using the closing and weighted average exchange rates. Differences resulting from the translation are recognized in the translation reserve.

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

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

Profit and Loss

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

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

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

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

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

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

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

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

Capacity development expenses and contributions

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

Statement of cash flows

The statement of cash flows is presented using the direct method.

Taxation

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

Notes to the annual accounts

1. Banks

	2022	2021
Banks	17,472	15,847
Balance at December 31	**17,472**	**15,847**

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

2. Current accounts

	2022	2021
Current account with FMO (receivable)	406	122
Balance at December 31	**406**	**122**

The cash on current accounts can be freely disposed of and are classified as Stage 1.

3. Loan portfolio

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

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2022
Balance at January 1	36,314	26,436	62,750
Disbursements	20,524	2,701	23,225
Loan consolidation	-	-	-
Interest capitalization	774	463	1,237
Conversion from loans to equity	-	-	-
Sale of loans	-	-	-
Conversion from loan to development contributions	-	-4,176	-4,176
Repayments	-3,748	-7,583	-11,331
Changes in amortizable fees	8	-7	1
Changes in fair value	-	-3,727	-3,727
Changes in accrued income	602	-875	-273
Exchange rate differences	633	1,909	2,542
Balance at December 31	**55,107**	**15,141**	**70,248**
Impairment	-9,995	-	-9,995
Net balance at December 31	**45,112**	**15,141**	**60,253**

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2021
Balance at January 1	31,239	20,490	51,729
Disbursements	12,486	6,485	18,971
Loan consolidation	-11	-	-11
Interest capitalization	2,527	5	2,532
Conversion from loans to equity	-	-923	-923
Sale of loans	-	-	-
Repayments	-10,794	-306	-11,100
Changes in amortizable fees	-126	-55	-181
Changes in fair value	-	-1,286	-1,286
Changes in accrued income	-521	604	83
Exchange rate differences	1,514	1,422	2,936
Balance at December 31	**36,314**	**26,436**	**62,750**
Impairment	-4,283	-	-4,283
Net balance at December 31	**32,031**	**26,436**	**58,467**

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

2022						
	Stage 1	Stage 2	Stage 3	Fair value	Total 2022	Total 2021
Energy	6,987	24,440	13,685	12,329	57,441	55,824
Multi-Sector Fund Investments	-	-	-	2,812	2,812	2,643
Net balance at December 31	**6,987**	**24,440**	**13,685**	**15,141**	**60,253**	**58,467**

2022						
	Stage 1	Stage 2	Stage 3	Fair value	Total 2022	Total 2021
Africa	6,987	22,797	13,674	12,618	56,076	45,873
Asia	-	1,643	-	-	1,643	5,190
Latin America & the Carribbean	-	-	-	-	-	3,658
Europe & Central Asia	-	-	11	428	439	3,746
Non - region specific	-	-	-	2,095	2,095	-
Net balance at December 31	**6,987**	**24,440**	**13,685**	**15,141**	**60,253**	**58,467**

	2022	2021
Gross amount of loans to companies in which AEF has equity investments	9,468	1,200
Gross amount of subordinated loans	27,161	23,225

For more details on non-performing loans, we refer to section 'Credit Risk' within the Risk Management chapter

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

Changes in loan portfolio measured at AC in 2022	Stage 1		Stage 2		Stage 3		Total	
	Gross amount	ECL allowance	Gross amount	ECL allowance	Gross amount	ECL allowance	Gross amount	ECL allowance
At December 31, 2021	10,219	-263	18,346	-918	7,749	-3,102	36,314	-4,283
Additions	6,753	-515	13,657	-363	114	-26	20,524	-904
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)[1]	-	46	-3,548	11	-200	-	-3,748	57
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-9,019	248	9,019	-248	-	-	-	-
Transfers to Stage 3	-	-	-10,739	766	10,739	-766	-	-
Modifications of financial assets (including derecognition)	-778	-	778	-	774	-	774	-
Changes in risk profile not related to transfers	-	131	-	-2,362	-	-2,445	-	-4,676
Amounts written off	-	-	-	-	-	-	-	-
Changes in amortizable fees	-48	-	30	-	26	-	8	-
Changes in accrued income	78	-	224	-	300	-	602	-
Foreign exchange adjustments	147	-12	-194	-19	680	-158	633	-189
At December 31, 2022	**7,352**	**-365**	**27,573**	**-3,133**	**20,182**	**-6,497**	**55,107**	**-9,995**

Changes in loan portfolio measured at AC in 2021	Stage 1		Stage 2		Stage 3		Total	
	Gross amount	ECL allowance	Gross amount	ECL allowance	Gross amount	ECL allowance	Gross amount	ECL allowance
At December 31, 2020	18,369	-487	7,258	-317	5,612	-3,099	31,239	-3,903
Additions	12,278	-560	198	-226	-	-	12,476	-786
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)[1]	-5,864	160	-4,930	81	-	-	-10,794	241
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-14,682	344	14,682	-344	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Modifications of financial assets (including derecognition)	-1	-	502	-	2,025	-	2,526	-
Changes in risk profile not related to transfers	-	291	-	-76	-	310	-	525
Amounts written off	-	-	-	-	-	-	-	-
Changes in amortizable fees	-148	-	21	-	1	-	-126	-
Changes in accrued income	57	-	-201	-	-377	-	-521	-
Foreign exchange adjustments	210	-11	816	-36	488	-313	1,514	-360
At December 31, 2021	**10,219**	**-263**	**18,346**	**-918**	**7,749**	**-3,102**	**36,314**	**-4,283**

1 Movements in ECL related to partial repayments are included in the row "Changes in risk profile not related to transfers".

