



frontclear
financial market development

Annual Report

2024

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Frontclear at a glance

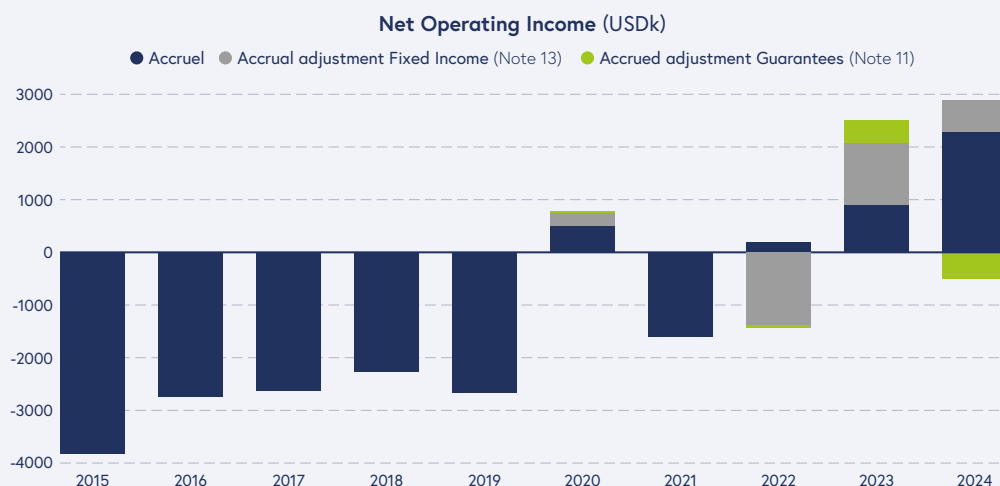
Key indicator		2024	2023
Gross portfolio size	USDm	491	331
Net portfolio size	USDm	458	306
Production	USDm	435	281
Funding mobilized	USDm	1,679	411
Production since inception	USDm	1,915	1,480
Funding mobilized since inception	USDm	6,399	4,720
Available capital	USDm	215	213
% of capital utilized		35.7%	27.9%
Available liquidity	USDm	105	92
Contingent liquidity	USDm	50	50
Net Operating Income	USDk	2,378	2,506

Report from the Managing Board

Financial Results

Frontclear realized net guarantee income of USD 4.9 million in 2024, up 10% from USD 4.4 million in 2023, based on a significant growth of the portfolio from USD 331 million at FYE23 to USD 491 million at FYE24. The addition of trade finance and a significant increase in the right-way cross-currency exposures in better rated markets has led to a reduction in the total return over the guarantee portfolio to 1.39% at FYE24 from 1.73% at FYE23.

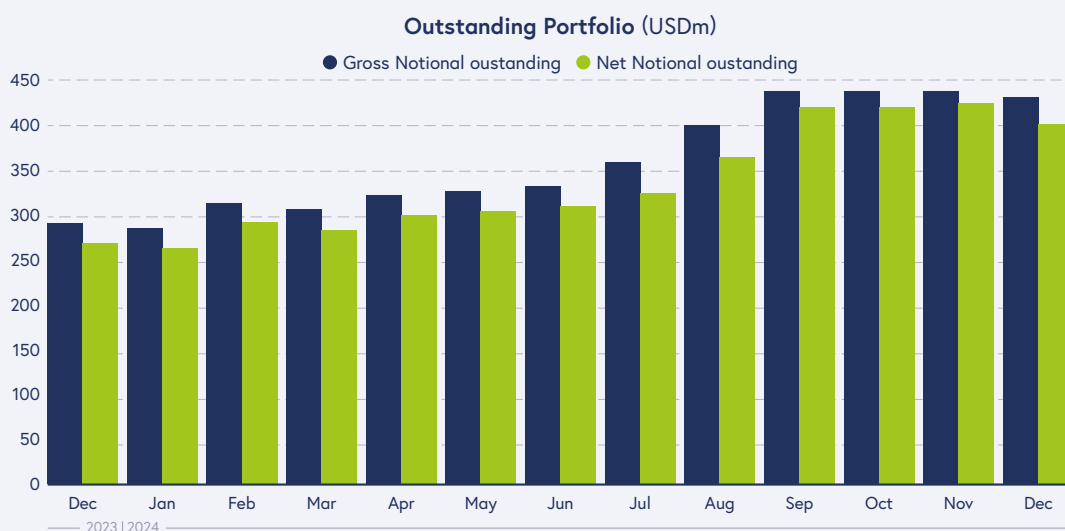
Income from investment activities rose by 5% to USD 4.6 million in 2024 on a FVTPL-basis, but when measuring on an accrual basis by a more substantial 28% compared to 2023 (see [Notes 13](#) and [26](#) for further detail). With financing costs largely stable and operating expenses up to USD 5.9 million from USD 5.1 million in 2023, net operating income remained stable at USD 2.5m (2023: USD 2.5 million). There are no special events that should be taken into account for the financial statements.



Management expects Frontclear's positive results in 2024 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.

