frontclear

financial market development

Annual Report

2023

Contents

Report from the Supervisory Board

We are delighted to present Frontier Clearing Corporation B.V.'s (hereafter "Frontclear" or the "Company") 2023 Annual Report.

Execution of mandate

Frontclear is a development finance institution focused on the development of financial markets in emerging and developing countries. Ultimately, Frontclear seeks to deliver system change by absorbing counterparty credit risk and providing technical assistance and expertise to develop local financial systems. Market wide structures such as Tradeclear, combined with effective deployment of technical assistance, has led to real progress towards deeper and more inclusive money markets in Frontclear's countries of operations.

In 2023 Frontclear remained focused on implementing its medium term strategy and carefully managing risk exposures. The risk environment in frontier and emerging markets has remained elevated following Covid-19 crisis, the Ukraine war and the rapid increase in interest rates in 2022 and 2023. In the past 3 years alone, there have been 18 sovereign defaults including countries such as Zambia, Ghana and Sri Lanka, greater than the total number of defaults in the previous two decades combined. Private Investors have also been pulling out of emerging markets, leaving them with fewer financing options. Frontclear saw a significant drop in financing activity in the first half of 2023, but did witness a strong recovery in the final quarter, leading to a marginal year on year growth of the guarantee portfolio.

Frontclear's strategic focus has remained consistent in recent years, being focused on expanding its standalone principal counterparty capabilities, implementing its Tradeclear structure in target markets and accelerating technical assistance efforts to eliminate barriers to market development and diversifying its revenue base. The key long term focus remains on establishing a global platform for money markets that integrate and support emerging and frontier economies. In this regard, the Supervisory Board plays a pivotal role in closely monitoring and discussing Management's implementation of the mandate.

New development angle

Emerging from the debate following the Bridgetown initiative amongst the development finance institutions, it remains imperative to advance financial sector development as a means to achieve the SDGs and finance the climate transition in EMDC in local currency. By fostering inclusive economic growth, mobilizing resources for sustainable development and promoting responsible investment practices, a robust financial sector serves as a linchpin for realizing our collective aspirations for a prosperous, resilient and sustainable world.

Funding projects in local currency in emerging markets, including climate investments, is of paramount importance to avoid creating financial instability. In this regard, more stable and inclusive money markets facilitate the establishment of benchmark interest rates, dynamic yield curves and the emergence of swap markets to allow local financial institutions and (foreign) investors to manage markets risks associated with investing in emerging markets.

A well-functioning money market serves as the cornerstone of a robust financial ecosystem. Money markets provide essential liquidity and facilitate short-term borrowing and lending among financial institutions, governments, corporations, and investors. By offering efficient mechanisms for managing liquidity and short-term funding needs, money markets play a vital role in stabilizing financial markets, enhancing monetary policy transmission and supporting economic growth. In the context of climate finance, the development of money markets is instrumental in mobilizing both local and international capital for climate-resilient projects and facilitating the integration of environmental, social and governance (ESG) considerations into investment decisions.

Governance

The board welcomed two new members in 2023, Dr. Frank Czichowski and Mr. Rutger Schellens. Mr. Thomas Heinig and Mr. Bokar Chérif have retired from the board during 2023. We thank them once again for their contributions and dedication to the company during the time served.

The Supervisory Board met 8 times in 2023. Recurrent items on the agenda of the board include the monitoring of the compliance program, interaction with the company's auditors, the performance assessment of the manager, the business planning cycle and the review of the ICAAP. In 2023, the board also discussed the first IMAAP – the internal assessment of the adequacy the impact measurement framework.

The business planning cycle has been extended to include the next four years of business, thereby improving the ability to capture and assess the impact of cost allocation decisions and the business initiatives over a longer time horizon. Key decisions regarding business planning included approving an expansionary budget to support hiring of additional structuring staff members and investments in IT, notably on the back of expected growth in revenue due to the increase in USD interest rates. The Supervisory Board also approved the establishment of a global trade finance guarantee program to facilitate Frontclear's traditional focus on repo and swap markets. Trade finance credit has come under renewed pressure in recent years and Frontclear can play an important role in supporting interbank credit risk management for trade finance exposures.

The Supervisory Board approved amendments to Frontclear's Investment Guidelines and Risk Charter per the recommendations of the annual ICAAP. The Supervisory Board mandated Management to establish an ALCO in order to better optimize liquidity investment returns going forward. Finally, the Board together with Management continues to deliberate and consider Frontclear's long term optimal capital, legal and regulatory options as the business scales.

The introduction of the IMAAP in 2023 intends to bring the same rigor and continuous improvement to the measurement and reporting of development impact and the allocation of company resources to achieve such as is applied to financial reporting - via the operational audit - and the risk management framework to ICAAP. The board welcomes this development and looks forward to the evolution and maturing of the IMAAP and the impact measurement framework in the coming annual cycles.

The Supervisory Board wishes to thank the Management Board, staff, and the Company's operational partners for the excellent results in 2023.

The Supervisory Board of Frontier Clearing Corporation B.V.

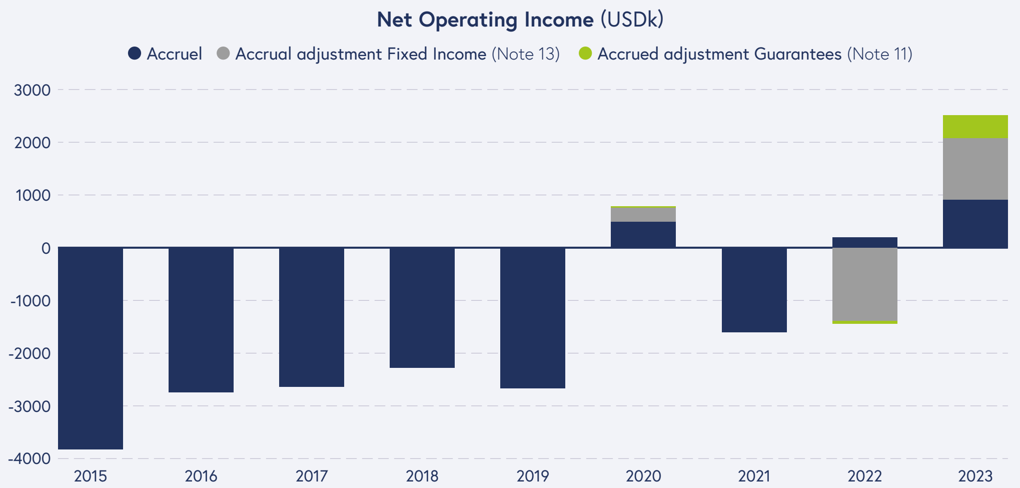
Mr. Axel van Nederveen (Chairman)
Mr. Michael Bristow
Dr. Frank Czichowski
Mr. Rutger Schellens

Report from the Managing Board

Financial results

2023 saw Frontclear realize net guarantee income of USD 4,445 thousand, up 15% year on year from USD 3,844 thousand in 2022. The guarantee revenue increased despite a significant drop in the notional portfolio outstanding in the first half of the year followed by a strong recovery in Q4. Total operating income increased by a phenomenal 227% to USD 7,743 thousand in 2023 from USD 2,382 thousand in 2022. A key driver of this growth was the recovery of interest income from Frontclear's liquidity portfolio on the back of the sharp rise in USD interest rates in 2022. This saw interest income and other results increase from negative USD 379 thousand to positive USD 4,346 thousand. Financing costs remained stable at USD 1,048 thousand compared to USD 1,087 thousand in 2022, with the cost of the USD 50 million in Callable Commitments received by FCC at the end of 2022 replacing the USD 50m liquidity facility which matured in 2023..

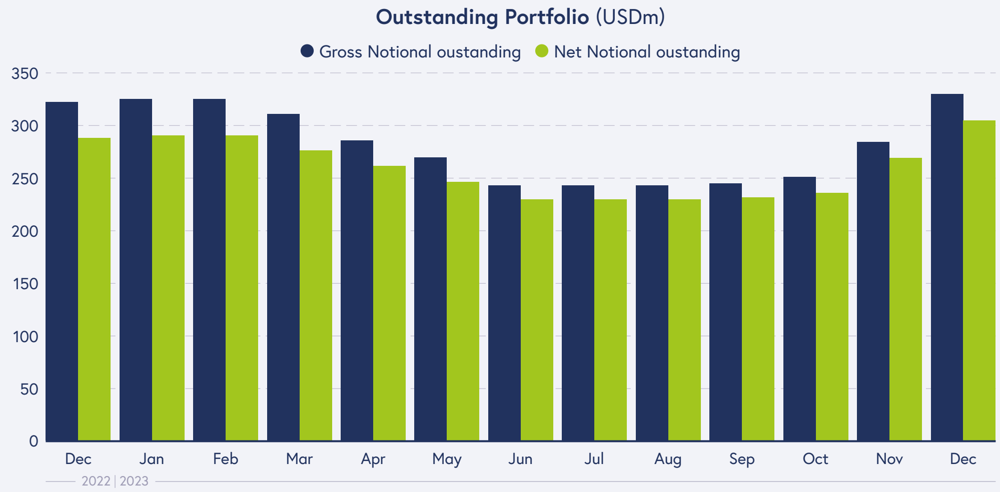
Whilst operating expenses increased 43% from USD 3,651 thousand in 2022 to USD 5,237 thousand in 2023, the strong jump in total revenue ensured that Operating Results increased from negative USD 1,273 thousand to positive USD 2,506 thousand. The increase in operating expenses year to year was on the back of a significant expansion of the management team, as well as variations in the EUR/USD exchange rate and a one-off shift in recognition of performance fees.



The capital structure of Frontclear remains stable year-to-year with available cash largely unchanged. Due to an accounting change in the treatment of FCC Securities principal transactions, the total balance sheet of Frontclear increased from USD 89,773 thousand to USD 191,434 thousand. Finally, the Company enjoyed very strong positive cash flows from operations, which increased from USD 2,085 thousand in 2022 to USD 3,917 thousand in 2023, an increase of 99% year on year. Overall, Management expects Frontclear's positive results in 2023 to carry through into future years as portfolio growth recovers and USD interest rates are expected to remain elevated. This will allow for an expansionary budget and allow the Company to pursue its strategic objectives and continue scaling in the coming years.

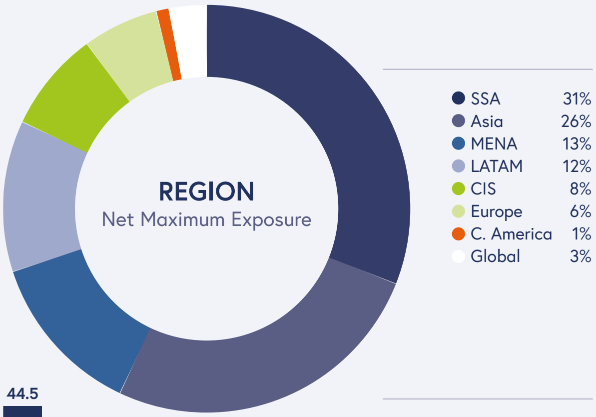
Portfolio developments

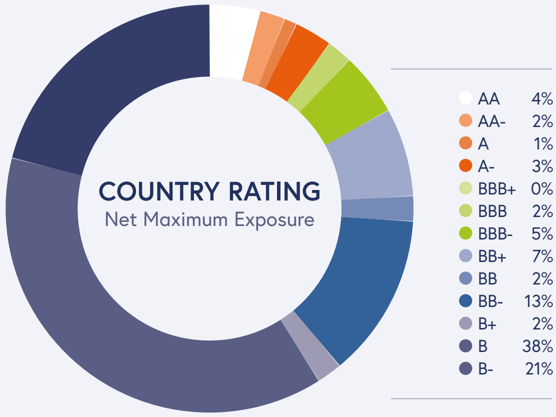
As per 31 December 2023, Frontclear's gross notional exposure to EMDC-based obligors stood at USD 331 million, reflecting a 2.6% increase year on year from USD 323million as per 31 December 2022. The fairly mute portfolio growth reflects a difficult year for emerging and frontier markets which witnessed a record number of defaults and a substantial withdrawal by private investors, including Frontclear's partner beneficiaries. The portfolio in fact declined to a low of USD 245 million in July 2023 following the early termination of transactions in Egypt, Ecuador and the Dominican Republic. Nonetheless, Frontclear saw a very strong recovery in activity in the final quarter, with transactions executed in Nigeria, Uzbekistan, Mongolia, Turkey and the Dominican Republic.



The transactions in the Dominican Republic were the first of their kind, being cross border repo transactions with local banks, and marks an important milestone in the country's money market development following years of engagement by Frontclear. Frontclear also closed its first transaction in Uzbekistan where it facilitated the conversion of USD deposits to local currency for a local bank through the provision of NDFs.

The portfolio saw an increase in diversification, with the total number of countries increasing to 30 from 27 in 2022. By year end the Company's largest exposure was in Mongolia, replacing Egypt where Frontclear substantially reduced its exposure at the beginning of the year. A strategic focus in 2023 and beyond is the establishment of a trade finance guarantee and funding portfolio. Frontclear closed its first such trade finance transaction in Nigeria in 2023, where it leveraged Nigerian Eurobonds as collateral to facilitate trade finance for a local bank.





Tradeclear

Frontclear invested significant resources in its onshore umbrella guarantee facility, Tradeclear, throughout 2023. Feasibility studies were initiated in Zambia, Tanzania and Ghana whilst operationalization of Tradeclear Uganda continued throughout the year. In addition, feasibility studies are expected to be initiated in Botswana as well as Panama, Guatemala, El Salvador and Costa Rica in 2024. In January 2024 Frontclear received regulatory approval to launch Tradeclear in Zambia and is targeting to go live by Q4 2024. Finally, Management made substantial progress in its standalone counterparty capabilities via FCC Securities B.V., FCC's 100% subsidiary and structuring SPV.

A key development in this regard was the conclusion of a partnership agreement with Instimatch Global AG, a Swiss fintech company, to utilize their state of the art RFQ repo platform for Tradeclear. This will allow for increased pre- and post-trade price transparency in the Tradeclear markets and will facilitate more efficient interbank exchanges, supported by the Frontclear umbrella guarantee.

Outlook

As the risk environment remains challenging, Frontclear will continue to be selective in adding exposures to the portfolio. In order to deploy excess risk capital and diversify the support for interbank transactions, Frontclear will pursue lower-risk participations in trade finance deals in its network of international and EMDC-based financial institutions. Furthermore, Frontclear will explore means of achieving greater financial flexibility, strengthening its capacity to execute its mandate on the medium- and long-term.

The Managing Board of Frontclear Management B.V.,
Mr. Philip Buyskes, Chief Executive Officer
Mr. Erik van Dijk, Chief Risk & Finance Officer

Overview of the company and services

Mandate

Frontclear focuses on catalyzing more stable and inclusive money markets in emerging and developing countries ("EMDC"). Money markets are crucial to the pricing and distribution of short-term liquidity and risk between professional market parties, the effective transmission of monetary policy, the development of benchmark rates that can stimulate the development of derivative products and the deepening of the government securities markets, leading to a benchmark curve for other financial products and reducing the cost of funds for governments, households and corporates. Whereas global policy attention for the development of money markets has increased in recent years, Frontclear remains a unique party combining the provision of technical assistance with deployment of risk capital to facilitate actual transactions for EMDC based market participants.

Instruments

Frontclear facilitates access to money markets for local financial institutions in EMDC through 1) the provision of risk mitigation to counterparty credit risk in domestic and cross-border interbank transactions via Frontier Clearing Corporation and 2) financial support to local financial market infrastructure and capacity building programs in a technical assistance program, through the Frontclear Foundation. The combination of connecting markets through the transactional approach and developing markets using technical assistance can create a lasting impact on the development of domestic interbank and money markets otherwise not achievable. The activities of Frontier Clearing Corporation and the Frontclear Foundation are therefore considered closely related and in terms of mandate interlinked.