Total impairments on loans in the profit and loss account	2022	2021
Additions / exposure derecognised or matured/lapsed (excluding write - offs)	-847	-545
Changes in risk profile (including changes in accounting estimates)	-4,676	525
Other	12	38
Balance at December 31	**-5,511**	**18**

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

IMF GDP % Growth Forecasts	2022	2023
Burkina Faso	3.6%	4.8%
Tanzania, United Republic Of	4.5%	5.2%
Kenya	5.3%	5.1%
Mali	2.5%	5.3%
Uganda	4.4%	5.9%
Ukraine	-35.0%	
Pakistan	6.0%	3.5%
Chad	3.3%	3.4%
India	6.8%	6.1%

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

ECL allowance

December 31, 2022	Total unweighted amount per ECL scenario	Probability	Loan Portfolio	Guarantees	Total
ECL Scenario:					
Upside	9,376	2%	185	2	188
Base case	10,459	50%	5,152	78	5,229
Downside	12,226	48%	5,776	92	5,868
Total	**-**	**100%**	**11,113**	**172**	**11,285**

December 31, 2021	Total unweighted amount per ECL scenario	Probability	Loan Portfolio	Guarantees	Total
ECL Scenario:					
Upside	4,058	2%	80	-	80
Base case	4,463	50%	2,221	11	2,232
Downside	5,064	48%	2,421	10	2,431
Total	**13,585**	**100%**	**4,722**	**21**	**4,743**

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

December 31, 2022

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Guarantees	Loan commitments	Total
More than 30 days past due	-	-	-	-
Forbearance	-	-	-	-
Deterioration in credit risk rating - financial difficulties	-3,133	-	-273	-3,406
Total	**-3,133**	**-**	**-273**	**-3,406**

December 31, 2021

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Guarantees	Loan commitments	Total
More than 30 days past due	-	-	-	-
Forbearance	-362	-	-11	-373
Deterioration in credit risk rating - financial difficulties	-556	-21	-	-577
Total	**-918**	**-21**	**-11**	**-950**

Refer to 'Accounting Policies' chapter on macro-economic scenarios on PD estimates.

4. Equity investments

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

	Equity measured at FVPL
Net balance at January 1, 2022	**74,830**
Purchases and contributions	3,246
Conversion from loans or development contributions	-
Return of Capital	-14,529
Changes in fair value	-5,211
Other	-9,491
Net balance at December 31, 2022	**48,845**

	Equity measured at FVPL
Net balance at January 1, 2021	58,480
Purchases and contributions	7,205
Conversion from loans or development contributions	-
Return of Capital	-135
Changes in fair value	9,280
Net balance at December 31, 2021	**74,830**

The following table summarizes the equity investments segmented by sector:

	2022	2021
Energy	48,845	65,339
Multi-Sector Fund Investments	-	9,491
Net balance at December 31	**48,845**	**74,830**

5. Investments in associates

The movements in net book value of the associates are summarized in the following table:

	2022	2021
Net balance at January 1	14,018	9,949
Purchases and contributions	-	952
Reclassification to/ from loans	-	-
Sales	-	-
Share in net results	-2,891	2,324
Exchange rate differences	1,100	793
Net balance at December 31	**12,227**	**14,018**

The Fund invested in JCM Salima UK Ltd ("Salima"), a company incorporated in the U.K. and 75% owner of JCM Matswani Solar Corp Ltd, a Malawi Special Purpose Vehicle (the "Project Company") established for the development of a 60 MWac solar PV plant located in the Salima district of Malawi (the "Project"). Salima is incorporated in the UK and is registered at 3 More London Riverside, London, United Kingdom, SE1 2AQ. AEF's share and voting rights in "Salima" is 31%.

Investments in associates are valued based on the equity accounting method.

The following table summarizes the associates segmented by sector.

	2022	2021
Energy	12,227	14,018
Net balance at December 31	**12,227**	**14,018**

The following table summarizes the share in the total assets, liabilities, total income and total net profit/loss of the associates:

Associate	Carrying amount	Economic ownership %	Total assets	Total liabilities	Total income	Total profit/loss
JCM Salima UK Ltd.	12,227	31%	12,227	-	-	-

6. Other receivables

	2022	2021
Fee receivables	303	91
Balance at December 31	**303**	**91**

7. Accrued liabilities

Accrued liabilities consist of accrued costs related to capacity development expenses.

	2022	2021
Suspense account	6	-
Accrued costs capacity development	335	355
Balance at December 31	**341**	**355**

8. Provisions

The amounts recognized in the balance sheet are as follows:

	2022	2021
Allowance for guarantees	155	21
Allowance for loan commitments	308	159
Balance at December 31	**463**	**180**

9. Contributed capital and reserves

	2022	2021
Contributed Fund Capital		
Contribution DGIS previous years	135,880	125,880
Contribution DGIS current year	5,000	10,000
Balance at December 31	**140,880**	**135,880**

Undistributed results	2022	2021
Balance at January 1	19,378	3,558
Net profit/(loss)	-13,801	15,820
Balance at December 31	**5,577**	**19,378**

10. Net interest income

Interest income

	2022	2021
Interest on loans measured at AC	3,461	4,384
Total interest income from financial instruments measured at AC	**3,461**	**4,384**
Interest on loans measured at FVPL	396	1,269
Total interest income from financial instruments measured at FVPL	**396**	**1,269**
Total interest income	**3,857**	**5,653**

Interest expenses

	2022	2021
Interest expenses related to banks (assets)	-28	-63
Total interest expense	**-28**	**-63**

11. Net fee and commission income

	2022	2021
Prepayment fees	419	54
Administration fees	284	73
Other fees (like arrangement, cancellation and waiver fees)	15	-35
Net fee and commission income	**718**	**92**

12. Dividend income

Dividend income relates to income from equity investments including associates.

	2022	2021
Dividend income direct investments	-	329
Dividend income fund investments	-	-
Total dividend income	**-**	**329**

13. Results from equity investments

	2022	2021
Results from equity investments		
Unrealized results from FX conversions - cost price	2,617	2,799
Unrealized results from FX conversions - capital results	530	138
Unrealized results from capital results	-8,359	6,343
Results from Fair value re-measurements	**-5,212**	**9,280**
Results from sales		
Realized results	7,105	-
Release unrealized results	-7,108	-46
Net results from sales	**-3**	**-46**
Total results from equity investments	**-5,215**	**9,234**

14. Results from financial transactions

	2022	2021
Results on sales and valuations of FVPL loans	-3,727	-1,286
Results on sales and valuations of AC loans	-	46
Foreign exchange results	2,066	2,901
Other changes	5,813	-
Total results from financial transactions	**4,152**	**1,661**

15. Expenses

The amount for Remuneration FMO is the management fee paid by the fund to FMO.

Capacity Development expenses relate to development contributions or contributions paid to beneficiaries in terms of the fund's objectives.

Evaluation costs relate to expenses made during frequent investigations and controls of existing investments and costs for the due diligence of new projects.

