Nordic Development Fund

NDF Annual Financial Report
2023

Contents

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Foreword

"NDF continues to focus on impact reporting, results management and to continuously complement, co-create and convene to maximise our global impact and our role in concessional finance."

In 2023, the global geopolitical and financial turmoil has shown few signs of reversal, rather the contrary. In addition to this, we have witnessed many extreme climate events and new climate records, unfortunately negative ones. In this context, NDF has shown its relevance through its concrete activities toward combatting the causes and consequences of climate change, for the benefit of those who need it the most.

Our Annual Financial Report 2023 provides the financial statements, including financial highlights of the year.

NDF's transition to IFRS, ensuring NDF's compliance with internationally recognised and applied accounting standards, was completed in 2023 with the first fully IFRS compliant Annual Financial Report for the financial year 2022. This important milestone was enabled by the capital increase in 2020 and supports NDF's financial stability and its capacity to play an increasing role in the climate finance arena.

The approval of Strategy 2025 in April 2020 and the capital increase in October 2020, form the basis for the institutional and organisational development that has taken place at NDF in recent years. Supported by this progress, we have, throughout the first three years of strategy implementation, systematically developed a high impact portfolio of investments where NDF's added value is clearly demonstrated and where the strategic deployment of our funding has catalysed significant additional financing.

With the highly concessionary financing provided by NDF, we continue to depend on capital increases from our owners, the Nordic countries, to fund the operations. These capital increases are complemented by returns from the portfolio and to a lesser extend treasury activities. Thanks to the latest capital increase of EUR 350 million in 2020, NDF stands on a strong foundation to deliver on Strategy 2025. Together with institutional development and future capital increases we will maintain our relevance and impact over the coming years. NDF continues to focus on impact reporting, results management and to continuously complement, co-create and convene to maximise our global impact and our role in concessional finance. NDF's Annual Results Report complements the Annual Financial Report and presents, based on concrete results data, what we achieved together with our partners in 2023. Going forward, we will further enhance the use and application of data in the organisation by enhancing synergies and creating linkages between the different data and information management tools, systems, and frameworks.

Today, NDF is an organisation fit for its purpose and well equipped to continue to deliver on Strategy 2025 and beyond. We are well-positioned to drive agendas that are shaping as we speak, both in the public and the private sectors to help the most vulnerable and most in need to deal with the causes and consequences of climate change and build resilience in societies. We will continue to finance projects in the nexus of climate change adaptation, mitigation, and development, and we will stay transparent through our reporting and open communication. We look forward to continuing this work with our partners.

KARIN ISAKSSON
Managing Director

Board of Directors Report

Brief Overview

The year 2023 was characterised by a continued high demand for NDF's early stage and catalytic financing of climate-projects. Despite a strong demand, there was a lower volume of approved projecs in 2023 than in 2022. The outcome was impacted by limited human resources during the first half of the year. This has been addressed in the second half of the year with five new staff joing NDF (a net increase of two). NDF's pipeline of projects in different stages of process for final approval of the Board of Directors, is as of the beginning of 2024, strong.

Final project approvals during 2023 reached EUR 39.0 million (2022: EUR 65 million). The total disbursements made in 2023 were EUR 44.7 million. During 2023, seven projects reached completion.

Strategy Alignment and the Development of NDF's Value Proposition

NDF's overriding objective is to engage in impactful projects where we can demonstrate our added value. This objective in turn is based on the combination of the Principles and Pathways outlined in Strategy 2025, and with the overall objective of reaching our Purpose. Refinement of our value proposition, our added value, is a continuous process that takes place in the context of project identification, screening and appraisal, as well as through our work around results, learning and knowledge, and very importantly by closely following the development of our operating environment, i.e. the global climate and development agenda as well as related Nordic priorities.

Thus, in order to maintain and develop our relevance and added value, we follow closely the development of the global climate finance architecture and its emerging trends. We benchmark our activities and our added value towards the evolving landscape, and we actively participate in the creation and development of innovative approaches and solutions to climate change and development challenges.

In 2023, all new financing activites were assessed and aligned against the strategic Pathways, namely to develop early stage project design and structure; to provide catalytic finance; and to advance Nordic leadership.

NDF's operational model continues to be based on co-financing joining forces with strategic partners with whom we can engage based on the Principles to Co-create, Convene and Complement. Following from this, successful implementation and delivery of Strategy 2025 depends on value-adding partnerships that can amplify the role and financing of NDF. During 2023, NDF continued to work with existing partners, but engaged also with new partners with aligned strategic interests. Our strategic financing partners include multilateral development banks, bilateral and multilateral institutions, global funds and private sector fund managers. Our non financial partners are key for knowledge creation and exchange on shared priorities and emerging issues including engagements in public events and discussions.

Guided by our Communications approach 2023-2025, NDF now has a systematic and strategic approach to communications, aiming to create visibility for NDF's work and demonstrate our relevance on a global scale. We have defined performance indicators for this area of work, and in 2023, we were able to measure our success for the first time. What we saw was promising. Already during the first year of implementing the Communications approach, the indicators show a clear increase in the outreach of all NDF's communication channels and strengthened cooperation with our key partners.

Throughout the year NDF participated in many international events and meetings in the field of climate and development. One of the key events was the UN climate conference (COP28) in the United Arab Emirates in December 2023. NDF participated as part of the joint Nordic Pavillion at the conference site, hosting a number of events, including events on blended finance for climate change adaptation, gender and climate finance, and the blue economy. In addition, NDF participated in several events organised by strategic partners, and joined partners in making announcements for investments and partnerships.

In May 2023, NDF published for the second time evidence-based data and performance information, obtained through its own Results Management Framework (RMF). The report showcased in a digital, user-friendly format the Fund's cumulative development results stemming from the active portfolio during 2022, as well as the 2025 projections, with project-level case examples.

Financing Activities

At the end of 2023, NDF's project portfolio[1] consisted of 138 projects[2] (2022: 135 projects) with total NDF-financing of EUR 563.0 million (2022: EUR 542.1 million). NDF's active[3] project portfolio at the end of 2023 amounted to EUR 348.6 million[4] (2022: EUR 359.3 million), distributed over 44 projects (2022: 48 projects).[5] In addition, NDF has a portfolio of closed projects consisting of 159 concessionary credits (2022: 159 credits) to sovereign states entered into during 1989–2006[6].