Transactions structures

The key transaction structure is to offer a financial guarantee to enhance transactions in EMDC markets. The guarantee may cover one or both counterparties to the trade. FCC requires the exchange of collateral between guaranteed parties as a condition for its credit support, accommodating the use of local currency cash and domestic government securities to serve as collateral. The guarantee is called upon default if the collateral is insufficient to cover the beneficiary bank's claim or cannot be liquidated and proceeds repatriated timeously. As such, the guarantee covers counterparty credit risk as well as general country risk (legal, market and liquidity).

FCC offers guarantees on both cross-border and domestic money market transactions. Guarantees can cover bilateral transactions between two counterparties or cover a portfolio of transactions among multiple counterparties. FCC can provide guarantees to various financial infrastructure players such as central clearing counterparties, central banks and central security depositories.

In cases where local financial institutions have difficulty finding a counterparty that is willing to face them in such transactions (e.g. due to operational constraints), FCC Securities B.V. ("FCC Securities") can act as a principal counterparty to the local institution and hedge its exposure with a beneficiary bank, which receives an FCC guarantee in support of the hedge transaction. FCC Securities has no other purpose than to facilitate such transaction-specific structuring.

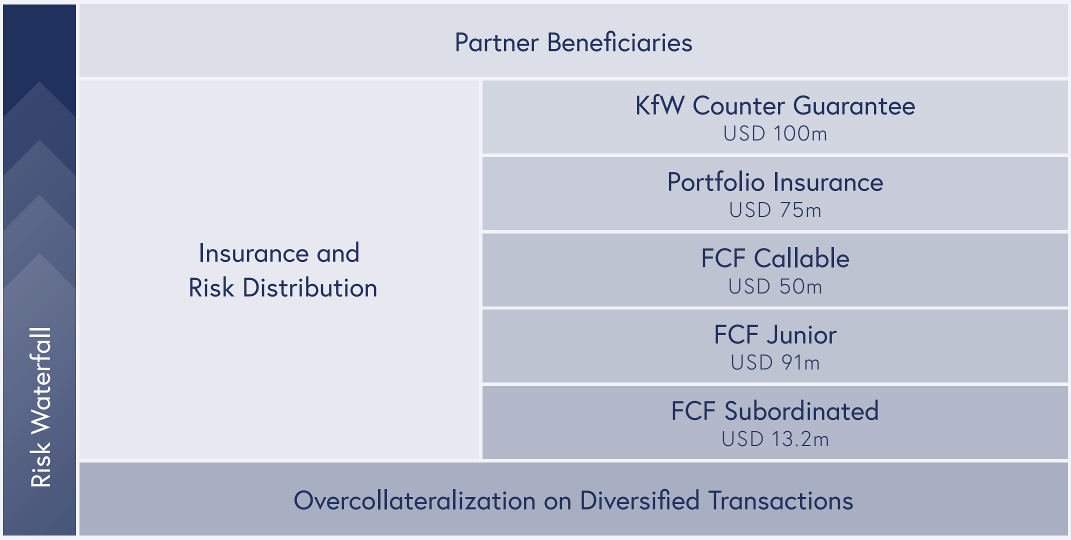
Technical assistance

Next to offering guarantees to facilitate transactions, Frontclear provides technical assistance through the Frontclear Foundation. Under the program, Frontclear offers training, supports legal & regulatory reforms to facilitate legal enforceability of market standard documentation for repo and derivative transactions and supports the development of local market infrastructure. Finally, the Frontclear Foundation commissions research related to money market development topics.

The combination of facilitating transactions through the provision of risk capital and assisting local regulators and market participants with technical assistance projects, provides for a very powerful combination of activities to promote the development of local money markets. For further reading on the impact strategy and developments results of Frontclear, please refer to the 2023 Frontclear Impact Report.

Capital structure

Frontclear has a unique blended capital structure that underpins its credit strength, combining funding from governments, development finance institutions and the private sector. The diagram below illustrates the capital structure and risk protection afforded to Frontclear's partner beneficiaries:



Frontclear only guarantees collateralized transactions. Collateral exchanged in the guaranteed transactions typically involves cash or government securities which are liquidated upon default of the EMDC-based counterparty to minimize losses. Frontclear's core capital is funded through the issuance of profit participating notes to FCF Subordinated, FCF Junior and FCF Callable. In addition, Frontclear maintains an excess of loss portfolio insurance policy of USD 75 million and a USD 100m counter-guarantee facility from KfW. Finally, Frontclear utilizes non-payment insurance on a case-by-case basis to further manage its risk and capital positions.

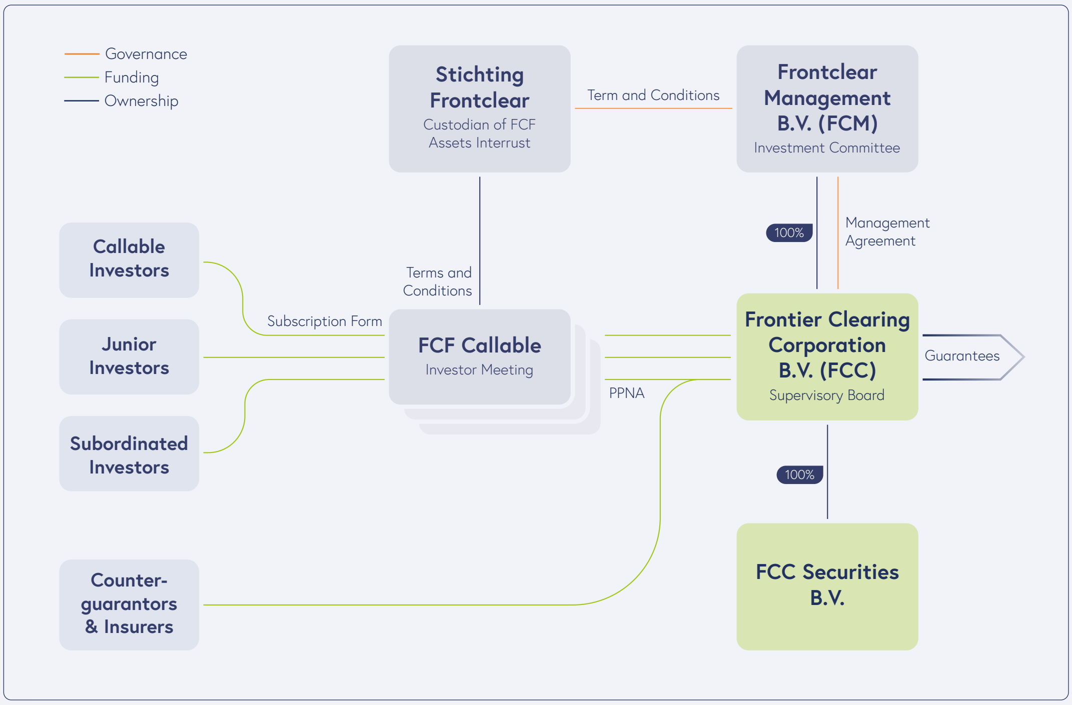
Legal structure

Frontclear is the collective term for a structure of companies and vehicles illustrated in the diagram below:

- **Frontier Clearing Corporation B.V. ("FCC")** – FCC is the operating company of Frontclear and hence the entity issuing guarantees and making investments to achieve the mission of Frontclear.
- **FCC Securities B.V. ("FCC Securities")** - In 2017, FCC established a 100%-owned subsidiary FCC Securities B.V. to support specific transaction structures.
- **Frontier Clearing Funds ("FCF")** – the FCF are funds for joint account through which Frontclear raises funds from investors. At 31 December 2021 there are three separate funds - FCF Subordinated, FCF Junior and FCF Callable - each investing in a separate class of notes - Subordinated Notes, Junior Notes and Callable Notes, respectively - issued by FCC. Through the FCF, Frontclear is funded by European governments and development finance institutions.
- **Stichting Frontclear** – Stichting Frontclear is the custodian for the FCF and therefore the legal owner of the assets of the FCF.
- **Stichting Frontclear Technical Assistance Program (Stichting FTAP)** – effective 1 January 2020, Stichting FTAP is the program custodian for FTAP, administering all donor contributions and program allocations and expenses. Prior, Stichting Frontclear acted as the program custodian of FTAP.
- **Frontclear Management B.V. ("FCM")** – FCM is the Fund Manager for the FCF in accordance with the amended Terms & Conditions of the FCF adopted on 2 December 2019. FCM is registered as an exempted fund manager of Alternative Investment Funds ("AIF"). In addition, FCM is the single shareholder and statutory director of FCC and the statutory director of FCC Securities. FCM manages FCC and FCC Securities pursuant to the terms of the FCC Management Agreement and FTAP in accordance with the Amended & Restated FTAP Agreement. FCM is 100% owned by Cardano Development B.V. which in turn is 100% owned by Stichting Cardano Development, an institution for the benefit of general interest ("ANBI", tax exemption status under Dutch law).

  At 31 December 2023, Frontclear Management had 15 employees, 8 of which in commercial positions reporting to the CEO and 3 in risk management and compliance functions and 2 in technical assistance functions reporting to the CFRO. Staffing increased with 3 employees during 2023 and is expected to continue to grow with the size and complexity of the company's activities.

- **KfW** – FCC has entered into an agreement with KfW to counter-guarantee the obligations of FCC towards beneficiaries of guarantees issued by FCC.
- FCC maintains portfolio insurance and transactions specific insurance to further complement its capital structure and credit strength.



Legal agreements

The following key agreements define the structure of Frontclear captured above (amended and restated agreements dated at the second financial close of 2 December 2019):

- Terms & Conditions of FCF – the Terms & Conditions define the rights and obligations of the investors, the Fund Manager (FCM) and the Custodian (Stichting Frontclear). The Terms & Conditions also specify the appointment of and the rights and obligations of the FCC Supervisory Board and the Investment Committee..
- Subscription Agreements – Investors have committed to the Terms & Conditions of the FCF adopted by the Fund Manager and the Custodian by means of Subscription Agreements.
- Amended & Restated PPN Agreement – the PPN Agreement is entered into by FCC and the FCF and determines the issuance of three classes of Profit Participating Notes from FCC to the FCF: Subordinated Notes to FCF Subordinated, Junior Notes to FCF Junior and Callable Notes to FCF Callable. The PPN Agreement captures the FCC Investment Guidelines and the FCC Risk Charter, defining the risk appetite and risk management approach for FCC. The PPN Agreement specifies approvals required from the FCC Supervisory Board for the execution of certain rights under the PPN Agreement.
- Portfolio Insurance – the Excess of Loss Portfolio Insurance Policy has been entered into by FCC on 2 December 2019 for an initial period of 5 years. The policy pays out in case claims under guarantee obligations exceed the funds available to FCC, with a waiting period of 180 days. The policy is compliant with the conditions for unfunded capital protection stated in the Capital Requirement Regulation of the European Union.
- Amended & Restated KfW Counter-Guarantee – the KfW Counter-Guarantee agreement entered into by FCC and KfW is a contract for the benefit of third parties under German law, counter-guaranteeing the obligations of FCC towards eligible third parties under guarantees issued. The agreement defines under which conditions third parties are eligible to benefit from the counter-guarantee and certain consent rights of KfW on amendments to the documentation of Frontclear.

- **Amended & Restated FCC Management Agreement** – entered into by FCM and FCC, the FCC Management Agreement prescribes the terms pursuant to which FCM manages FCC, additional rights and obligations of the FCC Supervisory Board and the Investment Committee and the remuneration of FCM for managing FCC. The management of FCC Securities is deemed covered by the FCC Management Agreement.
- **Amended & Restated FTAP Agreement** – some of the investors of FCF Subordinated have committed to donate the distributions of FCF Subordinated to the FTAP. The FTAP Agreement specifies the conditions under which FTAP is operated by FCM and Stichting FTAP and specifies amongst others the appointment of and rights and obligations of the Donor Committee.
- **Grant Agreements** – FTAP has received additional commitments from FSDA, ABSA and Cardano Development (together the "Donors"), which are documented with separate Grant Agreements. The Grant Agreements gives rise to additional obligations for the management of FTAP vis-à-vis the Donors.

Corporate governance

In its corporate governance, Frontclear aims to balance sufficient countervailing power by committees appointed directly and indirectly by stakeholders (investors or donors) and arms-length management of FCC and FTAP operations. Investors in the FCF retain key rights that may be exercised in the Joint Investor Meeting, whilst FCC's Supervisory Board's supervises the Manager's management of FCC and FCC's general course of affairs and provides advice to the Fund Manager. Where required, the rights and obligations of governing bodies have been supplemented by internal regulations and charters providing transparency to how these bodies operate. Where applicable, these have been specified below.

The following bodies exercise control in the governance of Frontclear:

- **Joint Investor Meeting** – the Joint Investor Meeting is the meeting of the investors in all FCFs combined. The Joint Investor Meeting has rights specified in the Terms & Conditions of the FCF and can decide with Investor Ordinary Consent and with Investor Special Consent in matters relating to the FCF. The Joint Investor Meeting cannot instruct FCM but FCM has contractually committed to adhere to certain decisions of the JIM with regard to the management of FCC, specifically with regard to the appointment of FCC Supervisory Board members.
- **FCC Supervisory Board** – the members of the FCC Supervisory Board are appointed by cooptation, subject to approval by the Joint Investor Meeting by Investor Ordinary Consent.

  At 31 December 2023, the Supervisory Board consists of the following members:

  - Axel van Nederveen, Chairman;
  - Mike Bristow;
  - Frank Czichowski; and
  - Rutger Schellens.

  The rights and obligations of the FCC Supervisory Boards, beyond the legally induced, are derived from the Terms & Conditions of the FCF, the FCC Management Agreement and the PPN Agreement.

- **Investment Committee** – the Investment Committee is a body of FCM and is responsible for setting country and counterparty limits as well as approving changes to risk policies (other than the FCC Investment Guidelines and FCC Risk Charter). Investment Committee members are appointed by and operate under the instructions of the Investment Committee Charter approved by the FCC Supervisory Board.

  At 31 December 2023, the Investment Committee consists of the following members:

  - Joost van den Akker, Chairman;
  - Louis Sabatino;
  - Ricardo Velazquez;
  - Martin Kimmig;
  - Philip Buyskes (non-voting) and;
  - Erik van Dijk (non-voting).

- **Donor Committee** – the Donor Committee governs the allocation of technical assistance funding and the progress and impact reporting of approved interventions. The appointment of members to the Donor Committee is captured in the FTAP Agreement. The Donor Committee consists of the following members:
    - Evans Osano, Chairman;
    - Alice Chapple; and
    - Fleur Henderson.

- **FCM Management Board** – the Management Board of FCM consists of:
    - Philip Buyskes, CEO and Chairman; and
    - Erik van Dijk, CFRO.

  Both can independently represent FCM (and with FCM being the statutory director of FCC and FCC Securities therefore also FCC and FCC Securities, respectively). Restrictions to this right, decision making and avoiding and resolving potential conflict of interest have been addressed by the MB Regulation, approved and adopted by the FCM Supervisory Board. The Management Board has further adopted a resolution regarding the approval and authorization of key documents, including but not limited to external reporting.

- **FCM Supervisory Board** – the Supervisory Board of FCM consists of:
    - Joost Zuidberg

  The authority, rights and obligations of the FCM Supervisory Board are limited to the management of FCM only and do not extend towards FCC or the FCF.

- **Mextrust B.V.** – Mextrust B.V., an operating company of Intertrust (Netherlands) B.V., is appointed as the Managing Director of Stichting Frontclear.

Besides these governing bodies, the risk appetite and risk management approach of FCC are strictly governed by the FCC Investment Guidelines (risk appetite statement) and the FCC Risk Charter (risk management approach). All risk documentation and risk approvals must adhere to the FCC Investment Guidelines and the FCC Risk Charter. Amendments to the FCC Investment Guidelines and the FCC Risk Charter are subject to the approval of the FCC Supervisory Board.