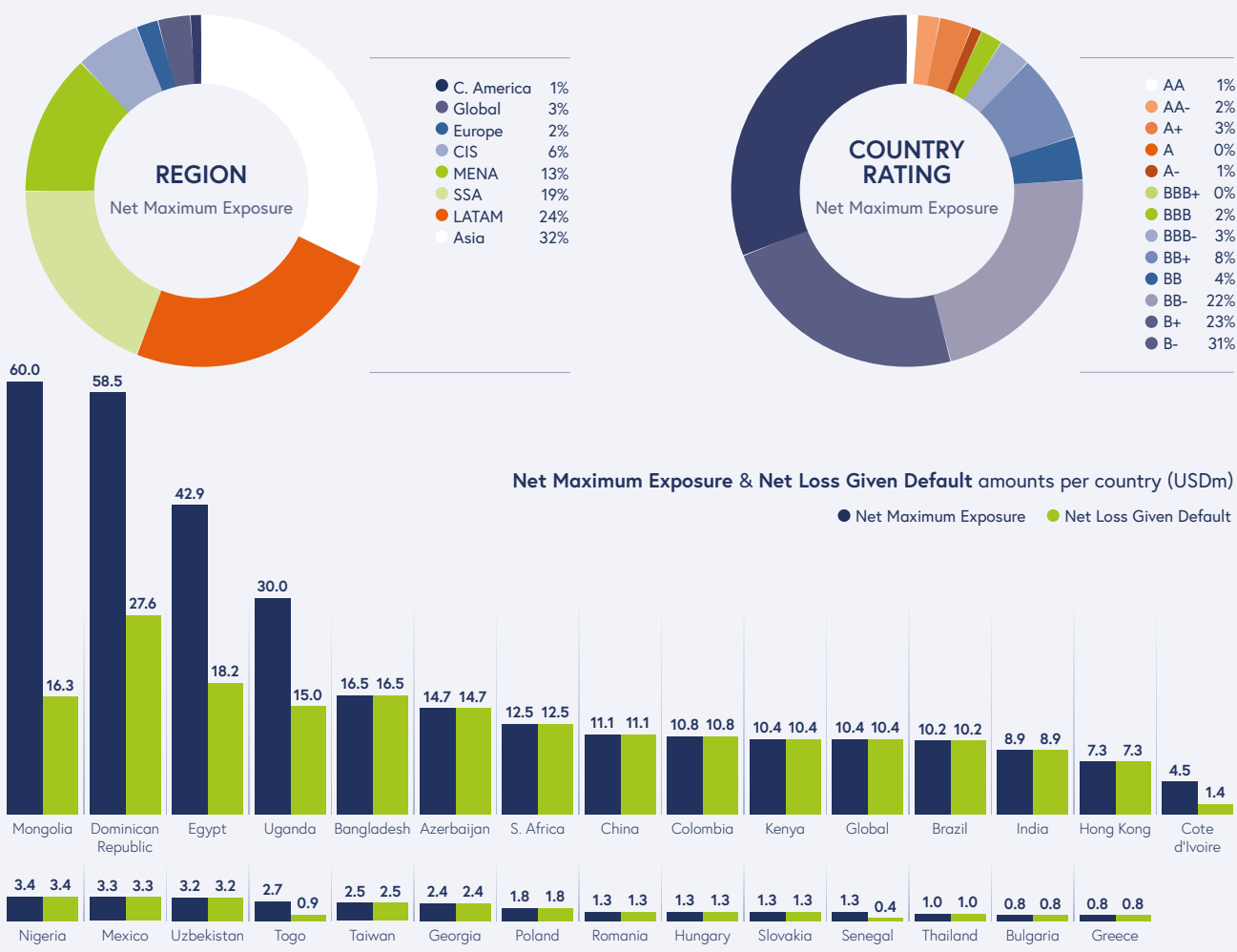
Portfolio developments

At FYE24, Frontclear's gross notional exposure to EMDC-based obligors stood at USD 491 million compared to USD 331 million at FYE23, reflecting a 48% increase year on year. Contributions to portfolio growth stem from a substantial increase in exposure in former CIS-countries, with banks looking to hedge their USD deposit base into local currency, a growth of the portfolio in the Dominican Republic, where clarification of regulation re cross-border repo transactions has led to a significant increase in demand and the addition of trade finance to the product suite of Frontclear.



Another notable development is the introduction of synthetic local currency repos, in which Frontclear engages in local currency contracts with EMDC-counterparties that are net-settled in USD, with the currency risk stemming from the contract hedged through non-deliverable cross-currency swaps with third parties.

The portfolio remains well-diversified, with exposures to counterparties in 27 countries (2023: 22 countries). The three largest countries, Azerbaijan, the Dominican Republic and Mongolia make up 49% of the notional portfolio, but only 29% of the total loss given default exposure. Trade finance risk participations have led to new exposures in Brazil, Bangladesh and Kenya, countries to which Frontclear had limited to no exposure in 2023.



Tradeclear

Frontclear invested significant resources in the development of Tradeclear throughout 2024. Feasibility studies were concluded in Zambia, Tanzania and Ghana whilst operationalization of Tradeclear in Uganda and Zambia continued throughout the year. In addition, feasibility studies were initiated Botswana, Panama, Guatemala, El Salvador and Costa Rica in 2024. Finally, the development of the white-labelled Tradeclear platform in cooperation with the Zurich-based Instimatch A.G. resulted in enhanced transactional capabilities of the platform, now encompassing unsecured money market deposits, FX products and repurchase agreements.

Outlook

The recent geopolitical rebalancing introduces new uncertainties for EMDC, regarding trade balances, commodity prices and resulting potential currency fluctuations, but also has resulted in a global reduction of official development aid, affecting Frontclear's countries of operations in yet unpredictable ways. In this context, the mandate of Frontclear remains highly relevant. Building inclusive and liquid money markets that are better able to finance economic growth, mobilize domestic savings and absorb external shocks to allow international investors to access local currency for financing domestic activities and growth.

Going forward, Frontclear is focused on materially scaling its operations by adopting a platform centric business model with the ambition of building the next generation global money market infrastructure for EMDC markets and institutions. We are also excited as we embark on a capital raising program to further support growth in order to accelerate achievement of our impact mandate.

We would like to thank the team and our partners for their commitment to Frontclear without which the excellent 2024 results would not have been achieved.

The Managing Board of Frontclear Management B.V.,

Mr. Philip Buyskes Chief Executive Officer

Mr. Erik van Dijk Chief Risk & Finance Officer

Report from the Supervisory Board

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 2024, Frontclear realized significant portfolio growth, driven by success in particular markets on the back of technical assistance efforts (e.g. Dominican Republic), the simplification of transaction structures and increased demand for local currency driving demand for swaps. Frontclear also added trade finance guarantees to the product suite which has allowed for further diversification of the portfolio.

Tradeclear

Frontclear has made significant progress in the development of Tradeclear as the global trading platform that supports both domestic exchange of liquidity and risk between domestic market participants, and access to cross-border financing, be it in hard currency in so-called south to south funding flows – EMDC counterparties finding each other to fulfill investment and funding needs – or in local currency, with international agents tapping into local markets to obtain local currency funding for their portfolios.

Tradeclear is currently active in Uganda and Zambia, with other countries being added in support of domestic interbank development. At the same time, the strategy is to roll out Tradeclear to all active counterparties of Frontclear to facilitate the global access that could emancipate money market trading for EMDC-based market participants dramatically.

Governance

The board welcomed one new member in 2024, Mrs. Charlotte Gounot, whilst Mr. Mike Bristow retired from the board. We thank him once again for his contributions and dedication to the company during the time he served.

The Supervisory Board met 6 times in 2024. 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 IMAAP and ICAAP, the latter resulting in minor amendments to Frontclear's Investment Guidelines and Risk Charter.

The strategic discussions over 2024 in the board relate to the global roll-out of Tradeclear and the change in resource management such requires, the regulatory compliance issues related Tradeclear as a trading platform as well Management's capital raising plans in combination with the legal restructuring of Frontclear to achieve a structure with permanence in which these activities can last beyond the current investment horizon of 2034.

10 years of transformative impact

In its first 10 years, Frontclear closed USD 1.9 billion in guarantee transactions mobilizing USD 6.4 billion of funding for EMDC-based financial institutions. Next to the transaction volumes, Frontclear has been transformative in delivering the unique combination of risk capacity and technical assistance that has led to system change in countries of operations. More details regarding the impact generated can be found in the annual Frontclear Impact Report.

The Supervisory Board wishes to thank the Management Board, staff, and the Company's operational partners for the excellent results in 2024 and for the decade of managing transformative impact.

The Supervisory Board of Frontier Clearing Corporation B.V.

Mr. Axel van Nederveen (Chairman)
Dr. Frank Czichowski
Mr. Rutger Schellens
Mrs. Charlotte Gounot

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 depositaries.

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.

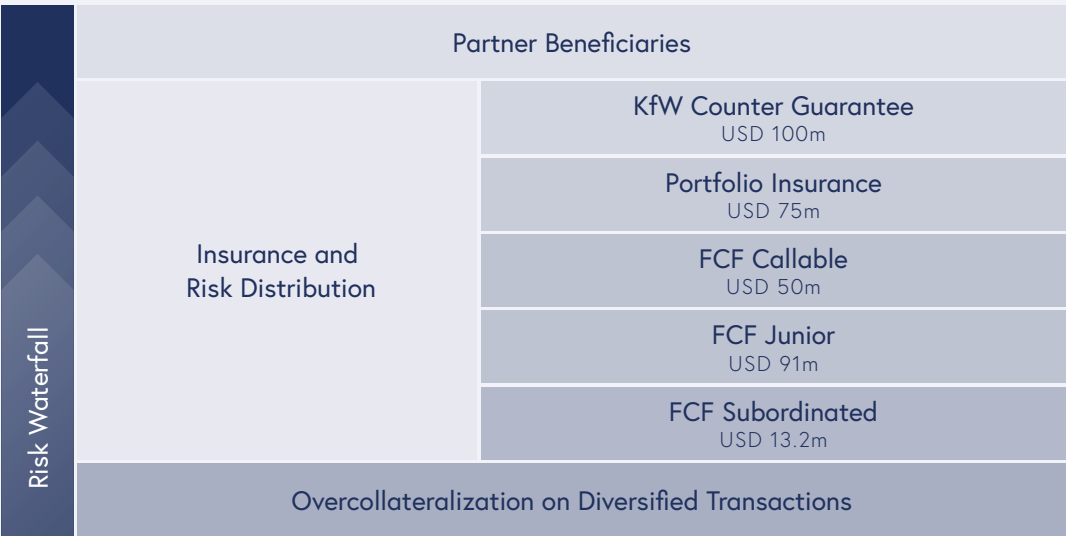
Technical assistance

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:



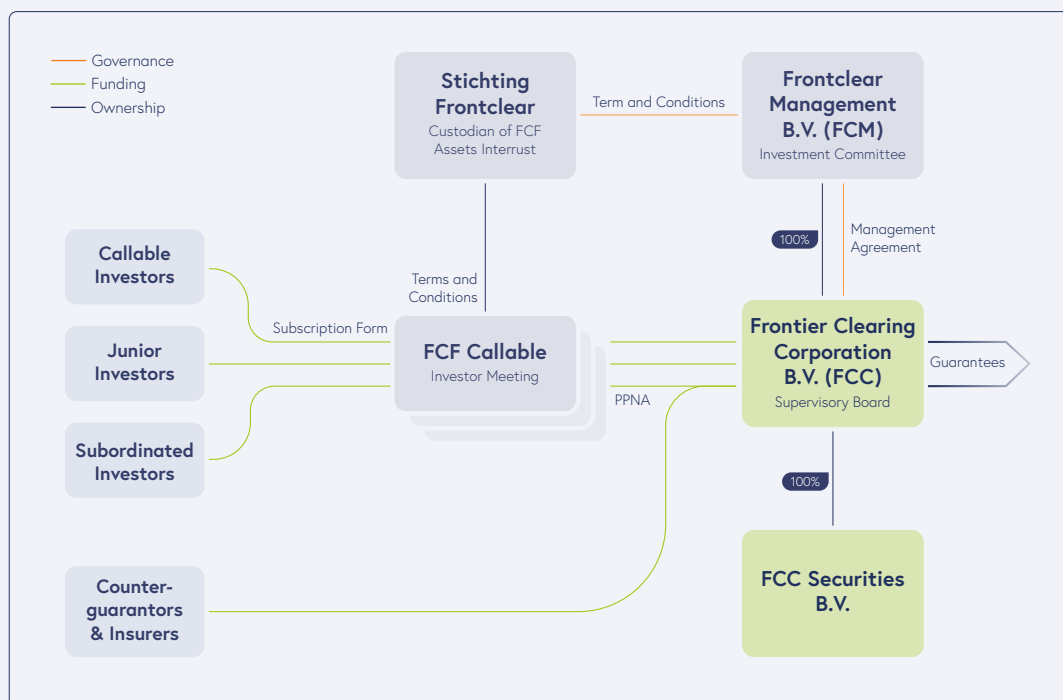
Frontclear only guarantees collateralized transactions. Collateral exchanged in the guaranteed transactions typically involves cash or government securities which are liquidated upon default of the EMDC-based counterparty to minimize losses. Frontclear's core capital is funded through the issuance of 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

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 2024 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.
- **The Frontclear Foundation (Stichting Frontclear Technical Assistance Program)** – The Frontclear Foundation is the program custodian for the Frontclear Technical Assistance Program ("FTAP"), administering all donor contributions and program allocations and expenses.
- **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 2024, Frontclear Management had 18 employees, 8 of which in commercial positions reporting to the CEO and 5 in risk management and compliance functions, 1 in operations and 2 in technical assistance functions reporting to the CFRO. Staffing increased with 3 employees during 2024 and is expected to continue to grow with the size and complexity of the company's activities.



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 and subsequently extended up to 29 January 2026. 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 the Frontclear Foundation (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 2024, the Supervisory Board consists of the following members:

- Axel van Nederveen, Chairman;
- Frank Czichowski;
- Rutger Schellens; and
- Charlotte Gounot.

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 2024, 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. At 31 December 2024, 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., a Dutch operating company of CSC Global, 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 voluntarily 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 the Projective Group (formerly 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](#).

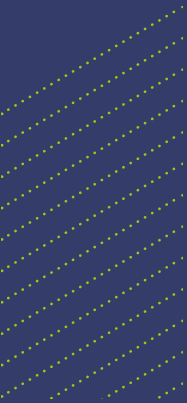
Operational risk management

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)

		2024	2023
(all amounts in thousands USD)	Notes		
Assets			
Current assets			
Cash and cash equivalents	6	41,630	29,936
Financial instruments at FVTPL – Securities	13	63,203	62,425
Financial guarantee contracts at FVTPL	11	292	378
Financial instruments at FVTPL – Other	12	146,694	98,333
Prepaid guarantee expenses		46	86
Management fee receivable	15	60	24
Other receivables	16	325	252
Total current assets		252,250	191,434
Total assets		252,250	191,434
Equity			
Shareholders' equity			
Issued share capital	7	-	-
General reserve	8	(9,989)	(9,947)
Undistributed result for the period	9	2,792	(42)
Total shareholders' equity		(7,197)	(9,989)
Liabilities			
Long-term liabilities			
Junior Notes	10	85,949	88,001
Subordinated Notes	10	10,216	10,468
Total long-term liabilities		96,165	98,469
Short-term liabilities			
Financial guarantee contracts at FVTPL	11	384	270
Financial instruments at FVTPL – Other	12	146,279	97,964
Accrued fees	14	85	85
Management fee payable	15	-	-
Deferred performance fee and LTI		1,960	1,080
Other liabilities	17	14,574	3,555
Total short-term liabilities		163,282	102,954
Total equity & liabilities		252,250	191,434

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	2024	2023
Revenues			
Realized fees on contracts at FVTPL	19	5,556	4,136
Change in fair value of contracts at FVTPL	20	(154)	730
Guarantee expenses	21	(505)	(421)
Total revenues		4,897	4,445
Finance costs			
Subordinated Notes	22	(265)	(264)
Callable Commitment Fee		(75)	(73)
Counter Guarantee Fee	23	(356)	(355)
Portfolio Insurance Fee	24	(305)	(299)
Liquidity Facility fee	25	-	(57)
Total finance costs		(1,001)	(1,048)
Other results			
Interest income	26	3,582	2,957
Fair value changes in liquidity investments	13	1,061	1,387
FX results		(75)	2
Other income		16	-
Total other results		4,584	4,346
Total operating income		8,480	7,743
Operating expenses			
Management Fees	27	(4,434)	(3,513)
Performance Fees	28	(567)	(758)
Legal Fees	29	(145)	(238)
Third party service providers	30	(217)	(188)
Other operating expenses	32	(669)	(540)
Total operating expenses		(6,032)	(5,237)
Operating result		2,448	2,506
Deferred Performance fee and LTI	33	(1,960)	(1,080)
Net result for the period before revaluation of PPN		488	1,426
Revaluation of Subordinated Notes	10	252	(531)
Revaluation of Junior Notes	10	2,052	(937)
Net profit/(loss) for the period before tax		2,792	(42)
Income tax		-	-
Comprehensive income/(loss) for the period		2,792	(42)
<i>Comprehensive income/ (loss) for the period attributable to the holder of the issued share of FCC</i>	34	<i>2,792</i>	<i>(42)</i>