NDF's accumulated project portfolio, in volume-terms, includes 68.4% public sector and 31.6% private sector projects. 57.8% of the activities are in partnership with multilateral development banks and 42.2% with other partners. 14.3% of the portfolio focuses on climate mitigation, 27.1% on climate adaptation and 58.5% includes a combination of both mitigation and adaptation. Africa accounts for 52% of the accumulated portfolio.

In 2023, NDF approved financing to a total of EUR 39.0 million of which EUR 11.4 million were grants, EUR 12.8 million equity investments and EUR 14.8 million loans for the following four new projects:

- **The Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM)** – EUR 14.8 million (Loan)
- **Green and Debt Resilient Platform (GRDP)** – EUR 0.5 million (Grant)
- **Nationally Determined Contributions Pipeline Accelerator II** – EUR 10.0 million (Grant)
- **InsuResilience Investment Private Equity Fund II** – EUR 13.7 million (Equity and grant)

At the end of 2023, the two financing facilities managed by NDF, the *Nordic Climate Facility* (NCF) and *Energy and Environment Partnership for Africa* (EEP Africa), had an active portfolio of 16 and 25 projects, respectively.

NCF is a financing facility fully financed and managed by NDF to finance early-stage climate projects to stimulate local business and employment opportunities in the developing world. In 2021, after nine calls for proposals, it was concluded that no further calls for proposals will be made under NCF and NCF's focus will be on ensuring successful implementation and completion of the existing portfolio. It is expected that the remaing funds will be disbursed and the entire portfolio completed or closed during 2024.

EEP Africa is a multi-donor trust fund hosted and managed by NDF in cooperation with implementation support partners, and with Austria, Denmark, Finland, Iceland, NDF, Norway and Switzerland as donors. EEP Africa provides grants and repayable grants in Sub-Saharan Africa. A new call for proposals based on a revised format for the project cycle was launched in April 2023. In 2023, Norway joined EEP Africa as a new donor with a contribution of approximately EUR 11.8 million. Two existing donors, Austria and Finland, renewed their commitments to the EEP Africa with contributions of approximately EUR 3.0 million and EUR 9.5 million, respectively. Furthermore, Austria and Iceland confirmed additional financing to their existing commitments with contributions of approximately EUR 1.0 million and EUR 0.15 million, respectively.

[1] NDF's climate projects are projects approved as from 2009.

[2] The amount includes active, completed and closed projects. Active projects are ongoing, completed projects are operationally completed but still have six months to finalise reporting, evaluation, etc., and closed projects are formally closed in all aspects but repayments are ongoing. The amount of active projects does not include sub-projects NDFof the financing facilities Nordic Climate Facility and Energy and Environment Partnership for Africa.

[3] The active portfolio includes all projects that have been approved by the Board of Directors and have not reached their closing date yet.

[4] The climate portfolio also includes grants that cannot be seen in the total assets, which entails that the numbers are not comparable with the statement of financial position.

[5] This number of active projects does not include sub-projects from NCF or EEP Africa.

[6] All projects in the legacy portfolio are closed.

NDF's Institutional Development

Policies and Regulations

During 2023, several parts of the legal framework of NDF were under review and development.[7] This is both as a result of the instutional project commitments stemming from the 2020 capital increase as well as from general development needs.

The **Staff Regulations** were approved by the Managing Director in November 2023, based on special authorisation by the Board and after staff consultations. The new standalone Staff Regulations replaced the previously applied NIB Staff Regulations, with the view of improving reader friendliness, legal protection and transparency for NDF and its staff.

The revised **Staff Code of Conduct** was approved by the Board in November 2023 after staff consultations. The revisions were made with a view of aligning the Staff Code of Conduct with NDF's values and the People Policy (introduced in 2022) as well as the standalone Staff Regulations.

The revised **Rules of Procedure for the Control Committee** and the first **Code of Conduct for the Control Committee** were approved by the Control Committee in September 2023.

Guidelines, standards and processes

The following guideline-level legal framework documents were approved in 2023:

NDF's first own **Travel Guidelines** were approved by the Managing Director in May 2023, replacing the previously applied NIB Travel Guidelines. The new Guidelines aim to prioritise climate considerations, ensure traveller health and safety, and maintain a balance between travel, workload, and associated costs for NDF and its staff. In tandem, the structures for improved travel security were put in place through engagement of a new travel security service provider.

Following minor updates to the **Integrity Due Diligence (IDD) Policy** approved by the Board in March 2023, the **Integrity Due Diligence Guidelines** were approved by the Managing Director in November 2023. The IDD Guidelines aim to further operationalise the IDD Policy, and to codify NDF's IDD-related practises specifically for financing activities (i.e., projects). The IDD Guidelines are supplemented by relevant forms for documenting findings and assigned compliance risk ratings.

The **Risk Management Guidelines** were approved by the Managing Director in November 2023. The Guidelines, together with the relevant operational tools, including a risk taxonomy, risk register and risk control library, support the implementation and operationalisation of the Risk Management Policy, approved by the Board in December 2022, and form a part of NDF's Risk Management Framework.

The **Crisis Communication Guidelines** were approved by the Managing Director in December 2023. The Guidelines establish a systematic approach to managing communications during crisis situations at NDF, with the objective of minimising possible reputational damage.

Results and data management, learning

Improving NDF's approach to results-based management and to the learning and dissemination of knowledge was a key focus area for NDF in 2023, as is evidenced by the development of new portfolio management instruments and a number of other key tools to support the knowledge and learning agenda. The revised Project Performance Rating System (PPRS), a tool to systematically assess project implementation and a mechanism that provides a basis for new analytical insights on the NDF portfolio, was piloted and completed in the autumn of 2023.

During 2023, NDF continued the roll out and application of its Results Management Framework (RMF), introduced in 2021. All NDF-financed projects apply the RMF, which enables the projects to report on agreed indicators. The data collection on RMF indicators and other project-related information is done in the Project Management Information System (PMIS), a comprehensive project monitoring and reporting database. Further developments and updates to the PMIS made during 2023 include, among others, new modules to align the PMIS with NDF's project cycle, integration of the RMF into the PMIS (in a separate but integrated RMF App), migration of offline-based data into the new modules, as well as the launch of PMIS and RMF

[7] In accordance with the Rules on the Issuance of Legal Framework Documents, containing rules on the hierarchy of as well as the powers and procedures related to the approval of legal framework documents at NDF, policies and regulations are approved by the by the Board of Directors, whereas rules and guidelines are approved by the Managing Director.

reports on a digital platform to enable visualisation and analysis of aggregated project data. The combination of the RMF data, financial data and other project data together with digitialised reports facilitated a more automatised results reporting process in the e.g. the preparation of the 2022 Results Report as data entry, validation, analysis and reporting were completed online.