Compliance standards

FCM is registered as an exempted manager with the Dutch Authority Financial Markets ("AFM") and submits AIFMD reports once a year to the regulator. As an exempted manager of alternative investment funds, the regulatory requirements applicable to FCM are limited. FCM voluntary adheres to the best practice induced by the Alternative Investment Fund Management Directive ("AIFMD") where such can be achieved against reasonable cost and effort.

FCM has adopted a Code of Conduct, applicable to all employees, Supervisory Board members and committee members of FCM or FCC and where relevant extended by contract to material service providers to Frontclear.

The Code of Conduct captures the required conflict of interest guidelines of the AIFMD commensurate to the size of Frontclear.

FCM has contracted Finnius and Charco & Dique, Dutch law firms specialized in financial regulation, to assist the compliance function with safeguarding regulatory compliance. FCM has contracted Jones Day Amsterdam for all other FCF related legal matters.

Once a year, the FCM Management Board provides the FCC Supervisory Board with a regulatory compliance assessment and informs the Board on other compliance issues.

Risk management

Risk Appetite and risk management approach

The business objective of the Company is to build a portfolio of collateralized counterparty credit risk exposures in emerging markets and developing countries ("EMDC"), with the purpose of facilitating the development of more liquid and inclusive financial markets. The Company therefore focuses on taking country risk and counterparty credit risk in EMDC and has limited appetite for other risk categories, such as credit risk in the investment portfolio or market risk other than through materialized counterparty credit exposures, when the Company could be directly exposed to the risks related to the collateral instrument.

The main documents capturing the risk appetite and the approach to managing the key risk exposures of the Company are the FCC Investment Guidelines and the FCC Risk Charter:

- FCC Investment Guidelines – document detailing the key investment guidelines of the Company, stating the risk appetite, key risk controls and guidance for determining key exposure metrics and approving new countries and counterparties.
- FCC Risk Charter – document detailing the governance and key elements of the risk governance management framework and the approach to the identification, assessment, measurement, mitigation and reporting of key risk exposures. The FCC Risk Charter further details the economic capital framework for measuring risk and the adequacy of capital on portfolio level.

The FCC Investment Guidelines and FCC Risk Charter supersede all other risk policies and guidelines of the Company. Changes to these main documents are subject to the approval of the FCC Supervisory Board, with the exception of changes to the business objective and return target, which are subject to approval by the Joint Investor Meeting.

The Company evaluates its risk appetite and risk management approach annually and presents the results of the evaluation and any proposed changes to the FCC Investment Guidelines and FCC Risk Charter to the FCC Supervisory Board. For this evaluation, the Company follows the guidelines of The ICAAP Policy Rule for investment firms and investment institutions (*"Beleidsregel ICAAP beleggingsondernemingen en beleggingsinstellingen Wft 2015"*) as issued by the Dutch central bank in accordance with the European Capital Requirement Directive IV.

For an overview of the key risk categories the Company is exposed to see Note 5.

Operational risk management

The Company adheres to a continuous self-improvement cycle for operational risk management. The Company, as part of the Frontclear group of entities, maintains a risk control framework for managing operational risk and subjects itself to an annual operational audit process, resulting in an ISAE 3402 Type II report for Frontclear. The Company maintains an Incident Register for recording operational incidents that could inform changes to the risk control framework.

The risk control framework and Incident Register are captured in a governance, risk and compliance ("GRC") system, the allows for frequent review of all key operational risk categories and controls and the assessment of residual risk exposures.

Financial Statements

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position
(as at 31 December, before profit appropriation)

(all amounts in thousands USD)	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	6	29,936	26,017
Financial guarantee contracts at FVTPL	11	378	65
Financial instruments at FVTPL – Other	12	98,333	1,615
Financial instruments at FVTPL – Securities	13	62,425	61,631
Prepaid guarantee expenses		86	67
Management fee receivable		24	-
Other receivables	16	252	338
Total current assets		191,434	89,733
Total assets		**191,434**	**89,733**
Equity			
Shareholders' equity			
Issued share capital	7	-	-
General reserve	8	(9,947)	(9,807)
Undistributed result for the period	9	(42)	(140)
Total shareholders' equity		(9,989)	(9,947)
Liabilities			
Long-term liabilities			
Junior Notes	10	88,001	87,064
Subordinated Notes	10	10,468	9,937
Total long-term liabilities		98,469	97,001
Short-term liabilities			
Financial guarantee contracts at FVTPL	11	270	498
Financial instruments at FVTPL – Other	12	97,964	1,435
Accrued fees	14	85	88
Management fee payable	15	-	94
Deferred performance fee and LTI	34	1,080	-
Other liabilities	17	3,555	564
Total short-term liabilities		102,954	2,679
Total equity & liabilities		**191,434**	**89,733**

The notes to the consolidated financial statements are an integral part of these financial statements

Consolidated Statement of Comprehensive income

(all amounts in thousands USD)	Notes	2023	2022
Revenues			
Realized fees on contracts at FVTPL	19	4,136	4,127
Change in fair value of contracts at FVTPL	20	730	299
Guarantee expenses	21	(421)	(582)
Total revenues		**4,445**	**3,844**
Finance costs			
Subordinated Notes	22	(264)	(264)
Callable Commitment Fee	23	(73)	(4)
Counter Guarantee Fee	24	(355)	(355)
Portfolio Insurance Fee	25	(299)	(306)
Liquidity Facility Fee	26	(57)	(158)
Total finance costs		**(1,048)**	**(1,087)**
Other results			
Interest income	27	2,957	2,142
Fair value changes in liquidity investments	13	1,387	(2,468)
FX results		2	(28)
Other income		-	(25)
Total other results		**4,346**	**(379)**
Total operating income		**7,743**	**2,382**
Operating expenses			
Management Fees	28	(3,513)	(2,765)
Performance Fees	29	(758)	(178)
Legal Fees	30	(238)	(148)
Third party service providers	31	(188)	(202)
Other operating expenses	33	(540)	(358)
Total operating expenses		**(5,237)**	**(3,651)**
Operating result		**2,506**	**(1,273)**
Deferred Performance fee and LTI	34	(1,080)	-
Net result for the period before revaluation of PPN		**1,426**	**(1,273)**
Revaluation of Subordinated Notes	10	(531)	1,929
Revaluation of Junior Notes	10	(937)	1,243
Net profit/(loss) for the period before tax		**(42)**	**1,899**
Income tax		-	(2,039)
Comprehensive profit/(loss) for the period		**(42)**	**(140)**
Comprehensive profit/(loss) for the period attributable to the holder of the issued share of FCC	36	*(42)*	*(140)*

The notes to the consolidated financial statements are an integral part of these financial statements

Consolidated Statement of Cash flows

(all amounts in thousands USD)	Notes	2023	2022
Cash flow from operating activities			
Guarantee fees received	21	2,285	2,903
Income received from financial instruments at FVTPL		1,851	1,224
Guarantee expenses paid		(423)	(513)
Interest received		2,946	2,075
Management fees paid	28	(3,632)	(2,696)
Performance fee paid		(351)	(214)
Other income and operational expenses		(782)	(694)
Collateral movements		2,326	-
Net cash flow generated from operating activities		**4,220**	**2,085**
Cash flow from investing activities			
Financial instruments at FVTPL – Securities purchases		(51,307)	(45,204)
Financial instruments at FVTPL – Securities sales and redemptions		51,900	35,000
Net cash flow generated from/(used in) investing activities		**593**	**(10,204)**
Cash flow from financing activities			
Subordinated Notes - FTAP Fee paid	22	(265)	(264)
Callable commitment fee paid	23	(73)	-
Counter-guarantee fee paid	24	(179)	(355)
Portfolio insurance fee paid	25	(305)	(149)
Liquidity Facility fee paid	26	(74)	(302)
Net cash flow generated from / (used in) financing activities		**(896)**	**(1,070)**
Net cash flow generated during / (used in) the year		**3,917**	**(9,189)**
Cash and cash equivalents at beginning of the period		26,017	35,234
Foreign currency translation of cash positions		2	(28)
Cash and cash equivalents at the end of the period		**29,936**	**26,017**
Analysis of cash and cash equivalents			
Cash at banks		12,936	6,017
Money market funds		17,000	20,000
Total of cash and cash equivalents	6	**29,936**	**26,017**

The notes to the consolidated financial statements are an integral part of these financial statements

Statement of Changes in Equity

(all amounts in thousands USD)	Amounts		Number of shares	
	2023	**2022**	**2023**	**2022**
Equity at beginning of the period	(9,947)	(9,807)	1	1
Proceeds from shares issued	-	-	-	-
Net change from transactions with shareholders	-	-	-	-
Comprehensive profit/(loss) for the period	(42)	(140)		
Equity at end of year	**(9,989)**	**(9,947)**	**1**	**1**

The notes to the consolidated financial statements are an integral part of these financial statements

Notes to the Consolidated Financial Statements

1. General information

Frontier Clearing Corporation B.V. ("the Company") and together with its wholly-owned subsidiary FCC Securities B.V. ("FCC Securities") also referred to as "the Group" or "FCC" is a financial markets development company focused on catalyzing more stable and inclusive financial markets in emerging and developing countries ("EMDCs").

FCC facilitates access to financial markets for local institutions in EMDCs through the provision of credit guarantees to cover a transacting institution's counterparty credit risk. FCC is primarily funded by means of its Profit Participating Notes program, under which it issues Subordinated Notes, Junior Notes and Callable Notes (together the "Profit Participating Notes" or "PPN") to the Frontier Clearing Fund Subordinated, Frontier Clearing Fund Junior and Frontier Clearing Fund Callable (together the "Funds"). FCM is the fund manager (in this capacity the "Fund Manager") of the Funds in accordance with their Terms and Conditions.

FCC's operations are managed by Frontclear Management B.V. ("FCM" or "the Manager") under the terms of the FCC Management Agreement. The administrating function has been outsourced to DLM Finance B.V.

The registered address of FCC is Mauritskade 63, 1092 AD, Amsterdam, The Netherlands. The Company is registered with Chamber of Commerce number 61998583 and was incorporated on 1 December 2014.

2. Events after the reporting period

On 29 January 2024, the FCC Supervisory Board awarded the Manager with a Performance Fee being the sum of a Fixed Performance Fee Component of USD 330,278 and EUR 453,268 relating to the variable compensation of the staff of the Manager.

The amount of USD 330,278 has been added to the deferred Fixed Performance Fee Component, of which an amount of USD 597,033 has been recognized in 2023 for pay-out to the Manager (see Note 34 for further detail).

The amount of EUR 453,268 relating to the variable compensation of the staff of the Manager is recognized in 2023 (see Note 29 for further detail).

3. Statement of compliance

The consolidated financial and company only statements of FCC have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and Part 9 of Book 2 of The Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Managing Board on 31 May 2024.

4. Summary of material accounting policies

Basis for preparation
The consolidated financial statements are prepared on a fair value basis for financial assets and financial liabilities. Certain financial assets and financial liabilities are stated at amortized cost.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. All amounts have been rounded to the nearest thousand unless otherwise indicated.

New and amended standards and interpretations

Adoption of new standards and amendments to existing standards
The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments did not result in any changes to the accounting policies of the Company. The Company also adopted amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors from 1 January 2023. The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The clarifications did not have impact on the Company's financial statements.

New standards and interpretations issued but not yet effective / not yet endorsed by the EU

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Classification of liabilities as current or non-current and non-current liabilities with covenants – Amendments to IAS 1

Basis for consolidation
Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The consolidated financial statements are prepared for the same period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealized gains and losses from intra-group transactions are eliminated in full.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights (Control) . The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group uses the purchase accounting method to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling Interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Subsidiary FCC Securities B.V.
In 2017 the Company incorporated FCC Securities B.V. for the amount of EUR 1 which comprises the paid-in capital. This amount was paid on incorporation date. At the date of incorporation, the fair value was equal to the acquisition cost. The consolidated financial statements comprise financial statements of Frontier Clearing Corporation B.V. and FCC Securities B.V.

Foreign currency translation

Functional currency and presentation currency
The functional currency of FCC is the United States Dollar ("USD"), reflecting the fact that the majority of the transactions are settled in USD. FCC has adopted the USD as its presentation currency as the contributions made by the investors of the Company are denominated in USD.

Transactions and balances
All recognized assets and liabilities denominated in non-USD currencies are translated into USD equivalents using year-end spot rates. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Resulting exchange differences on the financial instruments at fair value through profit or loss in foreign currencies are recorded in the income statement as part of the investment result. Realized and unrealized exchange differences on other assets and liabilities are also recorded in the income statement and disclosed as foreign currency translation results.

Financial Instruments

Classification
FCC classifies its investments in cash accounts, term deposits, interest receivable and other payables as financial assets and liabilities at amortized costs whose carrying amounts approximate fair value because of the short nature and the high credit quality of counterparties. Its investments in securities, money market funds and term deposits are at fair value through profit or loss.

FCC classifies its Subordinated, Junior and Callable Notes as financial liabilities in accordance with the substance of the contractual arrangements, given that the total expected cash flows attributable to the instruments over its life are not based substantially on the profit, the change in the recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of FCC during the life of the instrument.

FCC classifies its issued financial guarantee contracts as financial assets or liabilities at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Initial recognition
FCC recognizes a financial instrument on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognized using trade date accounting. Gains and losses are recognized from this date on. Drawdowns under the PPN are treated as loans. A further description of this feature is disclosed in Note10.

The date of initial recognition is the date that FCC became a party to the irrevocable commitment.

Measurement
Financial instruments are initially measured at fair value (transaction price). Transaction costs on financial instruments at fair value through profit or loss are expensed immediately. After initial recognition, financial instruments at fair value through profit or loss are measured at fair value, with changes in their fair value recognized as gains or losses in the statement of comprehensive income.

Fair value measurement principles
Investments in liquid securities are valued against available market prices (Level 1). For all other financial instruments which are highly rated and liquid such as money market funds or deposits for which no reference prices are available in an active market, the fair value is determined based on market standard cash flow

methodologies and are further referred to as Level 2 financial instruments.

The fair value of the Profit Participating Notes is set equal to the exit value of the assets. The exit value is the higher of the redemption value based on the level of Available Cash in accordance with the PPN Agreement and the value determined by a discounted cash flow model. A further description of the valuation of the PPN is disclosed in Note 10.

The fair value of financial guarantees at initial recognition is equal to the consideration received for the guarantee at inception minus a credit value adjustment, containing expected credit loss, cost of capital and add on elements. Subsequent measurement is based on a model that reflects the probability of default of the obligor whose obligations are guaranteed, the expected exposure at time of default, loss given default assumptions and the cost of the marginal economical capital allocation to the transaction, with changes in their fair value recognized as gains or losses in the statement of comprehensive income. A further description of the valuation of the financial guarantee contracts is disclosed in Note 11.

Fair value measurement of financial instruments entered into by FCC Securities
The fair value of repo and derivative contracts entered into by FCC Securities is measured against the present value of cash flows at the prevailing cash rates plus a net credit value adjustment or net debt value adjustment, dependent on the credit quality of the counterparty, relative to FCC Securities with support from FCC. The credit value adjustment is calculated in accordance with the fair value model for financial guarantees.

Derecognition
FCC derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition. A transfer will qualify for de-recognition when the Company transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

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 assets and settle the liability simultaneously.

Insurance contracts taken
Premium payable for the contracts is accrued over the life of the contract. A reimbursement asset is recognized only in case the insured event has materialized. The reimbursement asset will in such case reflect the risk of non-payment by the insurance provider.

Cash and cash equivalents
Financial instruments are classified as cash and cash equivalents when the financial instruments are short-term positions which are highly liquid that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Unless indicated otherwise, they are at the Company's free disposal.

Consolidated statement of cash flows
The consolidated statement of cash flows is prepared according to the direct method. The consolidated statement of cash flows shows FCC's cash flows for the period divided into cash flows from operations and financing and investing activities and how the cash flows have affected cash balances.

Accrued expenses and other payables
Accrued expenses and other payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Income and expense recognition
Income is recognized to the extent that it is probable that the economic benefits flow to FCC and the income can be reliably measured.