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	2024	2023
Cash flow from operating activities			
Guarantee fees received	19	2,191	2,285
Income received from financial instruments at FVTPL		3,365	1,851
Guarantee expenses paid		(505)	(423)
Interest received		3,594	2,946
Management fees paid	27	(4,483)	(3,632)
Performance fee paid		(1,570)	(351)
Other income and operational expenses		(905)	(782)
Collateral received		10,923	2,326
Net cash flow generated from operating activities		12,610	4,220
Cash flow from investing activities			
Financial instruments at FVTPL – Securities purchases		(82,145)	(51,307)
Financial instruments at FVTPL – Securities sales and redemptions		82,427	51,900
Net cash flow generated from investing activities		282	593
Cash flow from financing activities			
Subordinated Notes - DTAF Fee paid	22	(265)	(265)
Callable commitment fee paid		(38)	(73)
Counter-guarantee fee paid	23	(532)	(179)
Portfolio insurance fee paid	24	(305)	(305)
Liquidity Facility fee paid	25	-	(74)
Net cash flow used in financing activities		(1,140)	(896)
Net cash flow generated during the year		11,752	3,917
Cash and cash equivalents at beginning of the period		29,936	26,017
Foreign currency translation of cash positions		(58)	2
Cash and cash equivalents at the end of the period		41,630	29,936
Analysis of cash and cash equivalents			
Cash at banks		24,630	12,936
Money market funds		17,000	17,000
Total of cash and cash equivalents	6	41,630	29,936

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

Consolidated statement of changes in equity

(all amounts in thousands USD)	Amounts		Number of shares	
	2024	2023	2024	2023
Equity at beginning of the period	(9,989)	(9,947)	1	1
Proceeds from shares issued	-	-	-	-
Net change from transactions with shareholders	-	-	-	-
Comprehensive income/(loss) for the period	2,792	(42)	1	1
Equity at end of year	(7,197)	(9,989)	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"), incorporated under the laws of the Netherlands, 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 11 March 2025, the FCC Supervisory Board awarded the Manager with a Performance Fee being the sum of a Fixed Performance Fee Component of USD 329,973 and EUR 562,263 relating to the variable compensation of the staff of the Manager.

The amount of EUR 562,263 relating to the variable compensation of staff has been invoiced by FCM in 2025. The difference of EUR 14,245 between amount recognised in 2024 based on management's best assessment and the performance fee approved by the FCC Supervisory Board has been recognized in 2025.

The amount of USD 329,973 has been added to the deferred Fixed Performance Fee Component. Based on the preliminary results of FCC, a conservative accrual of USD 1,960,332 has been recognized in 2024 for the settlement of the Fixed Performance Fee Component (2023: USD 507,492), of which USD 313,378 relates to the performance over 2024 and USD 1,646,954 for the settlement of the deferred Fixed Performance Fee Component.

The difference of USD 15,931 between Fixed Performance Fee Component recognised in 2024 and the final fee approved by the FCC Supervisory Board has been recognized in 2025. The remaining deferred Fixed Performance Fee Component is USD nil.

3. Statement of compliance

The consolidated financial 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 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.

The consolidated financial statements were authorized for issue by the Managing Board on 28 May 2025.

4. Summary of significant 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.

Reporting standards

Effective for reporting years commencing on or after 1 January 2024

Title	Key requirements	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Non-current Liabilities with Covenants – Amendments to IAS 1	Amendments made to IAS 1, 'Presentation of Financial Statements', in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The	1 January 2024

	disclosures include: . the carrying amount of the liability; . information about the covenants; and . facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible liability. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current. The Group's liabilities were not impacted by the amendments.	
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16, 'Leases', which explain	1 January 2024

	how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. The amendments do not have any effect on the Group's consolidated financial statements.	
Supplier finance arrangements – Amendments to IAS 7 and IFRS 7	The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7, 'Statement of Cash Flows', and IFRS 7, 'Financial Instruments: Disclosures', falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: (1) The terms and conditions of SFAs. (2) The carrying amounts of	1 January 2024

	financial liabilities that are part of SFAs and the line items in which those liabilities are presented. (3) The carrying amount of the financial liabilities in (2) for which suppliers have already received payment from the finance providers. (4) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements. (5) Non-cash changes in the carrying amounts of financial liabilities in (2). (6) Access to SFA facilities and concentration of liquidity risk with finance providers. The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months. The amendments do not have any effect on the Group's consolidated financial statements.	
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Forthcoming requirements

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2024.

Title	Key requirements	Effective date
Lack of Exchangeability – Amendments to IAS 21	The IASB has amended IAS 21, ‘The Effects of Changes in Foreign Exchange Rates’, by adding requirements which will help entities to: . assess whether a currency is exchangeable into another currency, and . determine the spot exchange rate to use, when exchangeability is lacking. If an entity has estimated a spot exchange rate because a currency is not exchangeable into another currency, it will have to provide additional information to help users to understand the effects and associated risks, the estimated rates and estimation process used. The amended accounting standard is not expected to have a material impact on the Group’s consolidated financial statements.	1 January 2025
Classification and Measurement of Financial Instruments –Amendments to IFRS 9 and IFRS 7	The IASB issued targeted amendments to IFRS 9, ‘Financial Instruments’, and IFRS 7, ‘Financial Instruments: Disclosures’, to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; (b) clarify and add further guidance for assessing	1 January 2026

	whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities. The amended accounting standard is not expected to have a material impact on the Group's consolidated financial statements.	
IFRS 18, 'Presentation and Disclosure in Financial Statements'	The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: . the structure of the statement of profit or loss with defined subtotals; . a requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss; . required disclosures in a single note within the financial statements for certain profit or loss	1 January 2027

	performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the statement of profit or loss, statement of cash flows and the additional disclosures required for MPMs.	
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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 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 Note 10.

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 and deferred income tax

Since 2022 FCC has applied for a zero percent corporate income tax rate with the Dutch tax authority, on the ground of the company acting as the operating entity in which the Frontier Clearing Funds, investment entities under Dutch law, invest and the company being owned and managed by the fund manager of these investment entities.

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 2024 is 1.0 years (2023: 0.4 years). The changes in fair value of these investments are disclosed in Note 13.

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 and Junior Notes are fixed whilst any drawn Callable Notes are floating.

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 2024, incurred through bank balances in foreign

currency and payables due only, are given below:

(all amounts in thousands USD)	Exposure 2024	Exposure 2023
EUR	1,007	1,067
GHS	5	7
DOP	1	-
Total	1,013	1,074

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:

	2024	2023
Counterparty event	2.5	2.8
Market or legal risk event	1.9	2.1
Country event	1.7	1.6

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 2024 at USD 75 million (2023: 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, 2024:

(all amounts in thousands USD)	Credit rating	Exposure 2024	Exposure 2023
Money market funds	AAA	17,000	17,000
Fixed income investments	AA- and up	63,203	62,425
Cash positions Rabobank	A+	1,474	1,313
Term deposits Rabobank	A+	23,139	11,106
Cash positions CACEIS Bank, Netherlands Branch	A+	11	510
Other Cash Positions – EMDC banks	Not rated	6	6
Total		104,833	92,360

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. The exposure under financial guarantees issued is affected by both country risk factors and credit risk factors relating to the obligor.