In 2023, NDF also continued to work on streamlining the portfolio project cycle, with increased focus on project monitoring and evaluation.

Meetings of and with the Governing Bodies

Nordic Council of Ministers

The Nordic Council of Ministers (i.e., the five Ministers of Nordic Cooperation) approved the 2022 annual financial statements on 12 June 2023.

Furthermore, in 2023, NDF continued its dialogue with the Secretariat of the Nordic Council of Ministers on issues relating to climate change and development, in particular in the context of preparations for joint activities in COP28, and a broader dialogue on possibilities for an increased collaboration particularly, in communications.

Board of Directors

In 2023, the Board of Directors had four ordinary meetings. In addition to these meetings, the Board held an extraordinary meeting and some Board decisions were, as is customary, taken in written procedure.

The Chair of the Board of Directors for the period from 1 January to 30 April 2023 was Benedikt Höskuldsson (Iceland), with Anne Sofie Bjelland (Norway) as Deputy Chair. As of 1 May 2023, Anne Sofie Bjelland took over the Chair, with Henrik Bergquist (Sweden) as Deputy Chair. As of 11 May 2023, Roosa Käsmä was appointed alternate (Finland), succeeding Johanna Pietikäinen.

A list of NDF Board members and their alternates and the Board Secretary can be found on page 10.

Control Committee

The Control Committee ensures that NDF's operations are conducted in accordance with its Statutes. The Committee is furthermore responsible for overseeing the financial audit of the Fund and appointing the external auditors. The financial audit of NDF is carried out by Ernst & Young.

The 2022 annual accounts and the annual auditor's report were approved by the Control Committee on 23 February 2023.

The Control Committee's autumn meeting was held on 29 September 2023. At the same meeting, the Control Committee appointed PricewaterhouseCoopers (PwC) as external auditors starting from 1 January 2025 and adopted revised Rules of Procedures and a new Code of Conduct for the Committee.

A list of the Chair, members and Secretary of the Committee can be found on page 10.

Administration

As of 31 December 2023, NDF had 31 staff members[8] (2022: 27 staff members). Out of the full-time employees, five were funded by NCF and EEP Africa. A list of the employees can be found on page 10.

NDF's current organisational structure consists of four departments: Legal and Administrative Support (LAS), Portfolio Origination and Management (POM), Quality Assurance and Reporting (QAR) and Strategy, Outreach and Communications (SOC).

During 2023, recruitments were made for the full-time positions of three Program Managers and two Program Officers (POM), a Principal Legal Counsel (LAS), and a Results and Reporting Specialist (QAR), and for the part-time position of an Office Assistant (LAS). A new Program Officer joined the EEP Africa team via internal transfer.

During 2023, the staff of NDF continued to work in a hybrid mode, as has been the case since March 2020, in accordance with the guidelines for hybrid work at NDF, the prevailing version of which took effectin May 2022.

As a WWF (World Wide Fund for Nature) Green Office Environmental Management System certified institution, NDF's dedicated Green Office team arranged a number of staff engagement activities and took action to improve

[8] Of the 31 staff members, one staff member was on leave as of 31 December 2023.

NDF's energy efficiency and reduce the Fund's carbon footprint. Among other things, the Green Office team collected staff inputs on sustainable travel in connection with the launching of NDF's Travel Guidelines.

NDF continued to acquire administrative services from the Nordic Investment Bank (NIB) regarding, among other things, office services, HR services, ICT services and accounting, based on a service agreement between NDF and NIB, subject to review from time to time.[9] During 2023, planning activities for NDF to be able to take refurbished office premises into use in 2024 were made in collaboration with NIB.

Financial Review

Instruments

NDF operates with several types of financing instruments. Depending on the project type, NDF contributes with grants, loans and equity. These instruments can be used stand-alone or blended, as relevant.

Accounting currency

Since 2001, NDF's financial accounts are kept in EUR. Capital increases adopted before year 2000 and related capital contributions in Special Drawing Rights (SDR) are translated to EUR at the payment date.

As a result of operating for many years with SDR as the prevailing currency, NDF has outstanding credits in SDR and fluctuations in the SDR/EUR exchange rate lead to variations in financial results, positive or negative, from one year to another.

Capital and liquidity

In 2020, NDF's member countries decided on a capital increase of EUR 350.0 million. According to the base case payment schedule, the countries have agreed to pay in the amount of this capital increase during 2021–2031. Despite the base case payment schedule, variations to the schedule can be accepted if agreed by the Board and ensuring compliance with the liquidity policy.

NDF finances its payment and other obligations through the capital paid-in by its member countries (the five Nordic countries), cash inflows from the existing project portfolio and proceeds from its treasury operations. During 2023, NDF received repayments of loans amounting to EUR 31.4 million (2022: EUR 30.6 million).

The liquid assets of NDF are managed by a commercial bank on behalf of NDF. Based on NDF's Liquidity and Investment Management Policy, the assets are placed in green bonds, yield funds and deposits, altogether yielding an average interest rate of approximately 1.6% (2022: 0.9%). The green bonds have an average maturity of three and a half years and NDF's deposits are placed on 1 to 12-month intervals. The liquidity as per 31 December 2023 was EUR 160.6 million (2022: EUR 128.2 million) of which EUR 80.0 million was placed in green instruments (2022: EUR 62.9 million).

Disbursements and results

During 2023, total disbursements to climate projects amounted to EUR 44.7 million (2022: EUR 29.8 million), of which EUR 22.1 million as grant financing (2022: EUR 18.6 million), EUR 0.8 million as recoverable grant financing (2022: EUR 1.1 million), EUR 20.0 million was made as equity contribution (2022: EUR 8.7 million), and EUR 1.7 million as financing to climate loans (2022: EUR 1.5 million). At the end of the year, accumulated disbursements to climate change projects since 2009 amounted to EUR 441.1 million.