	2022	2021
Remuneration FMO	-3,933	-3,253
CD expenses	-4,498	-79
Evaluation expenses	-174	-76
Total expenses	**-8,605**	**-3,408**

The amount for CD expenses in 2022 is related to one existing client exposure. In previous years it was classified as a loan, in line with asset recognition criteria, but in 2022 it was reclassified to a development contribution. The reclassification is due to the fact that in 2022 it became clear that not all asset recognition criteria were met anymore. As development contributions have to be recognized as an expense when the Fund incurs an irrevocable obligation to disburse the amount, the development contribution was expensed in current year, regardless the fact that the contracting and disbursements took place in prior years.

16. Off-Balance Sheet information

To meet the financial needs of borrowers, the Fund enters into various irrevocable commitments (loan commitments, equity and development contributions). Provisions for loan commitments are calculated according to ECL measurement methodology applied for on balance loan portfolio.

Nominal amounts for irrevocable facilities are as follows:

Irrevocable facilities	2022	2021
Contractual commitments for disbursements of:		
Loans	16,760	32,124
Development contributions	244	-
Equity investments and associates	16,990	23,122
Contractual commitments for financial guarantees given	1,790	1,864
Total irrevocable facilities	**35,784**	**57,110**

The movement in exposure for the loan commitments and ECL allowance is as follows:

Movement of loans commitments in 2022	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2022	20,012	-148	1,817	-11	-	-	21,829	-159
Additions	5,867	-185	955	-1	774	-	7,596	-186
Exposures derecognised or matured (excluding write-offs)	-5,974	261	-15,730	358	-774	-	-22,478	619
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-16,527	129	16,527	-129	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-89	-	-489	-	-	-	-578
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-43	-3	289	-1	-	-	246	-4
At December 31, 2022	**3,335**	**-35**	**3,858**	**-273**	**-**	**-**	**7,193**	**-308**

Movement of loans commitments in 2021	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2021	11,858	-192	-	-	-	-	11,858	-192
Additions	27,731	-229	2,998	-27	6,056	-	36,785	-256
Exposures derecognised or matured (excluding write-offs)	-19,279	186	-1,695	14	-6,056	-	-27,030	185
Transfers to Stage 1	-	-40	-	40	-	-	-	-
Transfers to Stage 2	-451	5	451	-5	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	125	-	-33	-	-	-	92
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	153	-3	63	-	-	-	217	-3
At December 31, 2021	**20,012**	**-148**	**1,817**	**-11**	**-**	**-**	**21,830**	**-159**

17. Analysis of financial assets and liabilities by measurement basis

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

December 31, 2022	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Loan portfolio	15,141	-	15,141
Equity investments	48,845	-	48,845
Other financial assets at FV	16,436	-	16,436
Total	**80,422**	**-**	**80,422**
Financial assets not measured at fair value			
Banks	-	17,472	17,472
Loan portfolio	-	45,112	45,112
Current accounts	-	406	406
Other receivables	-	303	303
Total	**-**	**63,293**	**63,293**
Financial liabilities not measured at fair value			
Provisions	-	463	463
Accrued liabilities	-	341	341
Total	**-**	**804**	**804**

December 31, 2021	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Loan portfolio	26,436	-	26,436
Equity investments	74,830	-	74,830
Other financial assets at FV	-	-	-
Total	**101,266**	**-**	**101,266**
Financial assets not measured at fair value			
Banks	-	15,847	15,847
Loan portfolio	-	32,031	32,031
Current accounts	-	122	122
Other receivables	-	91	91
Total	**-**	**48,091**	**48,091**
Financial liabilities not measured at fair value			
Provisions	-	180	180
Accrued liabilities	-	355	355
Total	**-**	**535**	**535**

Fair value hierarchy

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

Valuation process

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

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

Valuation technique

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

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

Valuation techniques include:

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

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

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

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

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

	2022		2021	
At December 31	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Banks	17,472	17,472	15,847	15,847
Loan portfolio	45,112	42,682	32,031	30,947
Total non fair value financial assets	**62,584**	**60,154**	**47,878**	**46,794**

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

December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Loans portfolio	-	-	-	-
Equity investments	-	-	48,845	48,845
Total financial assets at fair value	**-**	**-**	**48,845**	**48,845**

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Loans portfolio	-	-	26,436	26,436
Equity investments	-	-	74,830	74,830
Total financial assets at fair value	**-**	**-**	**101,266**	**101,266**

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

	Loans portfolio	Equity investments	Total
Balance at January 1, 2022	26,436	74,830	101,266
Total gains or losses	-3,727	-8,360	-12,087
Purchases/disbursements	2,701	3,246	5,947
Conversion from loan to development contributions	-4,176	-	-4,176
Sales/repayments	-7,583	-14,529	-22,112
Interest Capitalization	463	-	463
Accrued income	-882	-	-882
Exchange rate differences	1,909	3,149	5,058
Other	-	-9,491	-9,491
Balance at December 31, 2022	**15,141**	**48,845**	**63,986**

	Loans portfolio	Equity investments	Total
Balance at January 1, 2021	20,490	58,480	78,969
Total gains or losses	-1,341	6,343	5,002
Purchases/disbursements	5,567	7,205	12,772
Sales/repayments	-306	-135	-441
Accrued income	604	-	604
Exchange rate differences	1,422	2,937	4,359
Balance at December 31, 2021	**26,436**	**74,830**	**101,266**

Type of debt investment	Fair value at December 31, 2022	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	8,836	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/lower fair value of approx €0.1m.
	-	ECL measurement	Based on client rating	not applicable
	428	Impairments	n/a	n/a
Debt Funds	5,877	Net Asset Value	n/a	n/a
Total	**15,141**			

The amount for loans based on a valuation with the Discounted cash flow model includes one development contribution which is recognized as a loan, for an amount of €0.5 million (2021: €3.9 million). Due to the absence of future cashflows, interest rates and a maturity, the value of the development contribution is based on the disbursed amount and revaluation for foreign exchange adjustments.

Type of equity investment	Fair value at December 31, 2022	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity based on the significant unobservable inputs
Private equity fund investments	14,867	Net Asset Value	n/a	n/a
Private equity direct investments	9,665	Recent transactions	Based on at arm's length recent transactions	n/a
	11,618	Book multiples	1.0	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €1 million.
	2,107	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 1.7)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €0.2million.
	10,588	Discounted Cash Flow (DCF)	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €1 million.
Total	**48,845**			

18. Related party information

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

Dutch Government

The Dutch Ministry of Foreign Affairs, Directoraat-Generaal Internationale Samenwerking (DGIS) sets up and administers the Access to Energy Fund, according to the Dutch Government's development agenda. DGIS is the main contributor to AEF, providing funding upon FMO's request (2022: €5.0 million; 2021: €10.0 million).