FCC 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 (please note the table combines exposures gained through guarantee contracts, derivative transactions and repurchase agreements):

2024

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Azerbaijan	105,000	-	105,000	(328)
Bangladesh	16,500	-	16,500	92
Brazil	10,203	-	10,203	24
Bulgaria	780	-	780	(1)
China	11,061	-	11,061	(14)
Colombia	10,800	-	10,800	3
Dominican Republic	72,355	(13,896)	58,459	71,844

Egypt	50,000	(8,300)	41,700	105
Georgia	2,400	-	2,400	(3)
Germany	92,184	-	91,184	(92,764)
Global	15,000	-	15,000	(140)
Greece	834	-	834	(1)
Hong Kong	7,289	-	7,289	(11)
Hungary	1,279	-	1,279	(2)
India	8,900	-	8,900	(11)
Kenya	10,423	-	10,423	68
Mexico	3,300	-	3,300	(4)
Mongolia	70,985	(11,000)	59,985	71,207
Netherlands	263,333	-	263,333	(3,244)
Poland	1,824	-	1,824	(4)
Romania	1,274	-	1,274	(2)
Slovakia	1,300	-	1,300	(2)
South Africa	12,500	-	12,500	(10,318)
Taiwan	2,528	-	2,528	(4)
Thailand	1,010	-	1,010	(1)
Togo	8,530	-	8,530	(170)
Uganda	30,000	-	30,000	-
United Kingdom	41,170	-	41,170	(41,315)
Uzbekistan	35,000	-	35,000	(1,172)
Total	887,766	(33,196)	854,569	323

2023	Gross notional exposure	Insured	Net notional exposure	Fair Value
(all amounts in thousands USD)				
Armenia	7,159	-	7,159	(2)
Australia	10,000	-	10,000	(10,047)
Azerbaijan	35,360	-	35,360	225
Brazil	5,800	-	5,800	(7)
Chile	900	-	900	(1)
Colombia	10,000	-	10,000	318
Cote d'Ivoire	6,294	-	6,294	(9)
Czech Republic	3,700	-	3,700	(5)
Dominican Republic	10,000	-	10,000	10,065
Egypt	9,557	-	9,557	43
Georgia	5,000	-	5,000	(24)
Germany	40,000	-	40,000	(40,190)
Global	6,900	-	6,900	(67)
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)
Jamaica	5,000	-	5,000	17
Mauritius	16,100	-	16,100	(16,294)
Mexico	2,000	-	2,000	(2)
Mongolia	70,000	(25,500)	44,500	70,791
Netherlands	55,532	-	55,532	(209)
Nigeria	28,400	-	28,400	16,390
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)
Uganda	30,000	-	30,000	-
United Kingdom	30,000	-	30,000	(30,188)
Uzbekistan	15,000	-	15,000	(212)
Total	483,114	(25,500)	457,614	477

FCC has obtained non-payment insurance to hedge USD 33 million (31 December 2023: USD 26 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. In Pillar II, an additional allocation of 20% of the Pillar I capital requirement for guarantee exposures is made 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. 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.

2024**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	63,203	-	-
Financial guarantee contracts at FVTPL	-	-	292
Financial instruments at FVTPL – Other	-	-	146,694
Total assets at FVTPL	63,203	-	146,986

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	-	-	85,949
Long-term liabilities – Subordinated Notes	-	-	10,216
Financial guarantee contracts at FVTPL	-	-	384
Financial instruments at FVTPL – Other	-	-	146,279
Total liabilities at FVTPL	-	-	242,828

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 FVTPL	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 FVTPL	-	-	196,790

Fraud risk assessment and management

Frontclear deploys a continuous improvement approach to operational risk management. The management of operational risk is performed within a single GRC platform, that allows for risk identification and assessment, formulation of operational risk controls, the continuous monitoring of timely evaluation and assessment of these risks and controls and tracking of operational incidents. As part of this broader operational risk management framework, Frontclear identifies, assesses and mitigates fraud-specific risks that may impact FCC's activities. Key fraud risks relate to transaction execution and settlement, which are mitigated through applying documented procedures and four eye approval of all cash payments. Management reports on matters relating to operational risk directly to the FCC Supervisory Board.

6. Cash and cash equivalents

(all amounts in thousands USD)

	2024	2023
Money market fund – Blackrock ICS USD Liquidity	10,000	10,000
Money market fund – Blackrock ICS USD Treasury	7,000	7,000
Term deposits Rabobank	23,139	11,107
Cash positions Rabobank	1,474	1,313
Cash positions CACEIS Bank, Netherlands Branch	11	510
Other Cash Positions – EMDC banks	6	6
Total cash and cash equivalents	41,630	29,936

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 1,808 (2023: USD 1,404).

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)

	2024	2023
Balance as at beginning of period	(9,947)	(9,807)
Distributed from undistributed result for the period	(42)	(140)
Balance as at 31 December	(9,989)	(9,947)

9. Undistributed result for the period

(all amounts in thousands USD)

	2024	2023
Balance as at beginning of period	(42)	(140)
Distributed to general reserve	42	140
Comprehensive income/ (loss) for the period	2,792	(42)
Balance as at 31 December	2,792	(42)

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 2024 are detailed as follows:

(all amounts in thousands USD)	Junior Notes	Callable Notes	Subordinated Notes	Total
Total position at beginning of period	88,001	-	10,468	98,469
Revaluation during the period	(2,052)	-	(252)	(2,304)
Total position at 31 December 2024	85,949	-	10,216	96,165

The long-term liabilities as 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

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 FCF Callable effective on 23 December 2022 resulting in a Callable Commitment on 31 December 2024 of USD 50 million (2023: USD 50 million). At 31 December 2024, 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 SOFR or the replacement benchmark rate in case SOFR 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 DTAF Fees (if applicable) and (ii) reduced by the total amount of any outstanding Callable Funds (nil as per 31 December 2023), Junior Funds (as per 31 December 2023 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 2024 (2023: 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 DTAF 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.

Fair value model

At 31 December 2024, 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:

<i>Description</i>	<i>Definition</i>
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 2024, the projected IRR for the Junior Notes over the remaining life of the notes if invested in at their redemption value stands at 5.53% (2023: 4.82%). 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.

2024

	Redemption Value at 31 December	Fair Value at 31 December
(all amounts in thousands USD)		
Callable Notes		
Junior Notes	88,442	85,949
Subordinated Notes	-	10,216
Total	88,442	96,165

2023

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

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 2024 the Junior Notes are valued at USD 86 million (2023: USD 88 million) and the Subordinated Notes at USD 10.5 million (2023: USD 10.5 million).

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 2024, 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.

2024	Change in DCF value in USD 1,000					
	Uncertainty	Inputs	Reasonable possible change	Impact	Junior Note	Subordinated Note
Portfolio growth rate	4	20%	-5% +5%	Non-linear	(8,412) 5,303	- -
Pricing (return on capital)	4	7.5%	-1,0% +1,0%	Linear	(12,022) 12,073	- -
OPEX growth rate	2	5%	-3,0% +3,0%	Linear	3,494 (3,834)	- -
Interest rates	n/a	market	-100bps +100bps	Non-linear	386 (372)	842 (766)
Available capital	3	USD215m	+USD50m	Non-linear	7,839	-

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% +5%	Non-linear	(18,012) 11,830	- -
Pricing (return on capital)	4	7%	-1,0% +1,0%	Linear	(11,754) (11,840)	- -
OPEX growth rate	2	5%	-3,0% +3,0%	Linear	4,505 (5,018)	- -
Interest rates	n/a	market	-100bps +100bps	Non-linear	1,693 (1,617)	953 (1,812)
Available capital	3	USD215m	+USD50m	Non-linear	6,113	-

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 2024:

2024

(all amounts in thousands USD)

	Gross notional exposure	Insured	Net notional exposure	Fair Value
Bangladesh	16,500	-	16,500	92
Brazil	10,203	-	10,203	24
Colombia	10,800	-	10,800	3
Egypt	50,000	(8,300)	41,700	105
Kenya	10,423	-	10,423	68
Uganda	30,000	-	30,000	-
Total - Assets	127,926	(8,300)	119,626	292