The net profit/loss for the year totalled EUR -26.5 million in comparison with EUR -32.7 million the previous year. The negative result also reflects NDF's mandate to provide highly concessionary financing with grants constituting 50% of the portfolio over the five-year period of Strategy 2025.

Financial results and allocation

NDF's total assets as of 31 December 2023 amounted to EUR 737.3 million (2022: EUR 726.9 million). This amount includes loans outstanding and equity investments to the amount of EUR 555.0 million (2022: EUR 577.7 million). Investments with credit institutions amounts of EUR 39.7 million (2022: EUR 34.2 million). Net loan losses, includes expected credit loss (ECL) on loans and reversals during 2023 totalling EUR -7.8 million (2022: EUR -14.9 million).

As of 31 December 2023, NDF's statutory capital consisted of SDR 515.0 million (2022: SDR 515.0 million) out of which SDR 515 million is paid-in, and EUR 680.0 million (2022: EUR 680.0 million) of which EUR 406 million is paid-in. During 2023, EUR 37.9 million (2022: EUR 26.4 million), pertaining to the 2020 EUR 350 million capital increase, was paid in. The remaining amount to be paid in by 2031 is EUR 274 million. The accumulated retained earnings were EUR -361.9 million (2022: EUR -335.4 million).

[9] This arrangement for administrative services is based on a decision by NDF's member countries when establishing NDF in 1988. The current service agreement was entered into in December 2022.

The Fund's income during 2023 amounted to EUR 6.9 million (2022: EUR 5.2 million). This consisted of income from credits to the public sector[10] of EUR 4.4 million (2022: EUR 4.3 million), interest on financial investments of EUR 2.5 million (2022: EUR 0.9 million) and of EUR 0 (2022: EUR 0.3 million) as dividends on equity investments. Zimbabwe continues to be in default to NDF and is placed in stage 3 in the ECL model. All of its accrued, outstanding obligations towards NDF have therefore been placed in non-accrual status, and an impairment loss of 100% has been made. Following a review of the International Monetary Fund's Sovereign Arrears Policies and Perimeter, in 2022, NDF has in 2023 continued to apply a recurring stress testing mechanism, similar to the ECL for its sovereign credits portfolio.

Administrative expenses were EUR 5.2 million (2022: EUR 4.4 million). The largest single item of expenditure consists of salaries and additional salary expenses of EUR 4.3 million (2022: EUR 3.8 million).

Net profit/loss for the year is carried forward to retained earnings. As NDF provides financing on concessionary terms in the form of grants, loans and equity, NDF is likely to incur net losses and thus remain dependant on capital increases from time to time. Statement of financial position and statement of comprehensive income, changes in equity, cash flow and notes can be found on pages 11-37.

[10] Of the credits to the public sector, 159 are credits to sovereign states that have been entered into during 1989–2006 and belong to the so-called legacy portfolio.

Helsinki, 22 February 2024

ANNE SOFIE BJELLAND
Deputy Chair of the Board

BENEDIKT HÖSKULDSSON
Chair of the Board

ANNA MERRIFIELD
Board Member

ANDERS ØRNEMARK
Board Member

HENRIK BERGQUIST
Board Member

KARIN ISAKSSON
Managing Director

BOARD OF DIRECTORS *)

DENMARK
Anders Ørnemark, Chief Advisor, Ministry of Foreign Affairs
Alternate: to be nominated

FINLAND
Anna Merrifield, Director, Ministry for Foreign Affairs
Alternate: Roosa Käsmä, Desk Officer, Climate Finance, Ministry for Foreign Affairs

ICELAND
Benedikt Höskuldsson, Special Envoy for Climate
Alternate: Erla Hlín Hjálmarsdóttir, Director, Ministry for Foreign Affairs

NORWAY
Anne Sofie Bjelland, Senior Adviser, Ministry of Foreign Affairs, *Chair of the Board*
Alternate: to be nominated

SWEDEN
Henrik Bergquist, Deputy Director, Ministry for Foreign Affairs, *Deputy Chair of the Board*
Alternate: to be nominated

Observer:
Johan Ljungberg, Chief Environmental Analyst, Nordic Investment Bank

Secretary to the Board of Directors:
Christina Stenvall-Kekkonen, General Counsel, NDF

CONTROL COMMITTEE *)

Chair
Jan-Erik Enestam, Minister, Independent Consultant

DENMARK
Sjúrður Skaale, Member of Parliament

FINLAND
Noora Fagerström , Member of Parliament

ICELAND
Viljhálmur Árnason, Member of Parliament

NORWAY
May Britt Lagesen, Member of Parliament

SWEDEN
Johan Andersson, Member of Parliament

AUDITORS APPOINTED BY THE CONTROL COMMITTEE

Ernst & Young Oy, Finland, Responsible Partner:
Terhi Mäkinen, Authorised Public Accountant
Ernst & Young AB, Sweden, Responsible Partner:
Mona Alfredsson, Authorised Public Accountant

Secretary to the Control Committee
Christina Stenvall-Kekkonen, General Counsel, NDF

MANAGEMENT, STAFF and SUPERVISED EXTERNAL RESOURCES *)

Karin Isaksson, Managing Director
Leena Klossner, Deputy Managing Director, Head of Strategy, Outreach & Communications
Jesper Andersen, Director, Head of Quality Assurance and Reporting
Henrik Franklin, Director, Institutional Development, a.i.
Christina Stenvall-Kekkonen, General Counsel, Head of Legal and Administration

Siv Ahlberg, Program Manager
Mira Banerjee, Communication and Outreach Manager
Teemu Blomqvist, Program Officer
Sofia Chaichee, Impact Management Lead Specialist
Mayra Da Silva, Research Officer
Paula Fincke, Communications Officer
Amanda Hajnal, Finance and Reporting Officer
Anu Hassinen, Program Manager
Martina Jägerhorn, Program Manager
Aage Jørgensen, Head of Portfolio Origination and Management, a.i.
Maggie Knorr, Program Officer, EEP Africa
Veronika Konnos, Office Assistant
Isa Kujansuu, Legal Counsel
Gyuree Lee, Results and Reporting Specialist
Helena Lehtonen, Program Officer
Isabel Leroux, Program Manager
Jacob Lorentzen, Program Officer, Nordic Climate Facility
Emeli Möller, Program Manager (on leave)
Mari Rasilainen, Administration Officer
Taru Saarinen, Associate
Juha Seppälä, Environmental and Social Safeguards Specialist
Mats Slotte, Manager, Financial Administration
Ole Stubdrup, Program Manager
Maria Talari, Program Officer, EEP Africa
Jussi Viding, Manager, EEP Africa
Michelle Voon, Program Manager
Lillemor Westerholm, Principal Counsel