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

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in agribusiness, food & water, energy, financial institutions and Dutch business focus areas to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO's shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor's. FMO has been entrusted by the Dutch Government to execute the mandates of several programmes and funds such as MASSIF, Building Prospects, Access to Energy, FOM and the Land Use Facility of the Dutch Fund for Climate and Development (DFCD). These are under FMO's direct management. The execution of Access to Energy – II and the other facilities of DFCD are performed by third parties under FMO's supervision. FMO charges a management fee to the Dutch Ministry of Foreign Affairs and it is reimbursed accordingly from the subsidy amount of AEF. The management fee amounts up to €3.9 million in 2022 (2021: €3.3 million). In 2022 AEF has sold no loan exposure (2021: €0.0 million) and one equity exposure for an amount of €13.9 million (2021: €0.0 million) to FMO.

19. Subsequent events

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

Risk management

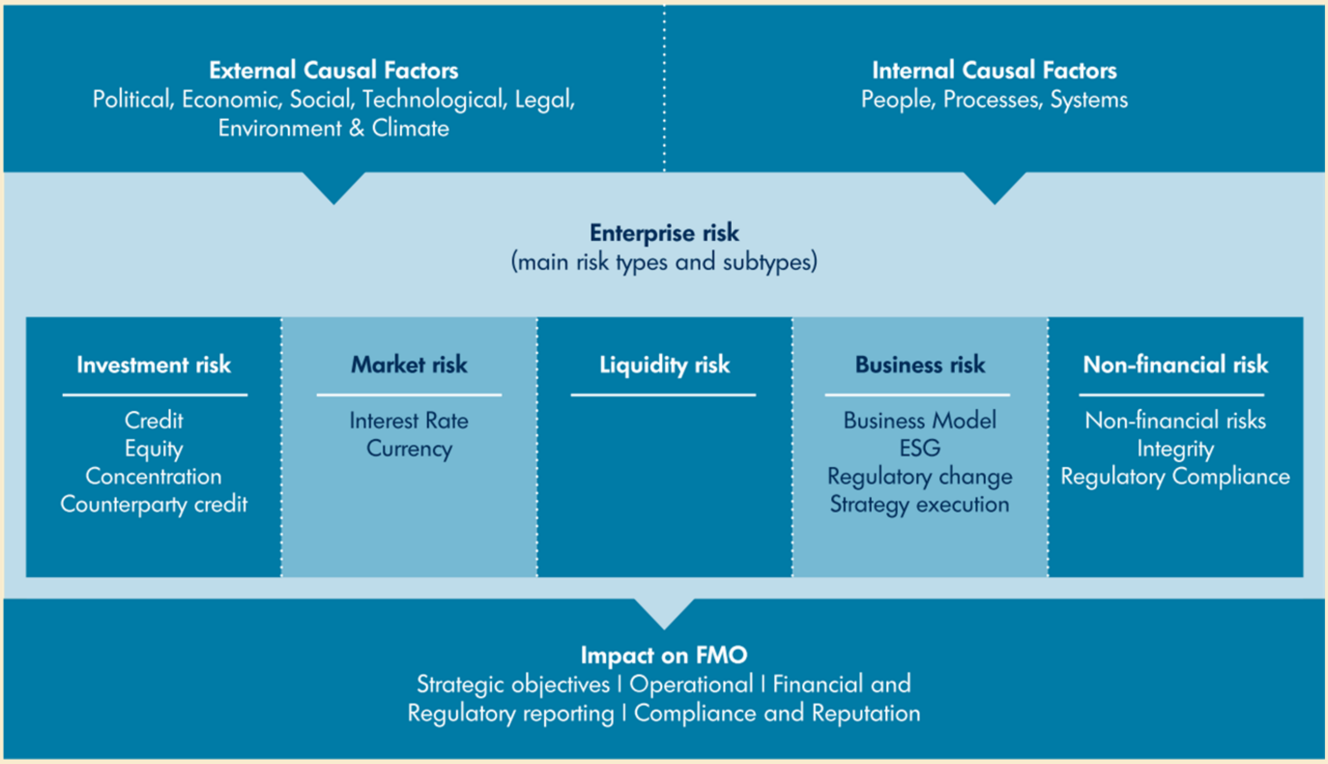
Organization of risk management

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

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

In addition, customers are subject to a periodic customer review, which are in general executed annually. Exposures requiring specific attention are reviewed by the Investment Review Committee (IRC). The large and higher risk exposures are accompanied by the advice of the Credit department. If the Investment Review Committee concludes that a customer has difficulty in meeting its payment obligations, the customer is transferred to the Special Operations department – responsible for the management of distressed assets – where it is intensely monitored.

Risk Taxonomy Framework FMO



Risk profile & appetite

The Fund actively seeks to take risk stemming from debt and equity investments in private institutions in developing countries.

Capital management

The Fund aims to optimize development impact. This can only be achieved with a sound financial framework in place, combining a healthy long-term revolvability of ≥75%. The Fund's is based on a 100% contribution from the Dutch government. Total contribution to AEF from the Dutch government is €140.8 million at 31 December 2022 (31 December 2021: €135.8 million). Total fund capital – which is the sum of the contribution by the government, undistributed results from previous years, results from the current year, development contributions, and evaluations costs – decreased to €156.2 million in 2022 (2021: €162.8 million).

Financial risk

Investment risk

Investment risk is defined as the risk that actual investment returns will be lower than expected returns, and includes credit, equity, concentration, and counterparty credit risks.

Credit risk

Credit risk is defined as the risk that the Fund will suffer economic loss because a counterparty cannot fulfill its financial or other contractual obligations arising from a financial contract. Credit risk is the main risk within the Fund and occurs in two areas of its operations: (i) credit risk in investments in emerging markets and off-balance instruments such as loan commitments; and (ii) credit risk in the treasury portfolio, only consisting of bank accounts and money market instruments.

Management of credit risk is FMO's core business, both in the context of project selection and project monitoring. In this process, a set of investment criteria per sector is used that reflects benchmarks for the required financial strength of FMO's customers. This is further supported by internal scorecards that are used for risk classification and the determination of economic capital use per transaction. As to project monitoring, the Fund's customers are subject to periodic reviews. Credit policies and guidelines are reviewed regularly and approved by the IRC.

Developments

FMO has embarked on an overhaul of its credit risk policy and processes. The objective is to implement a more aligned and effective portfolio management framework across the organization. Implementation has started in 2021 via the Investment Risk Project, which will continue further in 2023.