Interest on securities at fair value through profit or loss is recognized in the statement of comprehensive income within 'Interest income'.

Interest income and expenses are recognized as the interest accrues (taking into account the effective yield on the asset).

Interest received by FCC may be subject to withholding tax imposed in the country of origin. Interest and dividend income are recorded gross of such taxes.

The management fee is based on invoices and is subject to the budget approved by the Supervisory Board.

The performance fee is determined based on a separate performance assessment by the Supervisory Board against the performance targets agreed with FCM. The performance fee has two components, of which one is due on determination and one is deferred to be paid out of positive operating income. The performance is recognized in the year that it has been awarded.

Long-term incentive fees are determined in accordance with defined performance targets in the FCC Management Agreement and are approved by the FCC Supervisory Board.

The recognition and payment of the deferred performance fee component and the long-term incentive fees is conditional on the Company achieving a positive operational result during a financial year. In determining the positive operational result, accelerated income due to movements in market rates is deferred and decelerated income due to movements in market rates is vested.

Other fees and expenses such as guarantee expenses are recognized in profit or loss as the related services are performed.

Taxation

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Events after the reporting period
The consolidated financial statements are adjusted to reflect material events that occurred between the end of the reporting period and the date when the consolidated financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Material events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the consolidated financial statements themselves.

Significant accounting estimates and judgment in applying accounting policies
Application of the accounting policies in the preparation of the consolidated financial statements requires FCC to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described below.

Significant accounting estimates
The fair value measurement of assets and liabilities include valuation based on non-market observable inputs. The determination of the fair value for the Profit Participating Notes and the financial guarantee contracts are based on non-observable inputs. See for further explanation Note 10 where the inputs are described including the impact of each variable for the determination of the fair value as well as the sensitivity towards each fair value.

Judgement
In the process of applying FCC's accounting policies, FCC has made the following judgement, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements. FCC determines the classification of positions in money market funds as disclosed in Note 6 as cash and cash equivalents, as the positions at money market funds are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Going concern
The Manager has made a going concern assessment and is satisfied that FCC has the resources to continue in business for the foreseeable future. As FCC does not have an obligation under the PPNs to distribute more than the redemption value at liquidation, a negative equity position resulting from a reported fair value exceeding the redemption value of the notes does not imply a going concern issue but reflects the perceived value of the future performance of FCC.

The Manager is not aware of any other material uncertainties that may lead to significant doubt about FCC's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

5. Risk Management

FCC's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business, and operational risks are an inevitable consequence of being in business.

FCC aims to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. FCC regularly reviews its risk management policies and systems to reflect changes in markets, products and best practice.

Market price risk
Market price risk is the risk that the value of an instrument fluctuates as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

FCC limits the average duration of its liquidity investments to two years and the maximum duration of any individual investment to five years. The average duration of the portfolio of securities at 31 December 2023 is 0.4 years (2022: 0.8 years). The changes in fair value of these investments are disclosed in Note 11.

Interest rate risk
The general purpose of managing interest rate risk is to limit the adverse impact of interest rate fluctuations on the net asset value of the Company. The Company is exposed to interest rate risks in connection with interest-bearing assets and liabilities.

The Company's financial liabilities are issued on both a fixed rate and floating rate basis. The Subordinated are fixed whilst any drawn Callable Notes are floating. The distributions on Junior Notes are variable but not linked to an index rate (see Note 10 for further detail).

Given the long-term nature of the liabilities of FCC and the short-term nature of its liquidity investments, FCC is exposed to negative changes to the net asset value of the Company when interest rates decline and to positive changes to its net asset value when interest rates rise. FCC does not use derivative instruments to hedge against interest rate exposures due to potential changes in its asset base resulting from claims under issued financial guarantees. FCC expects the individual noteholders to hedge their exposure to changes in value of the individual PPN resulting from interest rate fluctuations.

The sensitivity to the value of the PPN to changes in interest rates is disclosed in Note 10.

Foreign currency exchange rate risk
The Company may hold financial instruments denominated in currencies other than the USD, the functional currency, as a result of purchasing local currency denominated collateral instruments in a work-out scenario. It may therefore be exposed to currency risk, as the value of the financial instruments denominated in other currencies fluctuates due to changes in exchange rates. FCC does not engage in open currency positions for the purpose of investing its liquidity.

In case FCC is exposed to local currency instruments as a result of the default of one of its obligors, the maximum allowed foreign currency exposure is limited by means of one-month Value-at-Risk limits per currency and in aggregate. The maximum one-month Value-at-Risk in aggregate with a 97.5% confidence interval is limited to 10% of available cash.

The Company is exposed to exchange rate risk through incurring expenses in currencies other than the reporting currency. This currency risk is not actively managed, other than through budget controls.

The open currency positions of the company at 31 December 2023, incurred through bank balances in foreign currency and payables due only, are given below:

(all amounts in thousands USD)	**Exposure 2023**	**Exposure 2022**
EUR	1,067	331
GHS	7	8
Total	1,074	**339**

Liquidity risk
Liquidity risk is defined as the risk that an entity encounters difficulty in meeting payment obligations associated with financial liabilities and off-balance sheet commitments at a reasonable cost.

FCC is mainly exposed to liquidity risk in case it receives a call for payment under financial guarantees issued. FCC mitigates its liquidity risk by testing the adequacy of its liquidity buffer under stress scenarios, where both credit losses on its liquidity investments and payment obligations under financial guarantees are considered. FCC runs the following liquidity stress-tests:

Scenario	*Test*	*Requirement*
Counterparty event – idiosyncratic defaults under normal market conditions	Liquidity buffer, corrected with 50% of largest single liquidity investment, over the sum of the two largest liquidity exposures (i.e. loss given default of gross guarantee exposure)	FCC able to meet the payment demand on any two guarantees outstanding
Market or legal risk event – counterparty default under illiquid market circumstances	Liquidity buffer, corrected with 50% of largest single liquidity investment, over the largest gross notional guarantee exposures	FCC able to purchase collateral instruments under any outstanding guarantee following a market liquidity event upon default of a obligor
Country event – all counterparties in one country defaulting under stressed market circumstances	Liquidity buffer, corrected with 50% of largest single liquidity investment, over the largest gross notional country exposures times 75%	FCC able to meet payment demands on all guarantees outstanding in any country, when collateral instruments in a forced sale only deliver 25% of last recorded market value

The results of these stress tests at 31 December are given below:

	2023	**2022**
Counterparty event	2.8	2.6
Market or legal risk event	2.1	2.0
Country event	1.6	1.8

Next to running discretionary liquidity stress tests, the company runs a Monte Carlo simulation model (see *Capital model* for details) to determine the maximum amount with 99.75% certainty of liquidity needed in the run-down of the guarantee portfolio, anticipating simultaneous work-out scenarios for multiple calls guarantee contracts issued, where the company might have to prefund guarantee payments under insured exposures and potentially have to purchase the collateral portfolio from the guaranteed beneficiary. This amount is determined at 31 December 2023 at USD 75 million (2022: USD 75 million).

Credit risk
Credit risk is defined as the risk that one party to a financial instrument causes a financial loss for the other party by failing to discharge an obligation. Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instrument contracts exists as the Company has entered into significant

financial instrument transactions that are exposed to credit risk.

FCC has limited the minimum counterparty rating for the purpose of investing liquidity to AA- and has assigned counterparty limits based on counterparty rating and type of financial instruments to ensure diversification in its liquidity investments. Capital requirements for liquidity investments follow the standardized approach under Capital Required Regulation. The credit limits are based on the lowest published credit rating by Standard & Poor's, Moody's or Fitch and internal assessments.

The following table shows the credit exposure for liquidity investment as at December 31, 2023:

(all amounts in thousands USD)	**Credit rating**	**Exposure 2023**	**Exposure 2022**
Money market funds	AAA	17,000	20,000
Fixed income investments	AA- and up	62,425	61,631
Cash positions Rabobank	A+	1,313	4,999
Term deposits Rabobank	A+	11,106	-
Cash positions CACEIS Bank, Netherlands Branch	A+	510	1,010
Other Cash Positions – EMDC banks	Not rated	6	8
Total		**92,360**	**87,648**

Counterparty credit risk
FCC is exposed to credit risk under the financial guarantees it has issued to cover the counterparty credit risk on transactions, where the obligor is typically located in an emerging or frontier market. FCCS is exposed to counterparty credit risk in its repurchase and derivative transactions with counterparties based in EMDC and the associated hedge transactions with global counterparties. These exposures are affected by both country risk factors and credit risk factors relating to the obligor or counterparty.

The Group assigns country limits and counterparty limits for obligors based on a fundamental analysis of the country and counterparty. The limit framework is based on two exposure metrics: the aggregate loss given default and on the aggregate maximum exposure under a worst-case scenario per country and counterparty. The loss given default of each individual financial guarantee exposure is informed by the recovery rates of the collateral instruments posted in the underlying transaction and the average expected depreciation of the local currency involved over the liquidation period, both conditional upon a default of the obligor under severe economic circumstances. The recovery rates reflect expected movements in the local yield curve and are dependent on the duration of the collateral instruments posted. The average expected depreciation used for limit purposes is set between 30% and 50%. The maximum exposure of a guaranteed transaction is equal to the notional value of the transaction for transactions with exchange of principal (deliverable transactions) and is based on a stochastic potential future exposure metric for transactions without exchange of principal (non-deliverable transactions).

The maximum aggregate guarantee exposure across countries and counterparties that FCC can enter into against its available capital is controlled by the economic capital framework. The economic capital framework is reviewed annually as part of the internal capital adequacy assessment procedure (ICAAP) and changes are subject to the approval of the FCC Supervisory Board.

The following table shows the notional amounts of outstanding exposures per country:

2023

(all amounts in thousands USD)	**Gross notional exposure**	**Insured**	**Net notional exposure**	**Fair Value**
Armenia	7,159	0	7,159	(2)
Australia	10,000	0	10,000	(10,047)
Azerbaijan	35,360	0	35,360	225
Brazil	5,800	0	5,800	(7)
Chile	900	0	900	(1)

Colombia	10,000	0	10,000	318
Côte d'Ivoire	6,294	0	6,294	(9)
Czech Republic	3,700	0	3,700	(5)
Dominican Republic	10,000	0	10,000	10,065
Egypt	9,557	0	9,557	43
Georgia	5,000	0	5,000	(24)
Germany	40,000	0	40,000	(40,190)
Global	6,900	0	6,900	(67)
Greece	1,071	0	1,071	(1)
Hong Kong	2,000	0	2,000	(3)
Hungary	1,928	0	1,928	(2)
India	11,200	0	11,200	(14)
Jamaica	5,000	0	5,000	17
Mauritius	16,100	0	16,100	(16,294)
Mexico	2,000	0	2,000	(2)
Mongolia	70,000	(25,500)	44,500	70,791
Netherlands	55,532	0	55,532	(209)
Nigeria	28,400	0	28,400	16,390
Poland	7,200	0	7,200	(9)
Republic of Korea	1,400	0	1,400	(2)
Senegal	1,851	0	1,851	(3)
Slovakia	1,800	0	1,800	(2)
South Africa	13,100	0	13,100	(16)
Taiwan	9,400	0	9,400	(12)
Thailand	700	0	700	(1)
Togo	3,798	0	3,798	(5)
Turkey	24,964	0	24,964	(45)
Uganda	30,000	0	30,000	-
United Kingdom	30,000	0	30,000	(30,188)
Uzbekistan	15,000	0	15,000	(212)
Total	**483,114**	**(25,500)**	**457,614**	**477**

2022 (all amounts in thousands USD)	**Gross notional exposure**	**Insured**	**Net notional exposure**	**Fair Value**
Armenia	24,489	-	24,489	(14)
Azerbaijan	15,000	-	15,000	382
Benin	2,962	-	2,962	(45)
Brazil	2,100	-	2,100	(3)
Cote d'Ivoire	4,598	-	4,598	(40)
Czech Republic	900	-	900	(1)
Dominican Republic	20,000	(10,000)	10,000	17
Ecuador	17,500	-	17,500	(46)
Egypt	59,487	(10,000)	49,487	(133)
Georgia	5,000	-	5,000	227
Germany	25,000	-	25,000	(410)
Greece	2,378	-	2,378	(2)
Hong Kong	3,100	-	3,100	(4)
Hungary	2,214	-	2,214	(1)
India	11,600	-	11,600	(16)
Jamaica	5,000	-	5,000	64
Mexico	2,700	-	2,700	(4)
Mongolia	48,000	(14,000)	34,000	1,055
Netherlands	20,000	-	20,000	(609)
Nigeria	15,000	-	15,000	(15)

Republic of Korea	3,100	-	3,100	(4)
Poland	11,500	-	11,500	(16)
Senegal	5,705	-	5,705	(64)
Slovakia	1,800	-	1,800	(2)
South Africa	11,100	-	11,100	(16)
Switzerland	20,000	-	20,000	(15)
Taiwan	9,800	-	9,800	(13)
Thailand	4,600	-	4,600	(6)
Togo	7,620	-	7,620	(24)
Uganda	30,000	-	30,000	
United Kingdom	23,000	-	23,000	(495)
Total	**415,252**	**(34,000)**	**381,252**	**(253)**

FCC has obtained non-payment insurance against USD 25.5 million (31 December 2022: USD 34 million) of its gross notional exposure. Insurance is obtained to bring the net exposure of contracts within the country or counterparty limits. The timing and the maturity of the hedged agreement aligns with the maturity of the gross exposure. Capital requirements for net guarantee follow from the capital model as described below.

Capital model
FCC assigns economic capital against its portfolio of financial guarantee exposures under an economic capital framework that addresses both credit and counterparty credit risk in Pillar I and liquidity, market and operational risk in Pillar II.

The Pillar I capital requirement for credit and counterparty credit risk is based on a loss distribution for the portfolio generated by a stochastic capital model. The stochastic capital model generates the loss distribution of the portfolio by simulating defaults in the portfolio in a Monte Carlo analysis and generating a loss per default by drawing FX and short-term interest rate movements from a distribution of such movements conditional on the default of a bank. The probabilities of default and correlation statistics for the exposure in the portfolio are taken from external credit rating agency models. The conditional distribution of FX and short-term interest rate movements are taken from a study commissioned by Frontclear on the topic in 2017 and are based on a distribution derived from the empirical observation of such movements after one week, one month and three months. The distribution is based on 344 recorded bank defaults in emerging markets since 1984. The Pillar I capital requirement is equal to the 99.75% percentile of the loss distribution plus an additional buffer of 20% to compensate for model risk.

FCC reserves 5% of available capital for market and operational risk.

Maximum leverage
By means of its risk charter, FCC has limited the ratio of net guarantee exposures over total capital (being the sum of notes issued under the PPN, FCF Callable Commitments and portfolio insurance) to a maximum of 2.

Operational and compliance risk
The Manager maintains an operational risk management framework based on detection, prevention and reporting of potential and materialized operational risk events, including fraud. This framework includes but is not limited to semi-annually risk control self-assessments, incident reporting and operational and financial audit feedback informing an internal risk control framework. The risk control framework forms the basis of quarterly internal control reporting and an annual external operational audit on the management of Frontclear. The Manager furthermore conducts quarterly compliance meetings including the consultation of an external legal advisor to manage issues relating to regulatory compliance.

Fair value measurement
The following table provides the fair value measurement of the Companies assets and liabilities measured at FVTPL.