*) As of 31 December 2023

Statement of comprehensive income

(Amounts in 1,000 EUR)	Note	1 January to 31 December 2023	1 January to 31 December 2022
Interest income calculated using the effective interest method		5,987	4,639
Other interest income		911	535
Net interest income	(3)	**6,898**	**5,174**
Fee and commission income received		76	70
Fee and commission income paid		-116	-137
Net fee and commission income	(4)	**-41**	**-67**
Grant financing		-22,134	-18,584
Refund of grant financing		1,373	6
Net grant financing	(5)	**-20,761**	**-18,578**
Realised profit/loss on financial instruments at fair value			89
Unrealised profit/loss on financial instruments at fair value		4,727	-3,543
Expected credit loss on financial operations at amortised cost		-1	-1
Net profit/loss on financial operations	(6)	4,726	-3,455
Foreign exchange rate differences		-4,245	3,773
Net operating expense		**481**	**317**
Administrative expenses	(7) (8)	-5,136	-4,409
Depreciation	(9)	-210	-182
Total administrative expenses		**-5,346**	**-4,591**
Total operating income		-18,768	-17,744
Net profit/loss before loan losses		-18,768	-17,744
Net loan losses	(10)	-7,759	-14,925
Net profit/loss for the year		**-26,527**	**-32,669**
Total comprehensive income		**-26,527**	**-32,669**

Statement of financial position

(Amounts in 1,000 EUR)	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents		35,041	25,493
Long-term placements with credit institutions		39,726	34,244
Bond and fund investments	(12)	85,857	68,513
Loans outstanding	(13)	490,427	533,926
Equity investments	(14)	64,589	43,749
Other assets	(15)	19,491	18,984
Accrued interest and fee		1,809	1,439
Tangible and intangible assets	(16)	375	524
Total assets		**737,315**	**726,872**
LIABILITIES AND EQUITY			
Liabilities			
Other liabilities		1,946	2,906
Total liabilities		1,946	2,906
Equity			
Paid-in capital	(17)	1,097,265	1,059,335
Retained earnings		-335,369	-302,700
Net profit / loss		-26,527	-32,669
Total equity		**735,369**	**723,967**
Total liabilities and equity		**737,315**	**726,872**

Changes in equity

(amounts in EUR 1,000)	Paid-in fund capital	Retained earnings	Profit/loss for the year	Total
Equity as of 1 January 2022	**1,032,925**	**-292,031**	**-10,669**	**730,226**
Transfers between equity items		-10,669	10,669	0
Profit/loss for the year			-32,669	-32,669
Paid-in fund capital	26,410			26,410
Equity as of 31 December 2022	**1,059,335**	**-302,700**	**-32,669**	**723,967**
Transfers between equity items		-32,669	32,669	0
Profit/loss for the year			-26,527	-26,527
Paid-in fund capital	37,930			37,930
Equity as of 31 December 2023	**1,097,265**	**-335,369**	**-26,527**	**735,369**

Cash flow statement

(Amounts in 1,000 EUR)	1.1 - 31.12.2023	1.1 - 31.12.2022
Cash flow from operating activities:		
Net profit/loss for the year	-26,527	-32,669
Adjustments		
Depreciation of tangible and intangible assets	210	182
Foreign exchange differences	4,245	-3,773
Fair value of derivative instruments		28
Fair value of bond and fund investments	-3,761	7,236
Fair value of equity investment	-967	-3,720
ECL on financial placements	1	1
Change in accrued interest and fees (assets)	-370	-351
Adjustments to foreign exchange differences	-718	1,730
Change in other liabilities	-215	-53
Net loan losses	7,759	14,925
Other adjustments to the net profit/loss for the year	2	3
Adjustments, total	6,188	16,208
Lending		
Disbursed loans	-1,715	-1,469
Repayments of loans	31,413	30,606
Lending adjustments	2,180	-1,013
Lending, total	31,878	28,124
Cash flow from operating activities	11,539	11,663
Cash flow from investing activities:		
Change in investments with a maturity longer than 3 months	-5,483	-6,423
Change in bond and fund investments	-13,583	-17,223
Change in equity investments	-19,873	-8,944
Change in other assets	-507	-1,236
Change in tangible and intangible assets	-38	
Cash flow from investing activities	-39,484	-33,826
Cash flow from financing activities:		
Paid-in fund capital	37,930	26,410
Cash flow from financing activities	37,930	26,410
Change in cash and cash equivalents	9,984	4,247
Opening balance for cash and cash equivalents	25,493	20,817
Closing balance for cash and cash equivalents	-436	429
Additonal information to the statement of cash flows	35,041	25,493
Interest income received	6,604	4,893

The cash flow statement has been prepared using the indirect method and cash flow items cannot be directly concluded from statement of financial position and statement of comprehensive income.

Note 1: Accounting policies

1.1 Reporting entity

History of NDF

Cooperation among the Nordic countries comprises a wide range of activities, including economic policy, development of industrial technology, communications and the harmonisation of legal systems.

The most important formal basis for Nordic cooperation is the Helsinki Agreement of 1962. This agreement sets out the aims of Nordic cooperation and contains provisions for the Nordic Council and, as subsequently amended, for the Nordic Council of Ministers.

The Nordic Council is a forum for consultation and discussion on issues of common interests at a parliamentary level. The Nordic Council of Ministers is empowered to make decisions on matters of cooperation that are binding to the governments of the Nordic countries.

On 19 May 1988, the Nordic Council of Ministers decided to establish the Nordic Development Fund ("NDF" or the "Fund") for financing projects of Nordic interest in developing countries on concessional terms. The establishing agreement of NDF was signed by the five Nordic countries namely Denmark, Finland, Iceland, Norway and Sweden on 3 November 1988 and entered into force on 30 January 1989. The Fund's operations commenced on 1 February 1989.

In November 1997, the Nordic Council of Ministers decided that the legal framework of NDF should be revised to reflect the Fund's status as an international institution. This led to a new Agreement on the Nordic Development Fund, which was signed on 9 November 1998 (the 1998 Agreement), replacing the agreement of 1988.