Credit risk in the emerging markets loan portfolio

The Fund offers loans in emerging market countries. Diversification within the Fund's portfolio is ensured through limits on individual counterparties (single client limit of €10 million), sectors and maximum tenor 20 years in debt transactions.

Internal credit approval process

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

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

Maximum exposure to credit risk

	2022	2021
On balance		
Banks	17,472	15,847
Loans to the private sector		
- of which: Amortized cost	55,571	36,777
- of which: Fair value through profit or loss	20,396	27,934
Current account with FMO	406	122
Other receivables	303	91
Total on-balance	**94,148**	**80,771**
Off-balance		
Irrevocable facilities	18,794	33,988
Total off-balance	**18,794**	**33,988**
Total credit risk exposure	**112,942**	**114,759**

Credit quality analysis

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

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

Loan portfolio at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	-	-
F14-F16 (B-,B,B+)	7,401	7,266	-	11,632	26,299
F17 and lower (CCC+ and lower)	-	20,626	20,278	8,764	49,668
Sub-total	**7,401**	**27,892**	**20,278**	**20,396**	**75,967**
Less: amortizable fees	-49	-319	-96	-	-464
Less: ECL allowance	-365	-3,133	-6,497	-	-9,995
Plus: Fair value adjustments	-	-	-	-5,255	-5,255
Carrying value	**6,987**	**24,440**	**13,685**	**15,141**	**60,253**

Loan commitments at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other [1]	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	-	-
F14-F16 (B-,B,B+)	3,335	120	-	5,732	9,187
F17 and lower (CCC+ and lower)	-	3,738	-	4,079	7,816
Sub-total	**3,335**	**3,858**	**-**	**9,811**	**17,004**
Less: ECL allowance	-35	-273	-	-	-308
Carrying value	**3,300**	**3,585**	**-**	**9,811**	**16,696**

Loan portfolio at December 31, 2021 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	8,130	8,130
F14-F16 (B-,B,B+)	10,553	11,755	-	10,933	33,241
F17 and lower (CCC+ and lower)	-	6,696	7,773	8,871	23,340
Sub-total	**10,553**	**18,451**	**7,773**	**27,934**	**64,711**
Less: amortizable fees	-334	-105	-24	-	-463
Less: ECL allowance	-263	-918	-3,102	-	-4,283
Plus: Fair value adjustments	-	-	-	-1,498	-1,498
Carrying value	**9,956**	**17,428**	**4,647**	**26,436**	**58,467**

Loan commitments at December 31, 2021 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other [1]	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	4,614	4,614
F14-F16 (B-,B,B+)	18,812	1,556	-	3,923	24,291
F17 and lower (CCC+ and lower)	1,200	261	-	1,758	3,219
Sub-total	**20,012**	**1,817**	**-**	**10,295**	**32,124**
Less: ECL allowance	-148	-11	-	-	-159
Carrying value	**19,864**	**1,806**	**-**	**10,295**	**31,965**

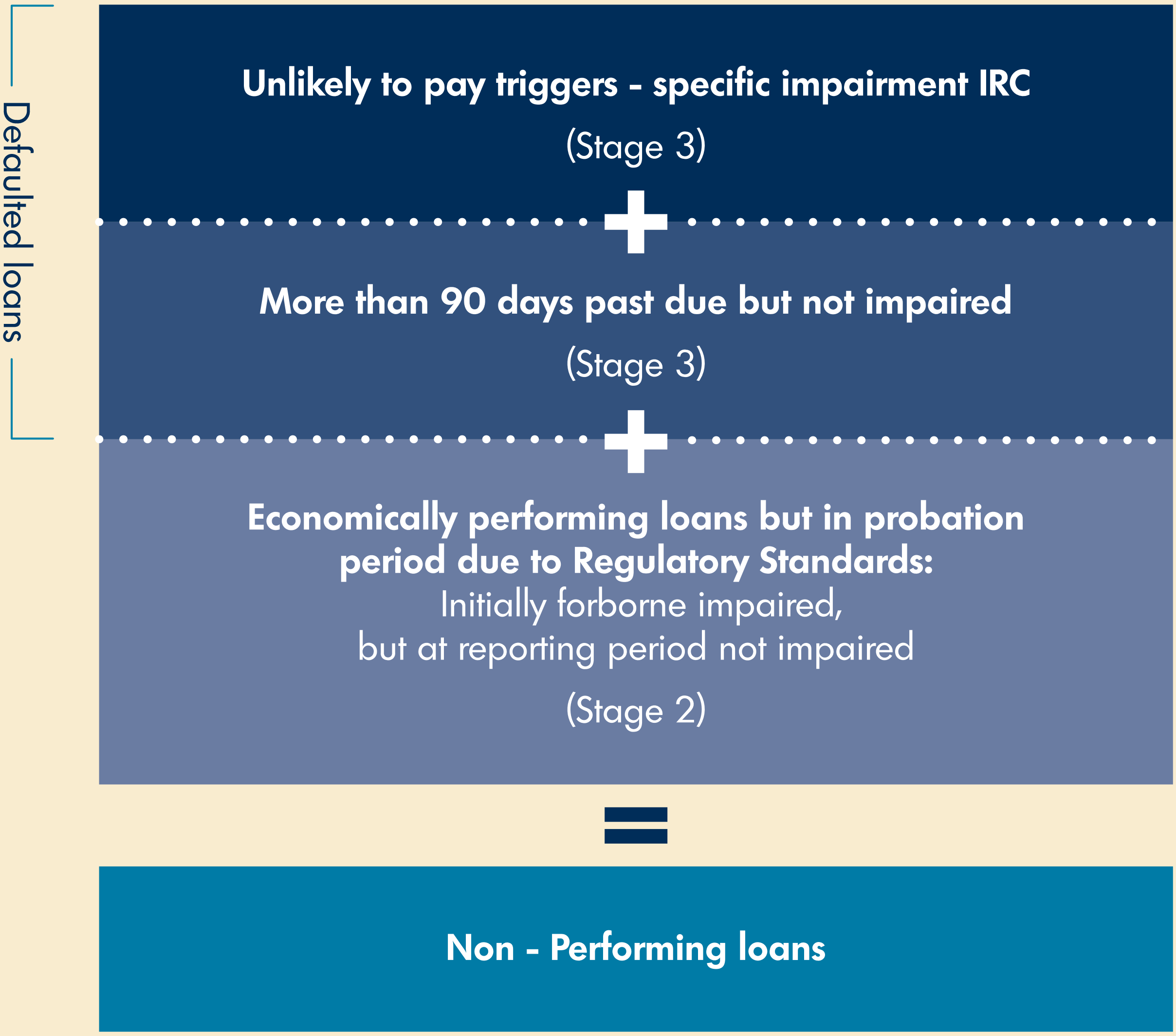
1 Other loan commitments include off balance items for which no ECL allowance is calculated.