	Gross notional exposure	Insured	Net notional exposure	Fair Value
Bulgaria	780	-	780	(1)
China	11,061	-	11,061	(14)
Georgia	2,400	-	2,400	(3)
Global	15,000	-	15,000	(138)
Greece	834	-	834	(1)
Hong Kong	7,289	-	7,289	(11)
Hungary	1,279	-	1,279	(2)
India	8,900	-	8,900	(11)
Mexico	3,300	-	3,300	(4)
Poland	1,824	-	1,824	(4)
Romania	1,275	-	1,275	(2)
Slovakia	1,300	-	1,300	(2)
South Africa	2,500	-	2,500	(16)
Taiwan	2,528	-	2,528	(4)
Thailand	1,010	-	1,010	(1)
Togo	8,530	-	8,530	(170)
Total - Liabilities	69,813	-	69,813	(384)
Total – Financial guarantees at FVTPL	197,738	-	189,438	(92)

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	123,000	-	123,000	(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	125,465	-	125,465	(270)
Total – Financial guarantees at FVTPL	180,022	-	180,022	108

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 Consolidated 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.

Unobservable inputs

The level 3 model uses the following significant unobservable inputs on a transaction by transaction level for determining the fair value:

<i>Description</i>	<i>Definition</i>
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:

2024

(all amounts in thousands USD)

	Uncertainty (1-5)	Change in FV +10%	Change in FV -10%
FX jump factor	4	(44)	(44)
Interest rate differential	4	(1)	1
Recovery rate	2	-	-
Volatility of collateral	3	13	(9)
Probability of default	2	(304)	304

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

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)

	2024	2023
Realized fee cashflows plus changes in guarantee fair value	5,401	4,445
Guarantee income on accrual basis	(5,838)	(4,019)
Accelerated (+) or postponed (-) income recognition	(437)	426

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

At 31 December 2024, no exposures were outstanding under Tradeclear Uganda.

12. Financial instruments at FVTPL - 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 2024 (each line representing two contracts in total – one between FCC Securities and the obligor and one offsetting transaction between FCC Securities and the lender):

The following financial instruments were outstanding at 31 December 2024, aggregated per country:

2024

(all amounts in thousands USD)	Type	Maturity	Notional exposure	Fair value
Azerbaijan	CC-IRS	multiple	32,000	236
Dominican Republic	Repo	multiple	72,355	71,844
Mongolia	Repo	multiple	70,985	71,207
The Netherlands	CC-IRS	01-06-2024	236,333	3,407
Total financial instruments at FVTPL - Assets			411,673	146,694

(all amounts in thousands USD)	Type	Maturity	Notional exposure	Fair value
Azerbaijan	CC-IRS	multiple	73,000	(563)
Germany	Repo	multiple	92,184	(92,764)
South-Africa	Loan	25-07-2025	10,000	(10,302)
The Netherlands	CC-IRS	multiple	27,000	(163)
United Kingdom	Repo	multiple	41,170	(41,315)
Uzbekistan	CC_IRS	multiple	35,000	(1,172)
Total financial instruments at FVTPL - Liabilities			278,354	(146,279)
Total financial instruments at FVTPL			690,027	415

2023

(all amounts in thousands USD)	Type	Maturity	Notional exposure	Fair value
Azerbaijan	CC-IRS	multiple	15,000	239
Dominican Republic	Repo	06-06-2024	10,000	10,056
Georgia	CC-IRS	22-12-2024	5,000	594
Mongolia	Repo	multiple	70,000	70,585
Netherlands	CC-IRS	multiple	40,360	499
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`	multiple	25,360	(214)
Germany	Repo	14-12-2024	40,000	(40,190)
Mauritius	Loan	07-05-2024	16,100	(16,294)
Netherlands	CC-IRS	multiple	20,000	(802)
United Kingdom	Repo	multiple	30,000	(30,188)
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

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:

2024

(all amounts in USD)

	Uncertainty (1-5)	Change in FV +10%	Change in FV -10%
FX jump factor	4	(12)	12
Interest rate differential	4	(58)	58
Recovery rate	2	41	(73)
Volatility of collateral	3	3	(3)
Probability of default	2	(80)	80

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

Collateral balance

The net collateral balance held by FCC Securities at 31 December 2024 is USD 14.4 million (2023: USD 2.4 million). In the prior year the collateral balance was incorrectly disclosed as USD0.9 million. It should have been disclosed as USD2.4 million and the disclosure has since been adjusted. This change is immaterial.

13. Financial instruments at FVTPL - 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 2024	Counterparty	Maturity date	Fair Value
US912797NB96	US Treasuries	10-04-2025	3,834
US86959LAJ26	Svenska Handelsbanken	10-06-2025	4,992
US748148SC86	PROVINCE OF QUEBEC	23-07-2025	3,927
US9128284Z04	US Treasuries	31-08-2025	2,499
US912797MH75	US Treasuries	04-09-2025	2,878
US50048MCW82	Kommunalbanken AS	11-09-2025	2,530
US91282CJL63	US Treasuries	30-11-2025	3,030
XS2270152098	L-Bank	08-12-2025	4,818
US62944BBG86	BNG	16-03-2026	4,912
US748149AJ05	PROVINCE OF QUEBEC	20-04-2026	5,879
US91282CCP41	US Treasuries	31-07-2026	2,844
US500769JZ83	KfW	07-08-2026	7,161
US912810EX29	US Treasuries	15-08-2026	2,133
XS2708406637	BNG Bank	26-10-2026	5,122
XS2434314840	Kommunalbanken AS	20-01-2027	6,644
Total			63,203

(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

The movement of the securities is as follows:

(all amounts in thousands USD)

	2024	2023
Opening balance	62,425	61,631
Purchases	82,145	51,307
Sales/maturities	(82,427)	(51,900)
Fair value changes on financial instruments at FVTPL	1,061	1,387
Position as per 31 December	63,203	62,425

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)

	2024	2023
Realized interest income	1,774	1,553
Change in fair value	1,061	1,387
Result for the period	2,835	2,940
Result at amortized cost	2,228	1,758
Acceleration (+) or postponed (-) income recognition	607	1,182

14. Accrued fees

(all amounts in thousands USD)

	2024	2023
Accrued Subordinated Notes fees	66	66
Accrued SG Liquidity Facility	-	-
Accrued Callable commitment fees	19	19
Total Accrued fees	85	85

15. Management fee receivable / (payable)

At 31 December 2024, a final amount due to the Manager for costs incurred in excess of management fee charged by the Manager of EUR 164,602 (2023: management fee receivable of EUR 22,283) has been recorded as an accrual.

16. Other receivables

(all amounts in thousands USD)

	2024	2023
Interest receivable	66	78
Prepaid counter-guarantee fees	176	-
Guarantee and interest income due	70	78
Other	13	96
Total other receivables	325	252

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

17. Other liabilities

(all amounts in thousands USD)

	2024	2023
Third party service provider fees payable	-	5
Accrued performance fees	567	502
Accrued Supervisory Board Fees	73	62
Accrued Portfolio Insurance Fees	129	125
Collateral balance and distributions due	13,784	2,861
Other liabilities	21	-
Total other liabilities	14,574	3,555

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 2024 of USD 50 million (2023: USD 50 million). At 31 December 2024, the Callable Commitment remained undrawn and no Callable Notes are recognized.

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 24 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 23 for further detail.