Purpose

The statutory purpose of NDF, which has remained unchanged since establishment of the Fund, is to promote economic and social development in developing countries through participation in financing, on concessional terms, of projects of interest to the Nordic countries. As the Nordic countries' joint international development financing organisation, NDF focuses, as reflected in the Strategy approved by the Board of Directors in April 2020, on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project.

Legal Status

NDF is governed by the provisions of the 1998 Agreement and the pertaining statutes (the "Statutes") as amended from time to time. In addition, there is a Host Country Agreement between NDF and the Government of Finland ("Host Country Agreement"), which was signed on 15 October 2013 and entered into force on 11 May 2014.

NDF has the legal status of an international legal person, with full legal capacity and is vested with some privileges and immunities typical for an intergovernmental financial organisation, such as exemption from credit policy measures and payment restrictions, protection from search and seizure of its property and assets, inviolability of its premises, and broad tax exemptions.

The Statutes provide that the principal office, i.e., the headquarters of the Fund shall be located at the principal office, i.e., the headquarters of the Nordic Investment Bank (NIB). The address of the headquarters is Fabianinkatu 34, Helsinki, Finland,

1.2 Basis of accounting

NDF's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

1.3 New accounting standards adopted in 2023

No new IFRS standards during 2023 were adopted.

1.4 New Accounting Standards for financial year beginning on or after 1 January 2024

There are no IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on NDF.

1.5 Functional and presentation currency

The Fund's functional and presentation currency is euro, and the financial statements are presented in EUR 1,000, unless otherwise indicated. All figures in the financial statements have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences.

1.6 Significant accounting judgements and estimates

As part of the process of preparing the financial statements in conformity with IFRS, NDF's management is required to make certain judgements, estimates and assumptions that may affect NDF's profits, its financial position and other information presented in the Annual Financial Report. These estimates are based on available information and the judgements made by NDF's management. Actual outcomes may deviate from the assessments made, and such deviations may at times be significant.

NDF uses market value reports regarding financial instruments obtained from counterparty/commercial banks.

Significant judgement and estimates are applied to loan impairment testing including a model for expected credit loss (ECL) in accordance with IFRS 9. The estimates are highly dependent on factors such as political and financial instability. The uncertainties related to these estimates are reflected mainly in the statement of financial position.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are recognised in the accounts at the exchange rate prevailing on the closing date. Non-monetary assets and liabilities are recognised in the accounts at the euro rate prevailing on the transaction date. Income and expenses recognised in currencies other than the euro are converted on a daily basis to the euro, in accordance with the euro rate prevailing on that day.

Realised and unrealised exchange rate gains and losses are recognised in the statement of comprehensive income.

The Fund uses the exchange rates acquired from a leading market data provider based on rates prevailing at 13:00 GMT at 31 December except for Special Drawing Rates (SDR) which is based on the International Monetary Fund (IMF) published rate as disclosed in Note 23.

1.8 Recognition and derecognition of Financial Instruments

Financial instruments are recognised in the statement of financial position on a settlement date basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

1.9 Basis for classification and measurement

The Fund classifies its financial assets into two categories: those measured at amortised cost, and those measured at fair value through profit or loss. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

An investment is classified at "amortised cost" (AC) only if both of the following criteria are met: the objective of the Fund's business model is to hold the assets in order to collect the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value through profit and loss (FVPL).

In addition to these main classification categories, possible investments in associate undertakings are treated according to the equity method.

The following table summarises the accounting treatment of the Fund's financial assets.

Investments for liquidity purposes	NDF's purpose	SPPI-test passed	Measurement category
Long-term placements with credit institutions	To be held until maturity	Yes pass	AC
Bond and fund investments	Possibility to be traded	Partly pass	FVTPL
Operative investments			
Loans outstanding	To be held until maturity	Yes pass	AC
Equity investments	Possibility to be traded	No	FVTPL

Financial assets and liabilities at amortised cost

An investment or liability is classified at "amortised cost" only if both of the following criteria are met: the objective of the Fund's business model is to hold the assets and liabilities in order to collect or pay the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

Determination of amortised cost

The financial instrument is acquired at fair value. Subsequently the amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e., its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial asset is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'stage 3') according to ECL, for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

Commitment fees of loans are accrued on the balance sheet and included in the initial measurement of the financial asset when the loan is withdrawn. If the commitment expires unused, the commitment fee is recognised as revenue on expiry.

Financial assets at fair value

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI). FVOCI is used to classify assets held for payments of principal, interest and to sell. All other financial assets are classified as FVTPL. Currently NDF has no financial assets measured at FVOCI.

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price on the balance sheet date.

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

Investments for liquidity purpose

1.10 Cash and cash equivalents

Cash and Cash Equivalents comprise monetary assets and investments with original maturities of three months or less, calculated from the date the acquisition and investments were made with insignificant risk of change in fair value.

Cash and Cash Equivalents in the cash flow statement refers to the net amount of monetary assets, investments and liabilities with original maturities of three months or less, calculated from the time the transaction was entered. During the periods presented, cash and cash equivalents in the balance sheet correspond to the cash and cash equivalents in the cash flow statement.

1.11 Long-term placements with credit institutions

NDF invests monetary assets with a commercial bank at current market interest rates. These placements are held at amortised cost.

1.12 Bond and fund investments

These investments consist of money market funds and green bonds. Investments in money market funds and bonds are carried at fair value, with changes in FV reported in profit or loss under net profit on financial operations. Bonds are classified in level 1 in the fair value hierarchy. Investments in money market funds are classified in level 2 in the fair value hierarchy.

Investments for operative purposes

1.13 Loans outstanding

The NDF loans are primarily directed towards low-income countries.

The loans are initially recognised at cost at settlement date and subsequently held at amortised cost. Loans are assessed for impairment applying the ECL model.

These loans have a considerable concessionary element as they have none or very low interest rates and very long maturities.

1.14 Impairment of loans

The Fund uses ECL to estimate the provision for potential impairments. The Fund recognises a loss allowance for ECL on financial assets measured at amortised cost, or at fair value through comprehensive income, and for loan commitments. NDF has no financial assets currently held at fair value through other comprehensive income. The ECL comprises of a three-stage model based on changes in credit quality since initial recognition. Impairments are reported based on either twelve month or lifetime expected credit losses, depending on the stage impairment of the financial asset. The stage allocation also determines if interest income for the financial asset is reported on the gross carrying amount as for Stage 1 and 2 assets or net of impairment allowance for Stage 3 assets. Financial assets may move between ECL stages depending on whether the credit quality improves or deteriorates.