Non-Performing loans

Non-Performing Loans (NPL) are defined when any of the following occur:

- When FMO judges that the customer is "unlikely to pay" its credit obligation to FMO and IRC decides on a specific impairment on a loan (Stage 3);
- Loans with interest, principal or fee payments that are past due for more than 90 days (Stage 3);

- One of the loans is classified as non-performing due to criteria mentioned above, all loans of the customer will be identified as non-performing (Stage 3);
- Forborne exposures which are economically performing but are still in probation (curing) period due to Regulatory;
- Standards (Stage 2). Probation period before returning to performing status is one year;
- Additional forbearance measures are applied for forborne performing loans which have exited the NPL probation (Stage 2);
- Performing forborne loans which have exited the NPL probation period have past due amounts for more than 30 days (Stage 2).



The Fund's NPL ratio increased from 12.0% (2021) to 32.3% (2022).

Loans past due and impairments 2022

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	7,401	20,626	114	20,396	48,537
Loans past due:					
-Past due up to 30 days	-	7,266	9,189	-	16,455
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	6,484	-	6,484
-Past due more than 90 days	-	-	4,491	-	4,491
Subtotal[1]	**7,401**	**27,892**	**20,278**	**20,396**	**75,967**
Less: amortizable fees	-49	-319	-96	-	-464
Less: ECL allowance	-365	-3,133	-6,497	-	-9,995
Plus: fair value adjustments	-	-	-	-5,255	-5,255
Carrying value	**6,987**	**24,440**	**13,685**	**15,141**	**60,253**

Loans past due and impairments 2021

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	10,553	18,451	7,773	27,934	64,711
Loans past due:					
-Past due up to 30 days	-	-	-	-	-
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	-	-	-
Subtotal[1]	**10,553**	**18,451**	**7,773**	**27,934**	**64,711**
Less: amortizable fees	-334	-105	-24	-	-463
Less: ECL allowance	-263	-918	-3,102	-	-4,283
Plus: fair value adjustments	-	-	-	-1,498	-1,498
Carrying value	**9,956**	**17,428**	**4,647**	**26,436**	**58,467**

1 Gross outstanding + accrued interest

Stage 3 loans - ECL distributed by regions and sectors

At December 31, 2022	Energy	Total
Africa	6,394	6,394
Europe & Central Asia	103	103
Total	**6,497**	**6,497**

Stage 3 loans - ECL distributed by regions and sectors

At December 31, 2021	Energy	Total
Africa	3,102	3,102
Total	**3,102**	**3,102**

Modified financial assets

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

The watch-list process and the Credit department review modified loans periodically. When a loan is deemed no longer collectible, it is written off against the related loss allowance. In 2022, there were no write-offs (2021: € 0 million).

The following table provides a summary of the Fund's forborne assets, both classified as performing and non - performing.

At December 31, 2022	Performing	*of which: performing but past due > 30 days and <=90 days*	*of which: performing forborne*	Non Performing	*of which: non performing forborne*	*of which: impaired*	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loan portfolio measured at AC	35,293	-	-	20,278	13,680	13,680	55,571	-464	-9,995	-	45,112
Loan portfolio measured at FVPL	16,115	-	-	4,281	-	-	20,396	-	-	-5,255	15,141
Total	**51,408**	**-**	**-**	**24,559**	**13,680**	**13,680**	**75,967**	**-464**	**-9,995**	**-5,255**	**60,253**

At December 31, 2021	Performing	*of which: performing but past due > 30 days and <=90 days*	*of which: performing forborne*	Non Performing	*of which: non performing forborne*	*of which: impaired*	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loan portfolio measured at AC	29,004	-	8,898	7,773	7,773	7,773	36,777	-464	-4,282	-	32,031
Loan portfolio measured at FVPL	27,934	-	-	-	-	-	27,934	-	-	-1,498	26,436
Total	**56,938**	**-**	**8,898**	**7,773**	**7,773**	**7,773**	**64,711**	**-464**	**-4,282**	**-1,498**	**58,467**

Equity risk

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

The Fund has a long-term view on its equity portfolio, usually selling its equity stake within a period of five to ten years. The Fund can accommodate an increase in the average holding period of its equity investments and so wait for markets to improve again to realize exits. There are no deadlines regarding the exit date of our equity investments. Equity investments are assessed by the Investment Committee in terms of specific obligor as well as country risk. The Investment Review Committee assesses the valuation of the majority of equity investments quarterly. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio including associates on December 31, 2022, amounts to €62.1 million (2021: €88.8 million).

Concentration risk

Country risk

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

FMO recognizes that the impact of country risk differs across the financial products it offers. Multiple countries and regions were subject to a downgrade throughout 2022. Noteworthy changes in country ratings are downgrades of Burkina Faso to F17 (2021: F15), Ghana to F20 (2021: F16), Malawi to F17 (2021: F16) and Mali to F18 (2021: F16).

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

Overview country ratings

Indicative external rating equivalent 2022	AEF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	0.0	3.9
F10 (BBB-)	0.5	6.4
F11 (BB+)	0.0	2.6
F12 (BB)	0.0	10.9
F13 (BB-)	0.0	8.6
F14 (B+)	0.0	13.7
F15 (B)	29.5	29.6
F16 (B-)	28.2	8.8
F17 and lower (CCC+ and lower ratings)	41.8	15.5
Total	**100.0**	**100.0**

Overview country ratings

Indicative external rating equivalent 2021	AEF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	0.0	2.5
F10 (BBB-)	0.0	7.3
F11 (BB+)	0.0	2.2
F12 (BB)	0.0	5.3
F13 (BB-)	6.7	11.5
F14 (B+)	0.0	26.6
F15 (B)	44.8	22.0
F16 (B-)	36.4	10.5
F17 and lower (CCC+ and lower ratings)	12.1	12.1
Total	**100.0**	**100.0**

Gross exposure of loan portfolio distributed by region and sector

	Energy	Multi-Sector Fund Investment	Total
At December 31, 2022			
Africa	64,735	2,812	67,547
Asia	1,904	-	1,904
Latin America & the Caribbean	-	-	-
Europe & Central Asia	4,395	-	4,395
Non-region specific	2,121	-	2,121
Total	**73,155**	**2,812**	**75,967**
At December 31, 2021			
Africa	48,277	2,643	50,920
Asia	5,285	-	5,285
Latin America & the Caribbean	3,316	-	3,316
Europe & Central Asia	5,190	-	5,190
Non-region specific	-	-	-
Total	**62,068**	**2,643**	**64,711**

Single and group risk exposures

In the fund risk appetite, the maximum customer exposure for AEF is set at €10 million.