2023

Assets at FVTPL

(all amounts in thousands USD)	**Quoted prices in active Markets (Level 1)**	**Significant unobservable Inputs (level 2)**	**Significant unobservable Inputs (level 3)**
Financial instruments at FVTPL – Securities	62,425	-	-
Financial guarantee contracts at FVTPL		-	378
Financial instruments at FVTPL – Other	-	-	98,420
Total assets at FVPTL	**62,425**	**-**	**98,798**

Liabilities at FVTPL

(all amounts in thousands USD)	**Quoted prices in active Markets (Level 1)**	**Significant unobservable Inputs (level 2)**	**Significant unobservable Inputs (level 3)**
Long-term liabilities – Junior Notes	-	-	88,001
Long-term liabilities – Subordinated Notes	-	-	10,468
Financial guarantee contracts at FVTPL	-	-	270
Financial instruments at FVTPL – Other	-	-	98,051
Total liabilities at FVPTL	**-**	**-**	**196,790**

2022

Assets at FVTPL

(all amounts in thousands USD)	**Quoted prices in active Markets (Level 1)**	**Significant unobservable Inputs (level 2)**	**Significant unobservable Inputs (level 3)**
Financial instruments at FVTPL – Securities	61,631	-	-
Financial guarantee contracts at FVTPL	-	-	65
Financial instruments at FVTPL – Other	-	-	1,710
Total assets at FVPTL	**61,631**	**-**	**1,775**

Liabilities at FVTPL

(all amounts in thousands USD)	**Quoted prices in active Markets (Level 1)**	**Significant unobservable Inputs (level 2)**	**Significant unobservable Inputs (level 3)**
Long-term liabilities – Junior Notes	-	-	87,064
Long-term liabilities – Subordinated Notes	-	-	9,937
Financial guarantee contracts at FVTPL	-	-	498
Financial instruments at FVTPL – Other	-	-	1,530
Total liabilities at FVPTL	**-**	**-**	**99,029**

6. Cash and cash equivalents

(all amounts in thousands USD)	2023	2022
Money market fund – Blackrock ICS USD Liquidity	10,000	10,000
Money market fund – Blackrock ICS USD Treasury	7,000	10,000
Term deposits Rabobank	11,107	-
Cash positions Rabobank	1,313	4,999
Cash positions CACEIS Bank, Netherlands Branch	510	1,010
Other Cash Positions – EMDC banks	6	8
Total cash and cash equivalents	**29,936**	**26,017**

No restrictions to the usage of cash and cash equivalents exist at year end. Interest income related to cash and cash equivalents amounted to USD 1,404 (2022: USD 442).

7. Issued share capital

The authorized and issued share capital consists of 1 ordinary share of € 1 and has been fully paid. FCM holds the share of FCC.

8. General reserve

(all amounts in thousands USD)	2023	2022
Balance as at beginning of period	(9,807)	(8,874)
Distributed from undistributed result for the period	(140)	(933)
Balance as at 31 December	**(9,947)**	**(9,807)**

9. Undistributed result for the period

(all amounts in thousands USD)	2023	2022
Balance as at beginning of period	(140)	(933)
Distributed to general reserve	140	933
Comprehensive income/(expense) for the period	(42)	(140)
Balance as at 31 December	**(42)**	**(140)**

Minimum capital requirement
FCC is not subject to any internal or external imposed minimum capital requirement.

10. Long-term liabilities

The long-term liabilities at 31 December 2023 are detailed as follows:

(all amounts in thousands USD)	Junior Notes	Callable Notes	Subordinated Notes	Total
Total position at beginning of period	**87,064**	**-**	**9,937**	**97,001**
Revaluation during the period	937	-	531	1,468
Total position at 31 December 2023	**88,001**	**-**	**10,468**	**98,469**

The long-term liabilities as at 31 December 2022 are detailed as follows:

(all amounts in thousands USD)	Junior Notes	Callable Notes	Subordinated Notes	Total
Total position at beginning of period	**88,307**	**-**	**11,866**	**100,173**
Revaluation during the period	(1,243)	-	(1,929)	(3,172)
Total position at 31 December 2022	**87,064**	**-**	**9,937**	**97,001**

Callable Notes

Status
Frontier Clearing Fund Callable ("FCF Callable") was established on 29 November 2019. FCF Callable is party to the Amended & Restated PPN Agreement between FCC and each of the Frontier Clearing Funds. FCC agrees to issue to and FCF Callable agrees to purchase Callable Notes up to the level of commitments given to FCF Callable by its investors (the "Callable Commitment"). The Callable Commitment is unconditional and irrevocable.

FCC entered into the first Callable Commitment with FCC Callable effective on 23 December 2022 resulting in a Callable Commitment on 31 December 2023 of USD 50 million (2022: USD 50 million). At 31 December 2023, the Callable Commitment remained undrawn and no Callable Notes are recognized.

Issuance, repayment and interest
On the occurrence of a liquidity trigger event or if in the reasonable determination of FCC the financial position of FCC requires such, FCC will issue Callable Notes to FCF Callable, reducing the undrawn Callable Commitment.

FCC pays each quarter on the first business day of April, July, October and January of each calendar year a Commitment Fee over the undrawn Callable Commitment based on the level of the aggregate maximum exposure of FCC's guarantee portfolio divided by the amount of Available Cash (see Redemption value below for details) and a Liquidity Fee over outstanding Callable Notes of three-months USD Libor or the replacement benchmark rate in case LIBOR ceases to exist.

Any outstanding Callable Notes shall be repaid in full on 2 December 2034. However, on 2 December 2029, the investors in FCF Callable have the option to postpone the redemption date of the Notes to 2 December 2044. Repayment of Callable Notes is subject to Available Cash and ranks senior to repayment of the Junior Notes and Subordinated Notes. The repayment of any PPN is further subject to FCC having concluded the orderly liquidation of its guarantee portfolio.

Junior Notes

Status
A net nominal value of USD 91 million has been issued to Frontier Clearing Fund Junior ("FCF Junior). Of the outstanding USD 91 million, an amount of USD 26.4 million was issued on 15 April 2019 and USD 65 million on 20 December 2019. All Junior Notes have been issued at par and are fully settled. An amount of USD 400,000 has been redeemed on 20 December 2019 for a price of USD 559,316.

Repayment and interest
FCC pays each quarter on the first business day of April, July October and January of each calendar year all of its Available Cash remaining (see Redemption value below for details) after FCC has paid all accrued Commitment Fees, Liquidity Fees and FTAP Fees (if applicable) and (ii) reduced by the total amount of any outstanding Callable Funds (nil as per 31 December 2022), Junior Funds (as per 31 December 2022 USD 91 million) and Subordinated Funds (as per 31 December 2021 USD 13.2 million) as interest on the Junior Notes. During the period, Available Cash has been less than the total amount of outstanding Junior Funds and Subordinated Funds and hence no interest has accrued or been paid on the Junior Notes.

The Junior Note shall be repaid in full on 2 December 2034. However, on 2 December 2029 FCF Junior has the option to postpone the redemption date of the Notes to 2 December 2044. Repayment of Junior Notes is subject to Available Cash and ranks junior to repayment of the Callable Notes, if any, and senior to repayment of the Subordinated Notes. The repayment of any PPN is further subject to FCC having concluded the orderly liquidation of its guarantee portfolio.

Subordinated Notes

Status
The nominal value of Subordinated Notes issued to Frontier Clearing Fund Subordinated ("FCF Subordinated) stands at USD 13.2 million at 31 December 2023 (2022: USD 13.2 million). The first Subordinated Notes were issued on 15 April 2015 for an amount of USD 8.7 million at par. On 29 December 2016, FCC issued an additional USD 2.2 million in Subordinated Notes to FCF Subordinated at par. On 20 December 2019 an amount of USD 2.3 million has been issued to FCF Subordinated at a price of USD 2 million. All issues have been fully paid.

Repayment and interest
FCC pays each quarter on the first business day of April, July, October and January of each calendar year the FTAP Fee of 2% per annum, subject to Available Cash (see Redemption value below for details).

The Subordinated Notes shall be repaid in full on 2 December 2034. However, on 2 December 2029 FCF Subordinated has the option to postpone the redemption date of the Notes to 2 December 2044. The repayment of the Subordinated Notes is subject to Available Cash and ranks junior to the repayment of Senior Notes and Junior Notes. The repayment of any PPN is further subject to FCC having concluded the orderly liquidation of its guarantee portfolio.

Fair value of Junior Notes and Subordinated Notes
The Junior Notes and Subordinated Notes can only be transferred subject to the approval of FCC and the investors in the respective notes. The PPN have not been traded and are unlikely to trade as a financial investment on active markets. As a result, the fair value of the PPN is not obtained from market prices but is derived from a level 3 proxy model as further described below.

The most advantageous market for the Notes is formed by investors encompassing governments, development finance institutions and other strategic investors that will value the business of FCC beyond the financial return offered by or the fair value of the instruments, in line with their development mandate. These investors can therefore accept financial returns that may deviate significantly from those sought after by commercial investors. The fair value model reflects the assumptions that these market participants would use to value the Notes.

Redemption value
The redemption value of the PPN is based on the contractual cash flows attributable to the notes under the PPN Agreement. In accordance with the PPN Agreement, the redemption value is determined by the level of Available Cash to be attributed to each class of the PPN in line with their ranking. The level of Available Cash is equal to the fair value of cash and cash equivalents, minus a provision for amounts to be paid under legally binding obligations and expenses.

The investors in the Frontier Clearing Funds have the right to liquidate the Frontier Clearing Funds and thereby trigger the early repayment of the PPN at any time subject to Investor Special Consent, i.e. with more than 80% of votes or the consent of all investors minus one. The redemption value of the PPN is a proxy of the value noteholders would receive in case of liquidation on the reporting date. Rational investors are expected to table a vote for liquidation if they would deem the value they would receive from the notes in case of continuation of the Company to be below the redemption value. Absent any indication of such inclination of investors, the redemption value serves as a floor to the valuation of the PPN.

Fair value model
At 31 December 2023, FCC has valued the PPN with a level 3 discounted cashflow model, which models the cashflows to each of the PPN over the remaining life of the notes based on portfolio actuals and the following significant unobservable inputs:

Description	*Definition*
Portfolio baseline	The capital utilized by the portfolio of guarantees at financial year-end;
Portfolio growth rate	The annual growth rate of the capital utilized by the portfolio of guarantees issued by FCC, subject to the portfolio leverage limits, in the years following the next financial year-end;
Pricing	The expected risk-adjusted average return earned on capital utilized by the guarantee portfolio over the projected horizon;
OPEX growth rate	The annual growth rate of the operational expenses of FCC relative to the capital utilized by the guarantee portfolio in the years following the next financial year-end. The growth of OPEX is limited as it increases only with the utilization of capital.

For the purpose of fair value measurement, the model does not take into account unknown guarantee payments nor any issuance of PPN beyond the level of confirmed commitments.

The discounted cashflow value of each note is the present value of all its projected distributions and redemptions, discounted USD zero coupon rates extracted from observable interest rates for the remaining tenor of the notes plus the risk premium calibrated to the latest information regarding the perceived return rate of the notes.

The discounted cashflow model discounts the distributions to the excess spread Junior Notes against a risk premium derived from the last reported internal rate of return ("IRR") of the notes when reinvesting the redemption value on the reporting date. The distributions on the fixed rate Subordinated Notes are discounted against a risk premium observed in the last transaction in the notes. The discount rates hence reflect the return expectation of investors in the most advantageous market for FCC.

At 31 December 2023, the projected IRR for the Junior Notes over the remaining life of the notes if invested in at their redemption value stands at 4.82% (2022: 5.42%). This IRR calculation excludes the valuation of the option for investors to extend the life of the notes by another ten years.

Fair value and Redemption Value end of period
The table below provides an overview of valuations of the PPN.

2023

(all amounts in thousands USD)	**Redemption Value at 31 December**	**Fair Value at 31 December**
Callable Notes		
Junior Notes	88,001	88,001
Subordinated Notes	-	10,468
Total	**88,001**	**98,469**

2022

(all amounts in thousands USD)	**Redemption Value at 31 December**	**Fair Value at 31 December**
Callable Notes	-	-
Junior Notes	87,064	87,064
Subordinated Notes	-	9,937
Total	**87,064**	**97,001**

A reported fair value exceeding the redemption value does not imply that investors can monetize that value by redeeming their commitment. Furthermore, as FCC does not have an obligation to its investors to distribute more than the redemption value at liquidation, a negative equity position resulting from a reported fair value exceeding the redemption value of the notes does not imply a going concern issue but reflects the perceived value of the future performance of FCC.

The entrance of new investors in the Frontier Clearing Funds will be subject to negotiation of an acceptable risk premium to both parties and the price against which new PPN are issued to the Frontier Clearing Funds may therefore deviate from the prices reported in the final column. The resulting agreed upon risk premiums will serve as input for the valuation model, in line with the description above.

In line with the above, at 31 December 2023 the Junior Notes are valued at USD 88.0 million (2022: USD 87.1million) and the Subordinated Notes at USD 10.5 million (2022: USD 9.9 million).

Change in accounting estimate
In 2023, the fair value method for the Junior Notes has been adjusted to reflect a risk premium for discounting the distribution to notes based on the last reported rather than the last observed risk premium for the notes. As a result, the difference between the redemption value and the fair value will remain limited and will no longer provide information about the performance assessment of the notes to investors. Investors will instead consider the reported rate of return for the notes as the most relevant indicator for the performance of the notes.

The impact of the change in accounting estimate at 31 December 2023 is given below:

(all amounts in thousands USD)	
Fair value Junior Notes	88,001
Fair value Junior Notes – 2022 method	88,001
Impact change in accounting estimate	**-**

Sensitivity analysis
The sensitivity analysis provides an overview of the uncertainty of each significant unobservable input and the impact on the PPN valuations of a reasonable change in levels applied. The uncertainty of each significant input refers to the measure of uncertainty that FCC faces in estimating each input (1 is less uncertain, 5 is most uncertain) over the projected horizon. At 31 December 2023, none of the reasonable changes in unobservable inputs leads to a reduction in payment of interest and principal on the Subordinated Notes, leaving the notes exposed to changes in USD interest rates only. The table also provides the sensitivity of the Notes to a parallel shift in interest rates as observable input, affecting both the interest income projected over the remaining life via implied forward rates and the discount rates applied to future distributions.

2023					**Change in DCF value** in USD 1,000	
	Uncertainty	**Inputs**	**Reasonable possible change**	**Impact**	**Junior Note**	**Subordinated Note**
Portfolio growth rate	4	20%	-5%	Non-linear	(18,012)	-
			+5%		11,830	-
Pricing (return on capital)	4	7%	-1,0%	Linear	(11,754)	-
			+1,0%		(11,840	-
OPEX growth rate	2	5%	-3,0%	Linear	4,505	-
			+3,0%		(5,018)	-
Interest rates	n/a	market	-100bps	Non-linear	1,693	953
			+100bps		(1,617)	(1,812)
Available capital	3	USD215m	+USD50m	Non-linear	6,113	-

2022					**Change in DCF value** in USD 1,000	
	Uncertainty	**Inputs**	**Reasonable possible change**	**Impact**	**Junior Note**	**Subordinated Note**
Portfolio growth rate	3	25%	-15%	Non-linear	(2,167)	-
			+10%		(916)	-
Pricing (return on capital)	4	7%	-1.0%	Linear	(8,143)	(655)
			+1.0%		8,751	-
OPEX growth rate	2	7%	-1.0%	Linear	(4,686)	-
			+1.0%		4,828	-
Interest rates	n/a	market	-100bps	Non-linear	(1,455)	974
			+100bps		1,267	(871)

The redemption value of the PPN is based on the level of Available Cash at the measurement date. The level of Available Cash is driven by the commercial operations of FCC and is subject to business risk, i.e. the ability of FCC to generate cash from its business activities and the operational expenses incurred in the course of these activities.

11. Financial guarantee contracts at FVTPL

FCC issues financial guarantees on repo, derivative and other money market transactions between EMDC-based regulated financial institutions and their local, regional or global counterparties.