Stage 1 - includes financial assets that have not had a significant deterioration in credit quality since initial recognition or have a low risk at the reporting date.

Stage 2 - includes financial assets that have had a significant deterioration in credit quality since initial recognition, but for which there is no objective evidence of impairment.

Stage 1 and 2 assets are categorised as performing assets and the model calculations are updated at each reporting date.

Stage 3 - includes assets that have been categorised as non-performing by the Fund, which are classified in stage 3. The non-performing assets, assessment is done on an individual basis, as opposed to generic calculation rules for the Stage 1 and 2 assets. A default occurs regarding a borrower when either or both of the following have taken place:

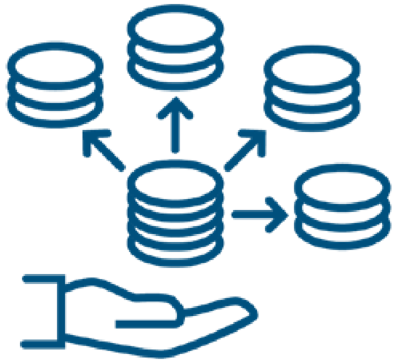
(a) NDF considers that the borrower is unlikely to pay its credit obligations in full.
(b) The credit rating of the borrower is Default (D)

The Fund reviews its non-performing loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the financial statements. In particular, the judgement of the management is required in estimating the amount and timing of future cash flows when determining the level of ECL. Such estimates are based on assumptions about several factors, and actual results may differ, resulting in future changes to the impairment.

Further details regarding the ECL model, related inputs and governance can be found in Note 11.

1.15 Equity investments

As part of its strategy, NDF may make investments in equity and other participating interests to promote its mandate. The Fund's participation is also intended to promote efficient use of resources, playing a catalytic role in attracting other investors and lenders and mobilising the flow of resources to financially viable projects. The Fund does not seek a controlling interest in the companies and funds in which it invests. However, it may have influence in the investees through Board of Directors or Advisory Committee representation. If the Fund has significant influence, these investments are treated according to the equity method.



Investments in equity securities (except those accounted for under equity method) are reported at FV, with changes in FV reported in profit or loss under net profit on financial operations. The investments are currently classified in level 3 in the fair value hierarchy. If the fair value of an equity investment is based on available market price or market data, the classification would be level 1 or level 2 in the fair value hierarchy. Further information on the fair value measurement and valuation techniques applied is given in Note 18.

1.16 Derivative instruments

Derivative instruments, if any, are measured at fair value at the end of the year and the change in fair value is recognised in net profit on financial operations within statement of comprehensive income.

1.17 Grant financing

Disbursements to climate projects in the form of grants, are recorded as a cost under "Grant financing for climate projects" in the statement of comprehensive income. Upon completion of a project or cancellation of a grant, any refund is accounted for as a reduction of the total costs for the year under "Refund of grant financing." Repayable grants are also considered as grant financing although there is a mechanism of receiving back the grant at the end of the project or lifetime of the fund. Repayable grant disbursements are recorded under "Other assets" in the statement of financial position.

1.18 Tangible and Intangible assets

Tangible assets are recognised at historical cost, less accumulated depreciation based on their assessed useful life and impairment losses. The depreciation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives, usually three to five years.

Intangible assets mainly consist of investments in software and software licenses and also right to use assets arising from leasing arrangements. Separately acquired software licences are carried at historical cost less accumulated amortisation and impairment losses and are amortised over the assessed useful life of the assets, which is estimated to be between three and five years. The amortisations are made on a straight-line basis.

Leasing agreements

The Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The lease liability and right-of-use asset have equal value at contract commencement date. Short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term.

Right-of-use assets

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented as part of intangible assets in Note 16.

Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

1.19 Write-downs and impairment of intangible and tangible assets

The Fund's tangible and intangible assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

1.20 NDF's capital

NDF's total subscribed capital as at 31 December 2023 is SDR 515 000 thousand (2022: SDR 515 000 thousand) and EUR 680 000 thousand (2022: EUR 680 000 thousand), equivalent to EUR 1 371 405 thousand (2022: EUR 1 371 405 thousand).

The carrying value of the paid-in capital is EUR 1 097 265 thousand (2022: EUR 1 059 335 thousand).

Subscribed capital increases by member countries are contingent assets, which are recognised when paid-in.

1.21 Income from operations

The Fund's long-term lending to sovereign states is interest-free, but a fixed rate service charge per annum is collected on outstanding amounts. A fixed commitment charge per annum is collected on any undisbursed balance commencing 12-18 months after the loan agreement has been signed. Income from other loans is presented within interest income from lending in the statement of comprehensive income.

Income from equity investments is normally related to the return received by the shareholders of the company and is recognised within net profit on financial operations.

Non-utilisation fees are presented within Net fee and commission income.

Possible management fees that are received from borrowers are accrued to net interest income.

1.22 General administrative expenses and host country reimbursement

NDF purchases administrative services from NIB. Costs of these services are shown under note 8. On the basis of the Host Country Agreement, NDF receives a host country reimbursement from the Finnish government equal to the tax levied on the salaries of the Fund's employees.

1.23 Employee benefits

Employee pensions and insurance

The Fund is responsible for arranging pension security for its employees. In accordance with the Host Country Agreement between the Fund and the Finnish Government and as part of the Fund's pension arrangements, the Fund has decided to apply the Finnish state pension system. Contributions to this pension system, which are paid into the Finnish State Pension Fund, are calculated as a percentage of salaries. The Finnish Ministry of Finance determines the basis for the contributions and establishes the actual percentage of the contributions in co-operation with the local government pension institution Keva (see Note 7). The Fund's pension liability is completely covered.

NDF also provides its permanent employees with a supplementary pension insurance scheme, arranged by a private pension insurance company. This is a group pension insurance based on a defined contribution plan.