Counterparty credit risk

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

Liquidity risk

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

Market risk

Market risk relates to interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly have an effect on the fair value of fixed interest balance sheet items. Given the balance sheet and capital structure of the Fund interest rate risks are considered limited.

Interest re-pricing characteristics

December 31, 2022	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**Non-interest-bearing**	**Total**
Assets						
Banks	17,472	-	-	-	-	17,472
Loan portfolio						
-of which: Amortized cost	3,264	-	14,258	27,590	-	45,112
-of which: Fair value through profit or loss	-	-	5,915	9,226	-	15,141
Equity investments						
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	-	-	-	-	48,845	48,845
Investments in associates	-	-	-	-	12,227	12,227
Current accounts with FMO	-	-	-	-	406	406
Other Financial Assets at FV	-	-	-	-	16,436	16,436
Other receivables	-	-	-	-	303	303
Total assets	**20,736**	**-**	**20,173**	**36,816**	**78,217**	**155,942**
Liabilities and Fund capital						**-**
Accrued liabilities	-	-	-	-	341	341
Current accounts with FMO	-	-	-	-	-	-
Provisions	-	-	-	-	463	463
Fund Capital	-	-	-	-	155,138	155,138
Total liabilities and Fund capital	**-**	**-**	**-**	**-**	**155,942**	**155,942**
Interest sensitivity gap 2022	**20,736**	**-**	**20,172**	**36,816**	**-77,725**	

Interest re-pricing characteristics **December 31, 2021**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**Non-interest-bearing**	**Total**
Assets						
Banks	15,847	-	-	-	-	15,847
Loan portfolio						
-of which: Amortized cost	8,855	2,635	-	20,541	-	32,031
-of which: Fair value through profit or loss	1,051	7,225	11,438	6,721	-	26,436
Equity investments						
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	-	-	-	-	74,830	74,830
Investments in associates	-	-	-	-	14,018	14,018
Current accounts with FMO	-	-	-	-	122	122
Other receivables	-	-	-	-	91	91
Total assets	**25,754**	**9,860**	**11,438**	**27,263**	**88,436**	**163,375**
Liabilities and Fund capital						
Accrued liabilities	-	-	-	-	355	355
Current accounts with FMO	-	-	-	-	-	-
Provisions	-	-	-	-	180	180
Fund Capital	-	-	-	-	162,840	162,840
Total liabilities and Fund capital	**-**	**-**	**-**	**-**	**163,375**	**163,375**
Interest sensitivity gap 2021	**25,754**	**9,860**	**11,438**	**27,263**	**-74,314**	

Currency risk

Currency risk is defined as the risk of having an adverse effect on the value of the Fund's financial position and future cash flows due to changes in foreign currency exchange rates. The Fund offers debt, equity and guarantee instruments in denominated in USD, EUR and in emerging market currencies, while the main source of funding to the Fund, subsidies received from Dutch Ministry of Foreign Affairs is in EUR. Due to its commitment to the implementation of the Fund's development agenda and impact objectives, the Fund does not exclusively look for investments that counter-balance this currency risk exposure in its portfolio; the Fund also does not use derivatives and other financial instruments to hedge against the currency risk. The Fund does not take active positions in any currency for the purpose of making a profit.

Currency risk exposure (at carrying values) **December 31, 2022**	**EUR**	**USD**	**KES**	**TZS**	**Other**	**Total**
Assets						
Banks	8,576	8,896	-	-	-	17,472
Loans to the private sector						-
-of which: Amortized cost	23,778	12,620	5,678	3,036	-	45,112
-of which: Fair value through profit or loss	1,769	13,372	-	-	-	15,141
Equity investments	-	-	-	-	-	-
-of which: Fair value through OCI						-
-of which: Fair value through profit or loss	9,187	39,658	-	-	-	48,845
Investments in associates	-	12,227	-	-	-	12,227
Current account with FMO	406	-	-	-	-	406
Other receivables	24	279	-	-	-	303
Other Financial Assets at FV	16,436	-	-	-	-	16,436
Total assets	**60,176**	**87,052**	**5,678**	**3,036**	**-**	**155,942**
Liabilities and Fund capital						**-**
Accrued liabilities	341	-	-	-	-	341
Current accounts with FMO						-
Provisions	384	79	-	-	-	463
Fund Capital	155,138					155,138
Total liabilities and Fund capital	**155,863**	**79**	**-**	**-**	**-**	**155,942**
Currency sensitivity gap 2022		**86,973**	**5,678**	**3,036**	**-**	
Currency sensitivity gap 2022 excluding equity investments and investments in associates		**35,088**	**5,678**	**3,036**	**-**	

Currency risk exposure (at carrying values)

December 31, 2021	EUR	USD	TZS	KES	Other	Total
Assets						
Banks	11,928	3,919	-	-	-	15,847
Loans to the private sector						
-of which: Amortized cost	14,866	10,016	4,380	2,445	324	32,031
-of which: Fair value through profit or loss	3,746	22,690	-	-	-	26,436
Equity investments						
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	31,678	43,152	-	-	-	74,830
Investments in associates	413	13,605	-	-	-	14,018
Current account with FMO	122	-	-	-	-	122
Other receivables	66	25	-	-	-	91
Total assets	**62,819**	**93,407**	**4,380**	**2,445**	**324**	**163,375**
Liabilities and Fund capital						
Accrued liabilities	355	-	-	-	-	355
Current accounts with FMO	-	-	-	-	-	-
Provisions	141	39	-	-	-	180
Fund Capital	162,840	-	-	-	-	162,840
Total liabilities and Fund capital	**163,336**	**39**	**-**	**-**	**-**	**163,375**
Currency sensitivity gap 2021		**93,368**	**4,380**	**2,445**	**324**	
Currency sensitivity gap 2021 excluding equity investments and investments in associates		**36,611**	**4,380**	**2,445**	**324**	