The following FCC guarantees were outstanding at 31 December 2023:

2023

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Colombia	10,000	-	10,000	318
Egypt	9,557	-	9,557	43
Jamaica	5,000	-	5,000	17
Uganda	30,000	-	30,000	-
Total - Assets	**54,557**	**-**	**54,557**	**378**

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Armenia	7,159	-	7,159	(2)
Brazil	5,800	-	5,800	(7)
Chile	900	-	900	(1)
Côte d'Ivoire	6,294	-	6,294	(9)
Czech Republic	3,700	-	3,700	(5)
Global	6,900	-	6,900	(89)
Greece	1,071	-	1,071	(1)
Hong Kong	2,000	-	2,000	(3)
Hungary	1,928	-	1,928	(2)
India	11,200	-	11,200	(14)
Mexico	2,000	-	2,000	(2)
Nigeria	12,300	-	12,300	(16)
Poland	7,200	-	7,200	(9)
Republic of Korea	1,400	-	1,400	(2)
Senegal	1,851	-	1,851	(3)
Slovakia	1,800	-	1,800	(2)
South Africa	13,100	-	13,100	(16)
Taiwan	9,400	-	9,400	(12)
Thailand	700	-	700	(1)
Togo	3,798	-	3,798	(5)
Turkey	24,964	-	24,964	(45)
Total - Liabilities	**125,465**	**-**	**125,465**	**(270)**
Total – Financial guarantees at FVTPL	**180,022**	**-**	**180,022**	**108**

2022 (all amounts in thousands USD)	**Gross notional exposure**	**Hedged**	**Net notional exposure**	**Fair Value**
Dominican Republic	20,000	(10,000)	10,000	1
Jamaica	5,000	-	5,000	64
Subtotal Assets	**25,000**	**(10,000)**	**15,000**	**65**
Armenia	24,489	-	24,489	(14)
Benin	2,962	-	2,962	(45)
Brazil	2,100	-	2,100	(3)
Cote d'Ivoire	4,598	-	4,598	(40)
Czech Republic	900	-	900	(1)
Ecuador	17,500	-	17,500	(46)
Georgia	5,000	-	5,000	(29)
Egypt	59,487	(10,000)	49,487	(133)
Greece	2,378	-	2,378	(2)
Hong Kong	3,100	-	3,100	(4)
Hungary	2,214	-	2,214	(1)
India	11,600	-	11,600	(16)
Mexico	2,700	-	2,700	(4)
Nigeria	15,000	-	15,000	(15)
Republic of Korea	3,100	-	3,100	(4)
Poland	11,500	-	11,500	(16)
Senegal	5,705	-	5,705	(64)
Slovakia	1,800	-	1,800	(2)
South Africa	11,100	-	11,100	(16)
Taiwan	9,800	-	9,800	(13)
Thailand	4,600	-	4,600	(6)
Togo	7,620	-	7,620	(24)
Uganda	30,000	-	30,000	-
Subtotal Liabilities	**239,252**	**(10,000)**	**229,252**	**(498)**
Total	**264,252**	**(20,000)**	**244,252**	**(432)**

Issued Guarantees - Fair value information
The fair value of an issued guarantee is equal to the present value of all premium payments due under the contract minus the credit value adjustment, i.e. the sum of expected costs associated with the guarantee contract in terms of expected credit losses and capital costs. The credit value adjustment of issued guarantees is set equal to the price received for each guarantee at inception – fair value of a contract is equal to zero at inception - and to the price that would be required for each guarantee at any consequent measurement date. The price that would be required on any measurement date is determined in accordance with the Level 3 valuation model described below. Changes in fair value are recorded in the Statement of Comprehensive Income.

FCC guarantees transactions that may be subject to wrong-way risk, i.e. the risk that the exposure at default and loss given default rise together with the probability of default of the counterparty to the trade. General wrong-way risk arises when the probability of default of the obligor and the exposure at default and loss given default are influenced by the same country risk factors. Specific wrong-way risk arises when the default of the obligor is likely to affect the market parameters driving the exposure at default and loss given default, e.g. by triggering a currency crisis.

Given the bespoke nature of the guarantees, their credit value adjustment cannot be determined by market prices or observable inputs only. The credit value adjustment at any consequent measurement date after inception is therefore determined using non-observable inputs (level 3 model).

Level 3 model
The level 3 model valuation is based on the fair value of fee payments receivable under the financial guarantee contract minus the sum of i) the expected credit loss of the financial guarantee conditional on the simultaneous occurrence of a country event at the time of default of the obligor, ii) capital costs associated with marginal economic capital requirement of the financial guarantee and iii) an adjustment factor capturing elements not included in the calculation of expected credit loss and capital costs.

The expected credit loss is determined as the expected loss given default times the probability of default, i.e. the probability of a simultaneous occurrence of a country event and default of the obligor. The expected credit loss given default for a guarantee is given by the loss of converting collateral instruments to local currency cash and the conversion of local currency cash to USD. The 95% percentile of the distribution of short-term interest rates and FX conditional on bank defaults are used to determine the (stressed) loss given default for the country and counterparty exposure metrics, and the 50% percentiles for the expected loss given default. The parameters involved are reviewed at least annually as part of the country and counterparty review process and are subject to the review and approval of the Investment Committee.

The company uses an internal rating model to assign internal credit ratings to each obligor. The probability of default per rating category is derived from observable spread of CDS contracts or USD denominated government securities of EMDC.

The capital costs per exposure are calculated as the stressed probability of default times loss given default minus the expected credit loss times a transfer price weighted average cost of capital. The transfer price cost of capital is set to 5%, under the assumption that development finance institutions are the most advantageous market to transfer any guarantee exposures to and the average cost of capital for development finance institutions is about 5%.

The adjustment factor is determined at inception of the financial guarantee to calibrate the credit value adjustment to the present value of all premium cashflows of the guarantee and is linearly amortized of the life of the guarantee contract.

<u>Unobservable inputs</u>
The level 3 model uses the following significant unobservable inputs on a transaction by transaction level for determining the fair value:

Description	*Definition*
FX jump factor	The expected exchange rate for conversion of local currency cash to USD following the default of the obligor. Set between 30% to 50% by decision of the Investment Committee for wrong-way risk exposures.
Interest rate differential	Change in the difference between interest rate for the domestic currency and the USD interest rate following the default of the obligor. Default assumption is 5% jump in the differential post-default of the obligor.
Recovery rate	The expected price obtained for converting collateral instruments to local currency cash following the default of the obligor. Recovery rates depend on the type, currency denomination and tenor of the securities and range from 35% for Eurobonds to 95% for short-dated local currency Treasury Bills.
Volatility of collateral	The volatility of the value of the collateral provided at inception of the trade, leading to an assumption on variation margin paid during the trade. The default volatility used is 8% reflecting both exchange and interest rate movements.

In case FCC has obtained risk mitigation for guarantees issued, the credit value adjustment reflects the expected credit loss over the gross exposure under the guarantee to FCC and the capital costs associated with the net guarantee exposure.

Obligations under guarantees issued by FCC rank senior to any obligations of FCC under the Profit Participating Notes.

Sensitivity analysis
The uncertainty of each significant input reflects the measure of uncertainty that FCC faces in estimating each significant input (1 is less uncertain, 5 is most uncertain) over the lifetime of each guarantee. The sensitivity of the inputs is expressed in terms of a deviation of 10% up and down in the model parameters:

2023

(all amounts in thousands USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(2)	2
Interest rate differential	4	(3)	3
Recovery rate	2	259	(374)
Volatility of collateral	3	0	(0)
Probability of default	2	(304)	304

2022

(all amounts in thousands USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(190)	190
Interest rate differential	4	(26)	26
Recovery rate	2	200	(314)
Volatility of collateral	3	9	(9)
Probability of default	2	(78)	78

The significant inputs are country and counterparty specific and reviewed at least annually by the Investment Committee.

Comparison of fair value with accrual value of guarantee contracts
The fair value of guarantee contracts moves predominantly as a result of a change in expected credit loss. An increase in expected credit loss postpones the recognition of guarantee revenue and a decrease of the expected credit loss accelerates the recognition of guarantee revenue, in comparison to a linear recognition of guarantee fee income over the life of the guarantee. The extent to which income has been accelerated or decelerated provides meaningful information with regards to the change in perceived risk under a contract and the revenue potential of existing contracts during their remaining tenor.

The following table compares the guarantee revenue from realized fees and changes in fair value against the income that would have been recognized on an accrual basis:

(all amounts in thousands USD)	**2023**	**2022**
Realized fee cashflows plus changes in guarantee fair value	4,445	4,426
Guarantee income on accrual basis	(4,019)	(4,476)
Accelerated (+) or postponed (-) income recognition	426	(50)

Other financial guarantee contracts – fair value information
In case FCC Securities is used for structuring transactions, FCC Securities will function as a pass-through vehicle for a transaction between the counterparty of FCC Securities that will receive a financial guarantee from FCC and the EMDC-based counterparty. FCC Securities is wholly-owned by FCC and managed by Frontclear Management B.V. under the FCC Management Agreement between FCC and Frontclear Management B.V. The capital position of FCC Securities is EUR 1.

Tradeclear Uganda
In June 2022, FCC booked its first umbrella guarantee product, covering the potential losses on eligible collateralized interbank transactions between eligible financial institutions in Uganda up to an amount of USD 30 million. The transaction is referred to as Tradeclear Uganda. At 31 December 2023, no exposures were outstanding under Tradeclear Uganda.

12. Financial instruments at fair value through profit or loss - Other

FCC issues financial guarantees on repo, derivative and other money market transactions between EMDC-based regulated financial institutions and their local, regional or global counterparties. In some cases, transactions are structured using the wholly-owned subsidiary FCC Securities as a structuring vehicle. The transactions entered into by FCC Securities are back-to-back transactions, where FCC Securities transacts with an EMDC-based counterparty (the “obligor”) and hedges the exposure with a reverse transaction with a regional or global counterparty (the “beneficiary” or the “lender”). All risks of transactions structured through FCC Securities are guaranteed by FCC and all net income of such transactions is paid to FCC in lieu of an FCC guarantee issued to the counterparty of FCC Securities. In the consolidated balance sheet, the guarantees on transactions entered into by FCCS are eliminated and the transactions of FCCS are reported as financial instruments at FVTPL.

Financial instruments - Fair value information
Absent any credit risk mitigation, the lender, through the transaction with pass-through vehicle FCC Securities, would have the same exposure to FCC Securities as FCC Securities has to the EMDC-based obligor. This would lead to a debt value adjustment (DVA) on the transaction between FCC Securities and the lender. The financial guarantee issued by FCC to the lender however absorbs a significant part of this exposure. The value of the risk absorbed by FCC is calculated based on the credit value adjustment (the Guarantee CVA) model described in the Note 11.

The residual net DVA equal to the above DVA minus the Guarantee CVA, reflects the residual exposure of the lender to the transaction as a result of the credit risk exposure to FCC under the financial guarantee contract. This residual net DVA (Net DVA) is amortized linearly over the life of the transaction.

In the transaction between FCC Securities and the obligor, FCC Securities will charge a CVA reflecting the financial value of the exposure of FCC Securities to the obligor, which is equal to the Guarantee CVA plus the Net DVA on recognition (for the residual risk the lender is exposed to). The CVA between FCC Securities and the obligor at any consequent measurement date is equal to the sum of the then applicable Guarantee CVA and the linearly amortized Net DVA between FCC Securities and the lender.

The following financial instruments were outstanding in back-to-back transactions at 31 December 2023:

2023

(all amounts in thousands USD)	**Type**	**Maturity**	**Notional exposure**	**Fair value**
Azerbaijan	CC-IRS	22-11-2024	5,000	11
Azerbaijan	CC-IRS	12-04-2025	5,000	22
Azerbaijan	CC-IRS	05-07-2025	5,000	206
Dominican Republic	Repo	06-06-2024	10,000	10,056
Georgia	CC-IRS	22-12-2024	5,000	594
Mongolia	Repo	30-08-2024	23,000	23,248
Mongolia	Repo	17-09-2024	7,000	7,052
Mongolia	Repo	14-12-2024	40,000	40,285
Netherlands	CC-IRS	01-06-2024	5,360	138
Netherlands	CC-IRS	20-09-2024	5,000	31
Netherlands	CC-IRS	20-10-2025	5,000	21
Netherlands	CC-IRS	26-10-2025	5,000	39
Netherlands	CC-IRS	27-10-2025	5,000	22
Netherlands	CC-IRS	03-11-2025	15,000	248
Nigeria	Repo	07-05-2024	16,100	16,361
Total financial instruments at FVTPL - Assets			**156,460**	**98,333**

(all amounts in thousands USD)	Type	Maturity	Notional exposure	Fair value
Australia	Repo	06-06-2024	10,000	(10,047)
Azerbaijan	CC-IRS`	01-06-2024	5,360	(132)
Azerbaijan	CC-IRS	20-09-2024	5,000	(29)
Azerbaijan	CC-IRS	20-10-2025	5,000	(14)
Azerbaijan	CC-IRS	26-10-2025	5,000	(23)
Azerbaijan	CC-IRS	27-10-2025	5,000	(16)
Germany	Repo	14-12-2024	40,000	(40,190)
Mauritius	Loan	07-05-2024	16,100	(16,294)
Netherlands	CC-IRS	22-11-2024	5,000	(4)
Netherlands	CC-IRS	22-12-2024	5,000	(594)
Netherlands	CC-IRS	12-04-2025	5,000	(11)
Netherlands	CC-IRS	05-07-2025	5,000	(193)
United Kingdom	Repo	30-08-2024	23,000	(23,164)
United Kingdom	Repo	17-09-2024	7,000	(7,024)
Uzbekistan	CC-IRS	03-11-2025	15,000	(230)
Total financial instruments at FVTPL - Liabilities			**156,460**	**(97,964)**
Total financial instruments at FVTPL			**312,920**	**369**

2022

(all amounts in thousands USD)	Type	Maturity	Notional exposure	Fair value
Azerbaijan	CC-IRS	22-11-2024	5,000	26
Azerbaijan	CC-IRS	05-07-2025	5,000	346
Azerbaijan	CC-IRS	26-10-2025	5,000	10
Dominican Republic	Repo	30-04-2023	20,000	15
Georgia	CC-IRS	22-12-2024	5,000	161
Mongolia	Repo	19-08-2023	23,000	572
Mongolia	Repo	05-12-2023	25,000	483
Netherlands	CC-IRS	26-10-2025	5,000	2
Total financial instruments at FVTPL - Assets			**93,000**	**1,615**

(all amounts in thousands USD)	Type	Maturity	Notional exposure	Fair value
Germany	Repo	05-12-2023	25,000	(408)
Netherlands	CC-IRS	22-11-2024	5,000	(20)
Netherlands	CC-IRS	12-04-2025	5,000	(11)
Netherlands	CC-IRS	05-07-2025	5,000	(192)
Switzerland	Repo	30-04-2023	20,000	(15)
United Kingdom	Repo	19-08-2023	23,000	(495)
Total financial instruments at FVTPL - Liabilities			**83,000**	**(1,435)**
Total financial instruments at FVTPL			**176,000**	**180**

The net income generated by FCC Securities on the contracts in financial instruments, which is paid to FCC in lieu of the guarantee issued to the counterparty of FCC Securities, is recognized in the calculation of fair value of the guarantees issued by FCC. The income received by FCC from FCC Securities and the fair value of guarantees issued to counterparties of FCC Securities are eliminated in the consolidation.

Sensitivity analysis
The uncertainty of each significant input reflects the measure of uncertainty that FCC faces in estimating each significant input (1 is less uncertain, 5 is most uncertain) over the lifetime of each guarantee. The sensitivity of the inputs is expressed in terms of a deviation of 10% up and down in the input parameter:

2023

(all amounts in USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(1)	1
Interest rate differential	4	(2)	2
Recovery rate	2	242	(261)
Volatility of collateral	3	69	(69)
Probability of default	2	(67)	67

2022

(all amounts in USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(9)	9
Interest rate differential	4	(16)	16
Recovery rate	2	144	(144)
Volatility of collateral	3	1	(1)
Probability of default	2	(12)	12

Recognition
The individual contracts are recognized as an asset or liability according to the fair value per contract:

(all amounts in thousands USD)

2023	**Assets**	**Liabilities**
Opening balance	1,615	(1,435)
Unrealized gains and (losses) for the year 2023	96,718	(96,529)
Balance at 31 December 2023	**98,333**	**(97,964)**

2022	**Assets**	**Liabilities**
Opening balance	1,257	(1,142)
Unrealized gains and (losses) for the year 2022	358	(293)
Balance at 31 December 2022	**1,615**	**(1,435)**

Collateral balance
Any collateral posted to FCC Securities by the obligor or vice versa is offset by an equal collateral posting by FCC Securities to the lender of vice versa. The net collateral balance held by FCC Securities at 31 December 2023 is USD 0.9 million (2022: USD 0.3 million).