Deferred Performance Fee Component

In accordance with clause 5 of Schedule 2 of the FCC Management Agreement, the Fixed Performance Fee Component is 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 nil (2023: USD 1,646,954) and the remaining Long-Term Incentive fee is USD nil (2023: USD nil). Please refer to Note 33 for further information on the Fixed Performance Fee Component.

These deferred components are not subject to expiration.

19. Realized fees on contracts at FVTPL

(all amounts in thousands USD)

	2024	2023
Realized fees on financial guarantee contracts at FVTPL	2,191	2,285
Realized fees of financial instruments at FVTPL	3,365	1,851
Total realized and accrued fees	5,556	4,136

20. Changes in fair value on contracts at FVTPL

(all amounts in thousands USD)

	2024	2023
Fair value of financial guarantee contracts at beginning of the period	108	(433)
Fair value of financial instruments at FVTPL at beginning of the period	369	180
Fair value of financial guarantee contracts at end of the period	(92)	108
Fair value of financial instruments at FVTPL at end of the period	415	369
Total change in fair value	(154)	730

Please refer to Notes 11 and 12 for further detail.

21. Guarantee expenses

(all amounts in thousands USD)

	2024	2023
Hedging costs	505	421
Total guarantee expenses	505	421

The guarantee expenses exclusively relate to fees on insurance contracts.

22. Subordinated Notes - DTAF Fee

The Subordinated Notes DTAF 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 details.

23. 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 2024 (2023: 0.35% and 0.50%) of the guaranteed amount. At 31 December 2024, the available guaranteed amount under the counter guarantee equals USD 100 million (2023: USD 100 million).

(all amounts in thousands USD)	2024	2023
Counter guarantee fee	356	355
Total counter guarantee fee	356	355

24. Portfolio Insurance Fee

(all amounts in thousands USD)	2024	2023
Portfolio insurance fees	305	299
Total portfolio insurance fee	305	299

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 2024 have been recognized in 2024.

25. Liquidity Facility Fee

The fees relating to the USD 50m liquidity facility over 2024 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)	2024	2023
Liquidity facility fees	-	57
Total liquidity facility fee	-	57

26. Interest income

(all amounts in thousands USD)	2024	2023
Interest income on term deposits	1,660	1,267
Interest income on bank accounts	148	137
Realized income on securities	1,774	1,553
Total interest income	3,582	2,957

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 2024.

27. Management fees

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 2024, the management fee amounts to USD 4.4 million (2023: USD 3.5 million).

The management fee has been charged in equal monthly installments of EUR 328,223 (2023: EUR 262,862) in accordance with the budget approved by the Supervisory Board. The final amount due to the Manager for costs incurred in excess of management fee charged by the Manager of EUR 164,602 (2023: management fee receivable of EUR 22,283) has been recorded as an accrual (see Note 15).

The management fee over 2024 covers commercial legal fees incurred by FCM of EUR 18,780 (2023: EUR 14,172). The audit fees paid by FCC are disclosed in Note 32. 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 (based on the approved budgeted figures):

	2024	2023
Salaries & Remuneration	70%	68%
Business Development, Travel & Sundry	10%	12%
Third Party Service Providers	5%	3%
Insurance Costs	3%	4%
Subscription & License Fees	7%	8%
Information Technology	3%	2%
Office Expense	2%	3%
Total management fees	100%	100%

28. Performance fees

(all amounts in thousands USD)

	2024	2023
Performance fees	567	758
Total Performance fees	567	758

On 11 March 2025, the Supervisory Board of FCC has awarded the Manager with a Performance Fee being the sum of USD 329,973 (2023: USD 332,560) and EUR 562,263 (2023: 453,268) in relation to its performance as Manager in 2024. The amount of EUR 562,263 (2023: EUR 453,268) in relation to the variable compensation of the staff of the Manager is fully recognized in 2024 (2023: EUR 453,268). Please refer to Note 33 for further information on the recognition of the Performance fee.

29. Legal fees

All legal fees for 2024 and 2023 relate to commercial activities of structuring financial contracts.

30. Third party service providers

(all amounts in thousands USD)

	2024	2023
Back office services	217	188
Total third party service providers	217	188

31. 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.

Parent entities

Frontclear Management B.V. ("FCM" or "Manager") holds 100% of the ordinary shares in the share capital of FCC. Cardano Development B.V. is the single shareholder of FCM. In its capacity of single shareholder, Cardano Development B.V. appoints the members of the management board and the supervisory board of FCM. Stichting Cardano Development in Amsterdam is the sole ultimate beneficial owner of Cardano Development B.V. There were no transactions between FCC and Stichting Cardano Development and Cardano Development B.V. during the year ended 31 December 2024.

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 as remuneration for its services. The fees awarded to FCM in 2024 is disclosed under Notes 27, 28 and 33.

Supervisory Board

The Supervisory Board members are entitled to receive fixed annual fees of USD 35,000 (2023: USD 25,000) for the Chairman and USD 30,000 (2023: 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.

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.

32. Other operating expenses

(all amounts in thousands USD)

	2024	2023
Supervisory Board	125	109
Audit & Financial Reporting	158	251
Bank costs	239	115
Other expenses	147	65
Total other operating expenses	669	540

These fees relate to the audit of the group's financial statements. There is no other non-audit service fee during the financial year ended 31 December 2024.

33. Deferred Performance fee and LTI

On 11 March 2025, the Supervisory Board of FCC has awarded the Manager with a Performance Fee being the sum of USD 329,973 (2023: USD 332,560) and EUR 562,263 (2023: 453,268) in relation to its performance as Manager in 2024.

In accordance with clause 5 of Schedule 2 of the FCC Management Agreement, the Fixed Performance Fee Component is 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)	2024	2023
Net operating income	2,448	2,506
Postponed income recognition guarantee revenue (Note 11)	437	(426)
Postponed income recognition instruments at FVTPL (Note 13)	(607)	(1,182)
Income for Fixed Performance Fee Component and LTI payable	2,278	898

In 2024, an accrual has been recognized for the settlement of the deferred Fixed Performance Fee Component of USD 1,960,332. The remaining deferred Fixed Performance Fee Component at 31 December 2024 is USD nil (2023: USD 1,646,954).

34. Proposal appropriation of result

Based on the results over the year ended 31 December 2024, the Board of Directors proposes to add the result of USD 2,791,735 to the other reserves.

35. 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	2024	2023
Assets			
Non-current assets			
Subsidiary FCC Securities B.V.	45	192	(149)
Intergroup receivable	38	581	508
Total non-current assets		773	359
Current assets			
Cash and cash equivalents	39	27,219	27,061
Financial guarantee contracts at FVTPL	40	684	747
Financial instruments at FVTPL – Securities	13	63,203	62,425
Prepaid guarantee expenses		46	86
Management fee receivable	15	60	99
Other receivables		324	156
Total current assets		91,536	90,574
Total assets		92,309	90,933
Equity			
Shareholders' equity			
Issued share capital	7	-	-
General reserve	8	(9,989)	(9,947)
Undistributed result for the period	9	2,792	(42)
Total shareholders' equity		(7,197)	(9,989)
Liabilities			
Long-term liabilities			
Junior Notes	10	85,949	88,001
Subordinated Notes	10	10,216	10,468
Total long term liabilities		96,165	98,469
Short-term liabilities			
Financial guarantee contracts at FVTPL	40	402	270
Accrued fees	14	85	85
Management fee payable	15	-	74
Deferred performance fee and LTI	33	1,960	1,080
Other liabilities	41	894	944
Total short term liabilities		3,341	2,453
Total equity & liabilities		92,309	90,933