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

	December 31, 2022	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of fund capital**
USD value increase of 10%	8,697	-
USD value decrease of 10%	-8,697	-
KES value increase of 10%	568	-
KES value decrease of 10%	-568	-
TZS value increase of 10%	304	-
TZS value decrease of 10%	-304	-

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

	December 31, 2021	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of fund capital**
USD value increase of 10%	9,337	-
USD value decrease of 10%	-9,337	-
TZS value increase of 10%	438	-
TZS value decrease of 10%	-438	-
KES value increase of 10%	245	-
KES value decrease of 10%	-245	-

Non-financial risk

Environmental, social and governance risk

Environmental & Social (E&S) risk refers to potential adverse impacts of the Fund's investments on the environment, employees, communities, or other stakeholders. Corporate Governance (G) risks refers primarily to risk to customer business. ESG risks can lead to non-compliance with applicable regulation, NGO and press attention or reputation damage. These risks stem from the nature of the Fund's projects in difficult markets, where regulations on ESG are less institutionalized.

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

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

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

Compliance risk

Compliance Risk is the risk of failure to comply with laws, regulations, rules, related self-regulatory organization, standards and codes of conduct applicable to FMO's services and activities.

Definition

Fund's customers follow FMO's procedures to mitigate compliance risk. FMO's standards and policies and good business practices foster acting with integrity. FMO is committed to its employees, customers, and counterparties, adhering to high ethical standards. FMO has a compliance framework that entails identifying risks, designing policies, monitoring, training, and providing advice. FMO has policies on topics such as financial economic crime (including KYC, sanctions, anti-bribery, and corruption and transaction monitoring and unusual transaction reporting), conflicts of interest, anti-fraud, private investments, protection of personal data and speak-up.
FMO also regularly trains its employees to raise awareness through virtual classroom trainings and mandatory compliance related e-learnings. Employees are also encouraged to speak up in case of suspected integrity violations conducted by an FMO employee. Management is periodically informed via the Compliance Committee or when required on an ad-hoc basis, on integrity related matters at customer or employee level. In case of signals of violations, e.g., money laundering, fraud or corruption, Management will take appropriate actions.

The governance of compliance also entails the following key risks:

Financial Economic Crime, incl. sanctions

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

There is always a risk that a customer is involved or alleged to be involved in illicit acts (e.g. money laundering, fraud or corruption). If such an event occurs, FMO will initiate a dialogue with the customer, if possible and appropriate given the circumstances, to understand the background in order to be able to assess and investigate the severity. When FMO is of the opinion that there is a breach of law that cannot be remedied or that no improvement by the customer will be achieved (e.g. awareness, implementing controls) or that the risk to FMO's reputation is unacceptably high, FMO may be able to exercise certain remedies under the contract such as the right to cancel a loan or suspend upcoming disbursements and will report to regulatory authorities if deemed necessary.

In 2021, FMO completed its financial economic crime (FEC) enhancement project. This included an extensive Know Your Customer (KYC) file remediation, tailored to the specific requirements of developing and emerging economies. The external validation, which was overall positive, identified several recommendations that FMO has followed up in 2022. For certain compliance themes, such as anti-bribery and corruption, as well as sanctions and unusual transactions, awareness sessions (refreshers) were organized with targeted front-office departments. We are determined to continue to improve in the regulatory domain and to ensure that the changes we implement are tailored to the day-to-day realities and complexities of the markets we are active in.

General Data Protection Act (GDPR)

In 2021, FMO started a project to further develop a data privacy framework and raise privacy awareness within the organization. The project is almost completed and has delivered several essential privacy improvements. A GDPR eLearning for all employees was rolled out to ensure the necessary knowledge within the organization. Next to that the privacy governance is strengthened in the organization by appointing a Data Protection Officer (DPO). The DPO conducts privacy assessments in new projects and initiatives, gives advice on reducing privacy risks and monitors FMO's privacy compliance.

Sanctions

Several additional measures have been taken since the start of 2022 in relation to sanctions involving Russia, Belarus and Myanmar to ensure FMO's funds are not directly or indirectly provided to sanctioned parties. These measures include, setting up of a Sanctions Working Group, increased frequency of adverse news screenings and communication with customers in the affected regions and industries. In August 2022, FMO received a request from DNB to participate in an industry-wide investigation on the effectiveness of its sanctions screening system (transaction screening and customer screening).

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, including legal risks, excluding strategic risks. Operational risks are not actively sought and have no direct material upside in terms of return/income generation, yet operational risk events are inherent in operating a business. Operational risk events can result in non-compliance with applicable (internal and external) standards, losses, misstatements in the financial reports, and reputational damage.

Overall, FMO is cautious with operational risks. Safe options, with low inherent risk are preferred, despite consequence of limited rewards (or higher costs). There is no appetite for high residual risk. Risk metrics are reported on a quarterly basis. These metrics cover operational risks in general, such as the amount of loss per quarter and timely follow-up of management actions, and specific metrics for risk-(sub)types.

Management of the first line of defense is primarily responsible for managing (embedded) risks in the day-to-day business processes. The first line acts within the risk management framework and supporting guidelines defined by specialized risk functions that make up the second line of defense. Internal Audit in its role of the third line of defense provides independent assurance on the effectiveness of the first and second lines.

Departmental risk control self-assessments are conducted annually to identify and assess risks and corresponding controls. The strategy and business objectives are also reviewed annually by the Directors in a risk perspective. Based on among others these Risk and Control Self Assessments, the Directors sign a departmental In Control Statement at the year-end, which provides the underpinning for the management declaration in the Annual Report. Despite all preventive measures, operational risk events will occur. FMO systematically collects risk event information and analyses such events to take appropriate actions.

EY
Building a better working world

Independent auditor's report

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

Report on the audit of the financial statements for the year ended 31 December 2022 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2022 of Access to Energy Fund I (hereinafter: AEF-I or The Fund), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of AEF-I as at 31 December 2022, and of its result and its cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:

- The Statement of Financial Position as at 31 December 2022
- The Statement of Comprehensive Income for the year ended 31 December 2022
- The Statement of Changes in Fund Capital
- The Statement of Cash Flows for the year ended 31 December 2022
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

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

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

Report on other information included in the annual report

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

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

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

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

Management is responsible for the preparation of the other information.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

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

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

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.
We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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

Communication

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

Amsterdam, 26 April 2023

Ernst & Young Accountants LLP

signed by J.G. Kolsters

Colophon

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

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