13. Financial instruments at fair value through profit or loss - Securities

The carrying amounts based on level 1 valuations of financial assets at fair value through profit or loss at 31 December are as follows:

(all amounts in thousands USD)

Bonds 2023	Counterparty	Maturity date	Fair Value
US748148PD96	Province of Quebec	09-02-2024	5,149
US500769JM70	KFW	08-03-2024	3,967
US87031CAB90	Swedish ECC	11-03-2024	3,967
US65562QBL86	Nordic Investment Bank	21-05-2024	5,352
US50046PBR55	Kommuninvest I Sverige	19-06-2024	2,444
XS2031976678	L-Bank	23-07-2024	4,955
XS2035038731	NRW.Bank	31-07-2024	2,393
US500769JC98	KFW	05-08-2024	2,460
US748149AQ48	Province of Quebec	04-09-2024	2,495
USC69798AC73	OTFT	12-09-2024	9,810
US87031CAC73	Swedish ECC	07-10-2024	4,842
US29874QEK67	EBRD	15-10-2024	4,053
US013051EH65	Province of Alberta	13-11-2024	4,880
US748148SC86	Province of Quebec	23-07-2025	5,659
Total			**62,425**

(all amounts in thousands USD)

Bonds 2022	Counterparty	Maturity date	Fair Value
US459056LD78	IBRD	19-01-2023	5,182
US748149AG65	Province of Quebec	13-02-2023	2,520
US62630CAN11	Kuntarahoitus	07-03-2023	2,516
XS1788579917	Kuntarahoitus	07-03-2023	4,026
US682142AD66	OTFT	14-04-2023	2,978
XS2156607884	BNG	17-04-2023	1,981
US125094AT90	CDPQ	17-04-2023	2,975
XS2003710626	NRW.Bank	31-05-2023	5,418
XS2265023601	Kommuninvest I Sverige	09-08-2023	4,869
USC69798AF05	OTFT	29-09-2023	4,846
US748148PD96	Province of Quebec	09-02-2024	5,258
US50046PBR55	Kommuinvest I Sverige	19-06-2024	2,346
XS2031976678	L-Bank	23-07-2024	4,841
XS2035038731	NRW.Bank	31-07-2024	2,335
USC69798AC73	OTFT	12-09-2024	9,540
Total			**61,631**

The movement of the securities is as follows:

(all amounts in thousands USD)	2023	2022
Opening balance	61,631	53,895
Purchases	51,307	45,204
Sales/maturities	(51,900)	(35,000)
Fair value changes on financial instruments at FVTPL	1,387	(2,468)
Position as per 31 December	**62,425**	**61,631**

Recognition at FVTPL accelerates the recognition of income or postpones the recognition of income relative to a revenue recognition based on amortized cost depending on the movement of the clean price of the instruments.

(all amounts in thousands USD)	2023	2022
Realized interest income	1,553	1,700
Change in fair value	1,387	(2,468)
Result for the period	**2,940**	**(768)**
Result at amortized cost	1,758	637
Acceleration (+) or postponed (-) income recognition	**(1,182)**	**(1,405)**

14. Accrued fees

(all amounts in thousands USD)	2023	2022
Accrued Subordinated Notes fees	66	67
Accrued SG Liquidity Facility	-	17
Accrued Callable commitment fees	19	4
Total Accrued fees	**85**	**88**

15. Management fee receivable / (payable)

At 31 December 2023, a final amount due from the Manager for management fee charged in excess of costs incurred by the Manager of EUR 22,283 (2022: management fee payable of EUR 88,142) has been recorded as an accrual.

16. Other receivables

(all amounts in thousands USD)	2023	2022
Interest receivable	78	67
Prepaid counter-guarantee fees	-	176
Guarantee and interest income due	78	95
Other	96	-
Total Accrued fees	**252**	**338**

All amounts due above have been settled after the reporting date.

17. Other liabilities

(all amounts in thousands USD)	2023	2022
Third party service provider fees payable	5	-
Accrued performance fees	502	95
Accrued Supervisory Board Fees	62	53
Accrued Portfolio Insurance Fees	125	131
Collateral balance and distributions due	2,861	285
Other liabilities	-	-
Total other liabilities	**3,555**	**564**

18. Off-balance-sheet rights, obligations and arrangements

Callable Commitment
In accordance with the Amended & Restated PPN Agreement between FCC and each of the Frontier Clearing Funds, FCC agrees to issue to and Frontier Clearing Fund Callable ("FCF Callable") agrees to purchase Callable Notes up to the level of commitments given to FCF Callable by its investors (the "Callable Commitment"). The Callable Commitment is unconditional and irrevocable.

FCC entered into the first Callable Commitment with FCF Callable effective on 23 December 2022 resulting in a Callable Commitment on 31 December 2023 of USD 50 million (2022: USD 50 million). At 31 December 2023, the Callable Commitment remained undrawn and no Callable Notes are recognized. See Note 10 for further detail on the Callable Commitment.

XOL Insurance Policy
The company has entered into a USD 75m excess-of-loss insurance policy with Lloyd's of London, under which the company can draw in case losses on the portfolio exceeds the level of remaining paid-in capital available to the company, with a waiting period for any recovered amounts under the policy of 180 days. See Note 25 for further information.

KFW Counter-Guarantee
Under the KFW Counter-Guarantee agreement, KFW guarantees the financial obligations of FCC towards third parties under financial guarantee contracts, in case FCC is unable to meet such obligations. The guaranteed amount is the sum of the aggregate of the nominal amounts of the Profit Participating Notes and the portfolio insurance as per the Amended & Restated PPN Agreement up to a maximum of USD 100 million. The agreement matures on 31 December 2026. See Note 24 for further detail.

Deferred Performance Fee Component & Long-Term Incentive fee
In accordance with clause 5 of Schedule 2 of the FCC Management Agreement, the Fixed Performance Fee Component and Long-Term Incentive fee are payable conditional on FCC achieving a positive operational result. The FCC Management Agreement defines a positive operational result as the lower of the reported operating result and the result of FCC with income from guarantees and fixed income investments adjusted to reflect linear recognition of income over the life of the transaction, with the difference between the two carried forward to the next financial year.

The deferred Fixed Performance Fee Component is USD 1,572,499 (2022: USD 1,839,254) and the remaining Long-Term Incentive fee is USD nil (2022: USD 557,508). Please refer to Note 34 for further information on the Fixed Performance Fee Component and Long-Term Incentive fees.

These deferred components are not subject to expiration.

19. Realized fees on contracts at FVTPL

(all amounts in thousands USD)	2023	2022
Realized fees on financial guarantee contracts at FVTPL	2,285	2,903
Realized fees of financial instruments at FVTPL	1,851	1,224
Total realized and accrued fees	**4,136**	**4,127**

20. Changes in fair value on contracts at FVTPL

(all amounts in thousands USD)	2023	2022
Fair value of financial guarantee contracts at beginning of the period	433	(667)
Fair value of financial instruments at FVTPL at beginning of the period	(180)	115
Fair value of financial guarantee contracts at end of the period	108	(433)
Fair value of financial instruments at FVTPL at end of the period	369	180
Total change in fair value	**730**	**299**

Please refer to Notes 10 and 11 for further detail.

21. Guarantee expenses

(all amounts in thousands USD)	2023	2022
Hedging costs	421	582
Total guarantee expenses	**421**	**582**

The guarantee expenses exclusively relate to fees on insurance contracts.

22. Subordinated Notes - FTAP Fee

The Subordinated Notes FTAP Fee is a fee calculated based on 2% per annum based on the Subordinated Notes outstanding. The fees are paid to FCF Subordinated. See Note 10 for further detail.

23. Callable Commitment Fee

The fees relating to the Callable Commitment over 2023 is based on the ratio of total exposure over paid-in capital. Over 2023, the commitment fee amounted to 0.15% per annum over the available amount. The commitment is effective from 23 December 2022 for USD 50 million. See Note 10 for further detail.

24. Counter Guarantee fee

The Counter Guarantee fee is a fee calculated based on the counter guarantee agreement between FCC and KfW. The agreement guarantees the financial obligations of FCC towards third parties under financial guarantee contracts, in case FCC is unable to meet such obligations. The guaranteed amount is the sum of the aggregate of the nominal amounts of the Profit Participating Notes and the portfolio insurance as per the Amended & Restated PPN Agreement up to a maximum of USD 100 million. The maturity date of the Counter Guarantee is 31 December 2026.

Depending on FCC's (implied) credit rating a counter-guarantee fee is charged between 0.35% and 0.50% as of 1 January 2023 (2022: 0.35% and 0.50%) of the guaranteed amount. At 31 December 2023, the available guaranteed amount under the counter guarantee equals USD 100 million (2022: USD 100 million).

(all amounts in thousands USD)	2023	2022
Counter guarantee fee	355	355
Total counter guarantee fee	**355**	**355**

25. Portfolio Insurance Fee

(all amounts in thousands USD)	2023	2022
Portfolio insurance fees	299	306
Total portfolio insurance fee	**299**	**306**

The Portfolio insurance fees are determined monthly based on the ratio of the outstanding portfolio and Available Cash, with a minimum of 0.40% per annum. The Portfolio Insurance policy is effective from 2 December 2019, the fees relating to the period until 31 December 2023 have been recognized in 2023.

26. Liquidity Facility Fee

The fees relating to the USD 50m liquidity facility over 2023 relate to the commitment fee payable of 0.40% per annum over the available amount. The facility was first entered into on 12 May 2021 for USD 25 million and was raised on 12 May 2022 to USD 50 million. The liquidity facility has been matured on 12 April 2023.

(all amounts in thousands USD)	2023	2022
Liquidity facility fees	57	158
Total liquidity facility fee	**57**	**158**

27. Interest income

(all amounts in thousands USD)	2023	2022
Interest income on term deposits	1,267	412
Interest income on bank accounts	137	30
Realized income on securities	1,553	1,700
Total interest income	**2,957**	**2,142**

The Company typically invests excess cash on the bank account in overnight deposits. The rates earned on the overnight deposits have followed the rise in USD interest rates over 2023.

28. Management fee

FCM is the manager of FCC. The fee for the management of FCC is based on the FCC Management Agreement between FCC and FCM and covers all operational expenses of FCC as approved in the annual budget. For the year 2023, the management fee amounts to USD 3.5 million (2022: USD 2.8 million).

The management fee has been charged in equal monthly installments of EUR 262,862 (2022: EUR 211,000) in accordance with the budget approved by the Supervisory Board. A final amount due from the Manager for management fee charged in excess of costs incurred by the Manager of EUR 22,283 (2022: management fee payable of EUR 88,142) has been recorded as an accrual in FCC at year-end (see Note 15).

The management fee over 2023 covers commercial legal fees incurred by FCM of EUR 14,172 (2022: EUR 37,202). The audit fees paid by FCC are disclosed in Note 33. The legal fees include the costs related to the second financial close.

The following table provides a break-down of the management fee per cost category in percentages:

	2023	2022
Salaries & Remuneration	68%	64%
Business Development, Travel & Sundry	12%	4%
Third Party Service Providers	3%	13%
Insurance Costs	4%	4%
Subscription & License Fees	8%	9%
Information Technology	2%	3%
Office Expense	3%	2%
Total management fee	**100%**	**100%**

29. Performance fee

(all amounts in thousands USD)	2023	2022
Performance fees	758	178
Total Performance fee	**758**	**178**

On 29 January 2024, the Supervisory Board of FCC awarded FCM with a Performance Fee being the sum of USD 330,278 (2022: USD 284,474) and EUR 453,268 (2022: EUR 327,984) in relation to its performance as Manager in 2023. The amount of EUR 453,268 (2022: EUR 327,984) in relation to the variable compensation of the staff of the Manager is fully recognized in 2023 (2022: EUR 88,242). Please refer to Note 34 for further information on the recognition of the Performance fee.

30. Legal fees

All legal fees for 2023 and 2022 relate to commercial activities of structuring financial contracts.

31. Third party service providers

(all amounts in thousands USD)	2023	2022
Back office services	188	202
Total third party service providers	**188**	**202**

32. Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and FCC, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of FCC. The following parties are considered related parties.

Managing Board
FCM received remuneration for services provided as FCC's statutory director which is included in the overall agreement with both parties. See below under Manager for further details.

Supervisory Board
The Supervisory Board members are entitled to receive fixed annual fees of USD 25,000 (2022: USD 25,000) for the Chairman and USD 20,000 (2022: USD 20,000) for each other member. The amount expensed each year depends inter alia on the VAT treatment of the fees, the timing of actual payments and Supervisory Board appointments.

Manager
FCM is appointed as the Manager of FCC in accordance with the terms of the FCC Management Agreement. The main responsibilities of the Manager are to manage FCC's investments according to FCC's investment guidelines and risk charter, to represent FCC in communication with its stakeholders, counterparties and services providers and to ensure the FCC's optimal access to international and local markets to promote and implement FCC's mandate.

Under the terms of the FCC Management Agreement, the Manager receives a Management Fee to cover operational expenses made in relation to the management of FCC and Performance Fees and Long-Term Incentive Fees as remuneration for its services. The fees awarded to FCM in 2023 is disclosed under Notes 28, 29 and 34.

33. Other operating expenses

(all amounts in thousands USD)	**2023**	**2022**
Supervisory Board	109	85
Audit & Financial Reporting	251	89
Bank costs	115	113
Other expenses	65	75
Total other operating expenses	**540**	**362**

34. Deferred Performance fee and LTI

On 29 January 2024, the Supervisory Board of FCC has awarded the Manager with a Performance Fee being the sum of USD 330,278 (2022: USD 284,474) and EUR 453,268 (2022: EUR 327,984) in relation to its performance as Manager in 2023.

In accordance with clause 5 of Schedule 2 of the FCC Management Agreement, the Fixed Performance Fee Component and Long-Term Incentive fee are payable conditional on FCC achieving a positive operational result. The FCC Management Agreement defines a positive operational result as the lower of the reported net operating income and the result of FCC with some revenue components adjusted to reflect linear recognition of income over the life of the transaction, with the difference between the two carried forward to the next financial year.

(all amounts in thousands USD)	**2023**	**2022**
Operating result	2,506	(1,273)
Postponed income recognition guarantee revenue (Note 11)	(426)	50
Postponed income recognition instruments at FVTPL (Note 13)	(1,182)	1,405
Income for Fixed Performance Fee Component and LTI payable	**898**	**182**

In 2023, an accrual has been recognized for the settlement of the deferred Fixed Performance Fee Component or LTI of USD 1,080,086, being the sum of the (rounded) positive operating income of USD 182,000 of 2022 and the positive operating income of USD 898,086 of 2023. The remaining deferred Fixed Performance Fee Component at 31 December 2023 is USD 1,646,954 (2022: USD 1,839,254) and the deferred Long-Term Incentive fee is USD nil (2022: USD 557,508).

35. Income tax

As of the fiscal year 2022, FCC has filed for a zero tax return with the Dutch tax agency, based on its nature of operating company for the investments of the Frontier Clearing Funds.

36. Proposal appropriation of result

Based on the results over the year ended 31 December 2023, the Board of Directors proposes to deduct the result of USD 42,291 from the other reserves.

37. Company Only Financial Statements Frontier Clearing Corporation B.V.

The company only financial statements are presented below, where notes refer to the disclosures of the consolidated financial statements were applicable.