Company Only Statement of Comprehensive income

(all amounts in thousands USD)	Notes	2024	2023
Revenues			
Realized fees on contracts at FVTPL	19	5,556	4,136
Change in fair value of financial guarantee contracts at FVTPL	42	(196)	730
Guarantee expenses	21	(505)	(421)
Total revenues		4,855	4,445
Finance costs			
Subordinated Notes - DTAF Fee	22	(265)	(264)
Callable commitment Fee		(75)	(73)
Counter Guarantee Fee	23	(356)	(355)
SG Liquidity Facility Fee	25	-	(57)
Portfolio Insurance Fee	24	(305)	(299)
Total finance costs		(1,001)	(1,048)
Other results			
Interest income	43	3,223	2,905
Subscription and license fees		(132)	(25)
Fair value changes in liquidity investments		1,006	1,395
Other income		16	-
Total other results		4,113	4,275
Total operating income		7,967	7,672
Operating expenses			
Management Fees	27	(4,434)	(3,513)
Performance Fees	28	(567)	(758)
Legal Fees	29	(145)	(238)
Third party service providers	30	(217)	(188)
Other operating expenses	44	(497)	(501)
Total operating expenses		(5,860)	(5,198)
Operating result		2,107	2,474
Deferred Performance fee and LTI	33	(1,960)	(1,080)
Net result for the period before revaluation		147	1,394
Revaluation of Subordinated Notes	10	252	(531)
Revaluation of Junior Notes	10	2,052	(937)
Net result FCC Securities B.V.	45	341	32
Net profit/(loss) for the period before tax		2,792	(42)
Income tax		-	-
Comprehensive income/(loss) for the period		2,792	(42)
<i>Comprehensive income/(loss) for the period attributable to the holder of the issued share of FCC</i>	34	<i>2,792</i>	<i>(42)</i>

36. 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”). FCC 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.

37. 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.

38. Intergroup receivable

all amounts in thousands USD)	2024	2023
Amounts due from FCC Securities B.V.	581	508
Total intergroup receivable	581	508

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

39. Cash and cash equivalents

(all amounts in thousands USD)	2024	2023
Money market funds	17,000	17,000
Term deposits Rabobank	23,139	11,106
Cash positions Rabobank	(12,931)	(1,642)
Cash positions CACEIS Bank, Netherlands Branch	11	597
Total cash and cash equivalents	27,219	27,061

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 1,448,463 (2023: USD 1,351,253).

40. Financial guarantee contracts at FVTPL

The following FCC guarantees were outstanding at 31 December 2024:

2024

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Azerbaijan	60,000	-	60,000	113
Bangladesh	16,500	-	16,500	92
Brazil	10,000	-	10,000	24
Colombia	10,000	-	10,000	4
Dominican Republic	72,355	(13,896)	58,459	138
Egypt	51,200	(8,300)	42,900	105
Kenya	10,423	-	10,423	68
Mongolia	71,000	(11,000)	60,000	85
Uzbekistan	35,000	-	35,000	55
Uganda	30,000	-	30,000	-
Total - Assets	366,478	(33,196)	333,282	684

(all amounts in thousands USD)	Gross notional exposure	Insured	Net notional exposure	Fair Value
Azerbaijan	45,000	-	45,000	(18)
Brazil	2043	-	203	-
Bulgaria	780	-	780	(1)
China	11,061	-	11,061	(14)
Colombia	800	-	800	(1)
Georgia	2,400	-	2,400	(3)
Nigeria	13,800	-	10,350	(137)
Greece	834	-	834	(1)
Hong Kong	7,289	-	7,289	(11)
Hungary	1,279	-	1,279	(2)
India	8,900	-	8,900	(11)
Mexico	3,300	-	3,300	(4)
Poland	1,824	-	1,824	(4)
Romania	1,275	-	1,275	(2)
Slovakia	1,300	-	1,300	(2)
South Africa	12,500	-	12,500	(16)
Taiwan	2,528	-	2,528	(4)
Thailand	1,010	-	1,010	(1)
Togo	8,530	-	2,713	(170)
Total - Liabilities	124,613	-	124,613	(402)
Total – Financial guarantees at FVTPL	491,091	(33,196)	457,895	282

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

	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

41. Other liabilities

(all amounts in thousands USD)

	2024	2023
Third party service provider fees payable	-	5
Accrued performance fees	567	502
Accrued Supervisory Board Fees	73	62
Accrued portfolio insurance fees	129	125
Other liabilities	125	250
Total other liabilities	894	944

42. Change in fair value on financial guarantee contracts at FVTPL

(all amounts in thousands USD)

	2024	2023
Fair value of financial guarantee contracts at beginning of the period	477	253
Fair value of financial guarantee contracts at end of the period	299	477
Total change in fair value	(178)	730

43. Interest income

(all amounts in thousands USD)

	2024	2023
Interest income bank accounts	1,449	1,352
Interest income on fixed bonds	1,774	1,553
Total interest income	3,223	2,905

44. Other operating expenses

(all amounts in thousands USD)

	2024	2023
Supervisory Board	125	109
Audit & Financial Reporting	141	251
Bank costs	83	76
VAT costs	71	-
Credit rating fees	69	65
Other expenses	8	-
Total other operating expenses	497	501

For more information on the Supervisory Board fees, please refer to note 31.

45. Subsidiary FCC Securities B.V.

(all amounts in thousands USD)

	2024	2023
Opening balance	(149)	(181)
Net result for the year	341	32
Total at year end	192	(149)



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 2024

Our opinion

In our opinion:

- the consolidated financial statements of Frontier Clearing Corporation B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2024 and of its result and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union ('EU') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Frontier Clearing Corporation B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2024 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2024 of Frontier Clearing Corporation B.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the following statements for 2024: the consolidated 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 company financial statements comprise:

- the company balance sheet as at 31 December 2024
- the company statement of comprehensive income for the year then ended
- the notes, comprising a summary of the accounting policies applied and other explanatory information



The financial reporting framework applied in the preparation of the financial statements is IFRS Accounting Standards as adopted by the EU and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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.

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 separate opinions or conclusions 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, whistleblower procedures, incident registration and 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 override of controls: 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 2023 until 30 September 2024. We received a bridge letter for the remaining period, and we have discussed with management that no material changes occurred from 1 October 2024 to 31 December 2024. Furthermore, we have reviewed the ISAE 3402 type II report of the independent administrator for the period 1 October 2023 until 30 September 2024. 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 2024 to 31 December 2024. We have performed inquiries with the administrator, the finance department 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 selected journal entries based on risk criteria and concluded specific audit procedures for these entries. These procedures include, amongst others, inspection of the entries to source documentation. We did not note any irregularities with respect to the audit work performed.
Fraud in revenue recognition: Risk of fraud in revenue recognition, specifically through indirect (unrealised) results generated by valuation of the financial guarantee contracts.	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 2023 until 30 September 2024. We received a bridge letter for the remaining period, and we have discussed with management that no material changes occurred from 1 October 2024 to 31 December 2024. Furthermore, we have reviewed the ISAE 3402 type II report of the independent administrator for the period 1 October 2023 until 30 September 2024. 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 2024 to 31 December 2024. We evaluated the valuation of the financial guarantee contracts by assessing the valuation model 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 the financial guarantee contracts.



Identified fraud risks	Our audit work and observations
	We reviewed the significant accounting policies, estimates and judgements.
	We did not find any irregularities in the audit work performed.

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*' of the financial statements the managing board performed their assessment of the entity's ability to continue as a going concern for at least 12 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, amongst others:

- 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. Amongst others, 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.

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 IFRS Accounting Standards as adopted by the EU 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, 28 May 2025

PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. IJspeert RA



Appendix to our auditor's report on the financial statements 2024 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.



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

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.



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