Company Only Statement of Financial Position

(as at 31 December, before profit appropriation)

(all amounts in thousands USD)	Notes	2023	2022
Assets			
Non-current assets			
Subsidiary FCC Securities B.V.	47	(149)	(181)
Intergroup receivable	40	508	508
Total non-current assets		359	327
Current assets			
Cash and cash equivalents	41	27,061	25,405
Financial guarantee contracts at FVTPL	42	747	245
Financial instruments at FVTPL – Securities	13	62,425	61,631
Prepaid guarantee expenses		86	67
Management fee		99	-
Other receivables		156	338
Total current assets		90,574	87,686
Total assets		**90,933**	**88,013**
Equity			
Shareholders' equity			
Issued share capital	7	-	-
General reserve	8	(9,947)	(9,807)
Undistributed result for the period	9	(42)	(140)
Total shareholders' equity		(9,989)	(9,947)
Liabilities			
Long-term liabilities			
Junior Notes	10	88,001	87,064
Subordinated Notes	10	10,468	9,937
Total long term liabilities		98,469	97,001
Short-term liabilities			
Financial guarantee contracts at FVTPL	11	270	498
Accrued fees	14	85	88
Management fee payable	15	74	94
Deferred performance fee and LTI		1,080	-
Other liabilities	43	944	279
Total short term liabilities		2,453	959
Total equity & liabilities		**90,933**	**88,013**

Company Only Statement of Comprehensive income

(all amounts in thousands USD)	Notes	2023	2022
Revenues			
Realized fees on contracts at FVTPL	0	4,136	4,127
Change in fair value of financial guarantee contracts at FVTPL	44	730	299
Guarantee expenses	21	(421)	(582)
Total revenues		**4,445**	**3,844**
Finance costs			
Subordinated Notes - FTAP Fee	22	(264)	(264)
Callable commitment Fee	23	(73)	(4)
Counter Guarantee Fee	24	(355)	(355)
Portfolio Insurance Fee	25	(299)	(306)
SG Liquidity Facility Fee	26	(57)	(158)
Total finance costs		**(1,048)**	**(1,087)**
Other results			
Interest income	45	2,905	2,132
Subscription and license fees		(25)	-
Fair value changes in liquidity investments	13	1,395	(2,491)
Other income		-	(20)
Total other results		**4,275**	**(379)**
Total operating income		**7,672**	**2,382**
Operating expenses			
Management Fees	0	(3,513)	(2,765)
Performance Fees	29	(758)	(178)
Legal Fees	30	(238)	(148)
Third party service providers	31	(188)	(202)
Other operating expenses	46	(501)	(337)
Total operating expenses		**(5,198)**	**(3,630)**
Operating result		**2,474**	**(1,248)**
Deferred Performance fee and LTI	34	(1,080)	-
Net result for the period before revaluation		**1,394**	**(1,248)**
Revaluation of Subordinated Notes	10	(531)	1,929
Revaluation of Junior Notes	10	(937)	1,243
Net result FCC Securities B.V.	47	32	(25)
Net profit/(loss) for the period before tax		**(42)**	**1,899**
Income tax	35	-	(2,039)
Comprehensive profit/(loss) for the period		**(42)**	**(140)**
Comprehensive profit/(loss) for the period attributable to the holder of the issued share of FCC	36	*(42)*	*(140)*

38. General information

Frontier Clearing Corporation B.V. ("the Company" or "FCC") is a financial markets development company focused on catalyzing more stable and inclusive financial markets in emerging and developing countries ("EMDCs").

FCC facilitates access to financial markets for local institutions in EMDCs through the provision of credit guarantees to cover a transacting institution's counterparty credit risk. FCC is primarily funded by means of its Profit Participating Notes program, under which it issues Subordinated Notes, Junior Notes and Callable Notes (together the "Profit Participating Notes" or "PPN") to the Frontier Clearing Fund Subordinated, Frontier Clearing Fund Junior and Frontier Clearing Fund Callable (together the "Funds"). FCM is also the fund manager (in this capacity the "Fund Manager") of the Funds in accordance with their Terms and Conditions.

FCC's operations are managed by Frontclear Management B.V. ("FCM" or "the Manager") under the terms of the FCC Management Agreement. The administrating function has been outsourced to DLM Finance B.V.

The registered address of FCC is Mauritskade 63, 1092 AD, Amsterdam, The Netherlands. The Company is registered with Chamber of Commerce number 61998583 and was incorporated on 1 December 2014.

39. Summary of significant accounting policies

The company only financial statements have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. In accordance with 2:362.8 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

The group companies are stated at their net asset value, determined on the basis of the consolidated accounting policies as applied in the consolidated financial statements. For details on the accounting policies applied for the group companies refer to the consolidated financial statements.

A reference is made to Note 4 Summary of significant accounting policies of the consolidated financial statements for the description of the accounting policies applied.

40. Intercompany receivable

all amounts in thousands USD)	**2023**	**2022**
Amounts due from FCC Securities B.V.	508	508
Total intercompany receivable	**508**	**508**

The amounts due from FCC Securities B.V. relate to intercompany payments for the temporary accommodation of the settlement of obligations.

41. Cash and cash equivalents

(all amounts in thousands USD)	2023	2022
Money market funds	17,000	20,000
Term deposits Rabobank	11,106	-
Cash positions Rabobank	-1,642	4,487
Cash positions CACEIS Bank, Netherlands Branch	597	918
Total cash and cash equivalents	**27,061**	**25,405**

No restrictions to the usage of cash and cash equivalents exist at year end. Interest income related to cash and cash equivalents amounted to USD 1,351,253 (2022: USD 431,049).

42. Financial guarantees at FVTPL

The following FCC guarantees were outstanding at 31 December 2023:

2023

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Azerbaijan	35,360	-	35,360	68
Colombia	10,000	-	10,000	318
Dominican Republic	10,000	-	10,000	9
Egypt	9,557	-	9,557	43
Jamaica	5,000	-	5,000	17
Mongolia	70,000	(25,500)	44,500	207
Nigeria	23,400	-	23,400	67
Uganda	30,000	-	30,000	-
Uzbekistan	15,000	-	15,000	18
Total - Assets	**208,317**	**(25,500)**	**187,817**	**748**

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Armenia	7,159	-	7,159	(2)
Brazil	5,800	-	5,800	(7)
Chile	900	-	900	(1)
Côte d'Ivoire	6,294	-	6,294	(9)
Czech Republic	3,700	-	3,700	(5)
Georgia	5,000	-	5,000	(24)
Global	6,900	-	6,900	(89)
Greece	1,071	-	1,071	(1)
Hong Kong	2,000	-	2,000	(3)
Hungary	1,928	-	1,928	(2)
India	11,200	-	11,200	(14)
Mexico	2,000	-	2,000	(2)
Nigeria	5,000	-	5,000	(16)
Poland	7,200	-	7,200	(9)
Republic of Korea	1,400	-	1,400	(2)
Senegal	1,851	-	1,851	(3)
Slovakia	1,800	-	1,800	(2)
South Africa	13,100	-	13,100	(16)
Taiwan	9,400	-	9,400	(12)
Thailand	700	-	700	(1)

Togo	3,798	-	3,798	(5)
Turkey	24,964	-	24,964	(45)
Total - Liabilities	**123,165**	**-**	**123,165**	**(270)**
Total – Financial guarantees at FVTPL	**331,482**	**(25,500)**	**310,982**	**477**

2022 (all amounts in thousands USD)	**Gross notional exposure**	**Hedged**	**Net notional exposure**	**Fair Value**
Dominican Republic	20,000	(10,000)	10,000	1
Jamaica	5,000	-	5,000	64
Subtotal Assets	**25,000**	**(10,000)**	**15,000**	**65**
Armenia	24,489	-	24,489	(14)
Benin	2,962	-	2,962	(45)
Brazil	2,100	-	2,100	(3)
Cote d'Ivoire	4,598	-	4,598	(40)
Czech Republic	900	-	900	(1)
Ecuador	17,500	-	17,500	(46)
Georgia	5,000	-	5,000	(29)
Egypt	59,487	(10,000)	49,487	(133)
Greece	2,378	-	2,378	(2)
Hong Kong	3,100	-	3,100	(4)
Hungary	2,214	-	2,214	(1)
India	11,600	-	11,600	(16)
Mexico	2,700	-	2,700	(4)
Nigeria	15,000	-	15,000	(15)
Republic of Korea	3,100	-	3,100	(4)
Poland	11,500	-	11,500	(16)
Senegal	5,705	-	5,705	(64)
Slovakia	1,800	-	1,800	(2)
South Africa	11,100	-	11,100	(16)
Taiwan	9,800	-	9,800	(13)
Thailand	4,600	-	4,600	(6)
Togo	7,620	-	7,620	(24)
Uganda	30,000	-	30,000	-
Subtotal Liabilities	**239,252**	**(10,000)**	**229,252**	**(498)**
Total	**264,252**	**(20,000)**	**244,252**	**(432)**

43. Other liabilities

(all amounts in thousands USD)	**2023**	**2022**
Third party service provider fees payable	5	-
Accrued performance fees	502	95
Accrued Supervisory Board Fees	62	53
Accrued portfolio insurance fees	125	131
Other liabilities	250	-
Total other liabilities	**944**	**279**

44. Changes in fair value on financial guarantee contracts at FVTPL

(all amounts in thousands USD)	2023	2022
Fair value of financial guarantee contracts at beginning of the period	253	552
Fair value of financial guarantee contracts at end of the period	477	(253)
Total change in fair value	**730**	**299**

45. Interest income

(all amounts in thousands USD)	2023	2022
Interest income bank accounts	1,352	431
Interest income on fixed bonds	1,553	1,701
Total interest income	**2,905**	**2,132**

46. Other operating expenses

(all amounts in thousands USD)	2023	2022
Supervisory Board	109	85
Audit & Financial Reporting	251	89
Bank costs	76	75
Credit rating fees	65	63
Subscriptions and license fees	-	13
Other expenses	-	8
Total other operating expenses	**501**	**333**

47. Subsidiary FCC Securities B.V.

(all amounts in thousands USD)	2023	2022
Opening balance	(181)	(156)
Net result for the year	32	(25)
Total at year end	**(149)**	**(181)**

Other Information

Statutory requirements for processing results (extract of Articles of Association)

Article 24. PROFITS AND RESERVES

24.1 The general meeting is authorised to appropriate the profits, which are determined by adoption of the Annual Accounts and to determine distributions, in as far as the shareholders' equity of the Company exceeds the reserves which must be maintained pursuant to the law. Notwithstanding the provisions of the previous sentence and in accordance with the provisions of article 24.4, the management board is authorised to resolve to decide to make interim distribution of profits

24.2 The general meeting shall determine the allocation of the accrued profits. In calculating the amount of profit, that shall be distributed on each share, the nominal value of the shares shall be taken into account, regardless if these shares have been fully paid up.

24.3 A distribution of profits shall take place after the adoption of the Annual Accounts. The distribution of profits shall be due for payment within two weeks after the resolution of the management board to approve the distribution as meant in article 24.6, unless the management board for reasons of special circumstances resolves otherwise.

24.4 Subject to article 24.1, the management board may resolve to interim distribution of profits. The management board shall not resolve to decide to make interim distributions if it knows or reasonably should foresee that the Company shall get into a position in which it cannot continue to pay its due and payable debts after the distribution.

24.5 The general meeting may resolve to make distributions out of a reserve in whole or in part.

24.6 A resolution to distribute profits or reserves shall not have consequences as long as the management board has not granted its approval. The management board shall only withhold its approval if it knows or reasonably should foresee that the Company cannot continue to pay its due and payable debts after the distribution has been made.

24.7 The claim of a shareholder to receive any distributions shall lapse within five years after they have become due for payment.

24.8 In calculating the amount of any distribution on shares, shares held by the Company shall be disregarded.

Independent auditor's report

To: the general meeting and the supervisory board of Frontier Clearing Corporation B.V.

Report on the audit of the financial statements 2023

Our opinion

In our opinion, the financial statements of Frontier Clearing Corporation B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2023, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ('EU-IFRS') and with Part 9 of Book 2of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2023 of Frontier Clearing Corporation B.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at 31 December 2023;
- the following statements for 2023: the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

NLE00027679.1.1

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Independence

We are independent of Frontier Clearing Corporation B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (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).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of Frontier Clearing Corporation B.V. and its environment and the components of the internal control system. This included the managing board's risk assessment process, the managing board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We note that the managing board has not formalised its fraud risk assessment and that fraud risk is only part of the operational risk policy.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud as well as the code of conduct, whistle-blower procedures, incident registration and risk policies. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board, and the independent administrator whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	***Our audit work and observations***
Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively	We have evaluated the design, the implementation and effectiveness of the internal control system by reviewing the ISAE 3402 type II report of the Company for the period 1 October 2022 until 30 September 2023. We received a bridge letter for the remaining period, and we have discussed with management that no material changes occurred from 1 October 2023 to 31 December 2023.

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Identified fraud risks	Our audit work and observations
	Furthermore, we have reviewed the ISAE 3402 type II report of the independent administrator for the period 1 October 2022 until 30 September 2023. We have received a bridge letter for the remaining period and we have discussed with both management and the independent administrator that no material changed occurred from 1 October 2023 to 31 December 2023. We have performed inquiries with the ISAE auditor of the company, the administrator, and the managing board with respect to fraud and the journal entry process. The audit procedures include evaluating the design and implementation of internal control measures designed to mitigate fraud risks (such as processing and reviewing journal entries) and procedures for unexpected journal entries. We did not note any irregularities with respect to the audit work performed.
Risk of fraud in revenue recognition, specifically through indirect (unrealised) results generated by valuation of financial guarantee contracts and profit participating notes	We have evaluated the design, the implementation and effectiveness of the internal control system by reviewing the ISAE 3402 type II report of the Company for the period 1 October 2022 until 30 September 2023. We received a bridge letter for the remaining period, and we have discussed with management that no material changes occurred from 1 October 2023 to 31 December 2023. Furthermore, we have reviewed the ISAE 3402 type II report of the independent administrator for the period 1 October 2022 until 30 September 2023. We have received a bridge letter for the remaining period and we have discussed with both management and the independent administrator that no material changed occurred from 1 October 2023 to 31 December 2023. In addition to this, we have performed substantive audit procedures over the indirect (unrealised) results generated by valuation of level 3 financial instruments. We evaluated the valuation of the financial instruments, to be specific the financial guarantee contracts and the profit participating notes and the guarantees, by assessing the valuation models used, reconciling the inputs of the model to source documents and reviewed the relevant assumptions. Through a recalculation we verified the accuracy and completeness of the indirect (unrealised) results generated by valuation of level 3 financial instruments. We reviewed the significant accounting policies, estimates and judgements. We did not find any irregularities in the audit work performed.

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We incorporated an element of unpredictability in our audit and we reviewed lawyer's letters. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

Audit approach going concern

As disclosed in section '*Going concern*' on page 26 of the financial statements the managing board performed their assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks).

Our procedures to evaluate the managing board's going-concern assessment included, among other things:
- Considering whether the managing board's going-concern assessment included all relevant information of which we were aware as a result of our audit and inquiring with the managing board regarding the managing board's most important assumptions underlying its going-concern assessment. Among other things, we took into consideration its future operation plan and the most recent financial figures of the Company.
- Analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity's operations, including compliance with relevant covenants.
- Performing inquiries of the managing board as to its knowledge of going-concern risks beyond the period of the managing board's assessment.

Based on our procedures performed, we concluded that the managing board's use of the going-concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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Responsibilities for the financial statements and the audit

Responsibilities of the managing board and the supervisory board for the financial statements

The managing board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the managing board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the managing board should prepare the financial statements using the going-concern basis of accounting unless the managing board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The managing board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 31 May 2024
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. IJspeert RA

Frontier Clearing Corporation B.V. - NLE00027679.1.1

Appendix to our auditor's report on the financial statements 2023 of Frontier Clearing Corporation B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- 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 intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board.
- Concluding on the appropriateness of the managing board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole.
  However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

Frontier Clearing Corporation B.V. - NLE00027679.1.1

Frontclear
Mauritskade 63
1092 AD Amsterdam
The Netherlands

FRONTCLEAR.COM