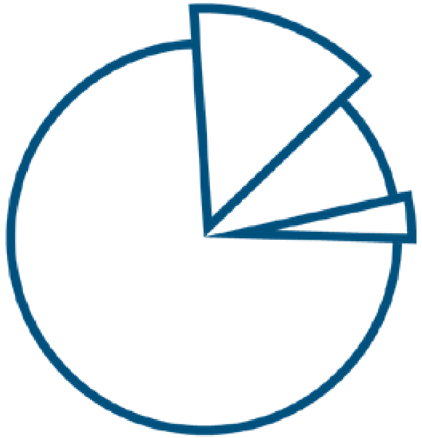
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

1.24 Cash flow statement

The cash flow statement has been prepared using the indirect method whereby the net result is adjusted for effects of non-cash transactions such as depreciation and impairments. The cash flows are classified by operating, investing and financing activities. Cash flow items cannot be directly determined from the statement of financial position.



Note 2: Risk management

NDF has a Risk Management Policy which forms the core of and defines NDF´s Risks Management Framework, as well as establishes NDF´s overall approach to the implementation of systematic risk management, defining the related key roles and responsibilities, and guiding the further implementation of the elements under the Framework.

Risk governance

The risk governance is described in NDF's Risk Management Policy. The Board of Directors has the responsibility to assure itself of the effectiveness of NDF's risk management. The primary responsibility for risk management rests with NDF Management, i.e., the Managing Director and the Heads of Departments collectively. NDF Management shall review risks on regular basis and takes decisions with regard to risk management, both on risk category and organisational level. NDF Management shall be responsible for the promotion of sound risk culture and the integration of risk management into any intra-departmental processes.

The Managing Director shall have the overall responsibility to ensure the implementation of risk management, including sufficient resourcing to support an effective management of risks.

Financial and other risk management

All policies, processes and procedures, by which NDF manages its financial risk continually evolve. The guiding principles by which NDF manages its risks are governed by NDF's Risk Management Policy and associated risk management guidelines.

NDF's, department for Quality Assurance and Reporting has been vested the authority to manage NDF's financial assets and liabilities within defined parameters. The Risk Management Policy sets out the overall principles for managing financial risks. The authority covers NDF's entire array of activities such as debt-funding operations and investment of liquid resources, including the interest rate and currency risk management aspects of NDF's lending and equity investment instruments.

The following sections describe how the different sources of risk are managed by NDF.

Credit risk

Credit risk arises from the inability or unwillingness of counterparties to discharge their financial obligations to NDF. It is the potential for credit loss due to default of one or more borrowers. Credit risk is by far the largest source of risk for NDF arising essentially from its lending and treasury operations.

NDF manages three principal sources of credit risk: (i) sovereign credit risk in its public sector portfolio; (ii) non-sovereign credit risk in its non-sovereign portfolio; and (iii) counterparty credit risk in its portfolio of treasury investments. These risks are managed in accordance with the Risk Management Policy and described in more detail in the sections below.

1) Sovereign credit risk

In extending credit to sovereign entities, NDF is exposed to country risk which includes potential losses arising from a country's inability to timely service its obligations to NDF. NDF manages country credit risk through its Risk Management Policy and procedures assessing sovereign credit risk as from entry of project proposals. The risk is then continuously monitored during the term of the credit. NDF applies a default policy that imposes severe restrictions on countries that fail to honor their debt service obligations to NDF.

NDF's constituent documents, i.e., Articles 12 and 13 of the 1998 Agreement stipulate among other things that NDF may receive and be in possession of currencies of any kind and that NDF shall be exempt from payment restrictions and credit policy measures, which in any manner prevent or impede the fulfilment of its functions. These provisions underpin NDF's so-called preferred creditor status, on the basis of which sovereign credits by NDF (or other comparable multilateral creditors) are not subject to rescheduling of national debt in the so-called Paris or London Clubs.

As follows from NDF's Statutes, Section 3 subparagraph 3, the only exception to NDF's non-participation in sovereign debt rescheduling may be coordinated international debt reliefs in which other multilateral financing institutions participate such as the Highly Indebted Poor Countries (HIPC) initiative in the 1990s.

NDF's non-participation in debt rescheduling is also contractually agreed in agreements between NDF's sovereign borrowers and NDF.

2) Non-Sovereign credit risk

NDF is exposed to non-sovereign credit risk when it extends credits to private-sector entities such as corporates and financial institutions. NDF monitors these risks continuously on transaction level and portfolio level.

3) Counterparty credit risk in treasury operations

Counterparties in treasury operations must meet NDF's minimum credit rating requirements as set out in the Liquidity and Investment Management Policy and Liquidity and Investment Management Guidelines. NDF may invest its liquidity with or through counterparties or issuers that have a high credit rating. NDF will follow the lowest rating principle, which implies that if the credit rating of the counterparty and/or issuer goes below A- by Standard and Poor's (S&P), A- by Fitch or A3 by Moody's, NDF would consider that counterparty/issuer as non-eligible. Up to 50% of the liquidity can be invested in funds. The weighted average of the underlying assets in the funds needs to be Baa3 or BBB- or above.

Market risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. To promote stable growth in its risk-bearing capacity, NDF's principal currency risk management objective is to promote its risk capital from translation risk due to fluctuations in foreign currency exchange rates.

As NDF will in future years have outstanding credits denominated in SDR, changes in the SDR-EUR rate may lead to the Statement of comprehensive income showing substantial foreign exchange differences since these currency positions are not hedged against changes in foreign exchange rates.

NDF utilises deposition contracts, green bonds and fund investments for liquidity management purposes.

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. Liquidity risk arises when there is a maturity mismatch between assets and liabilities. To mitigate the funding liquidity risk, NDF requires a 20% liquidity buffer, which can be used to meet unexpected payment obligations while continuing ordinary project and administrative operations in the event that normal inflow of funds temporarily would cease. NDF does not make a distinction on how the liquidity and the liquidity buffer are invested, as all investments fall under the Liquidity Investment and Management Policy.

The market liquidity risk is mitigated by having all of the liquidity invested in high-quality financial assets defined below. These assets are under stressed market conditions and associated with low risk for decreased market value. Liquidity is also kept on bank accounts in order to avoid liquidating investments each time disbursement requests arrive.

4) Compliance risk

As defined in NDF's Integrity Due Diligence Policy, compliance risk means risk of integrity and other reputational risks due to non-compliance by a contractual party of NDF with any applicable laws and regulations, policies, rules and international standards. Integrity risk, which is a subcategory of compliance risk as defined in the same policy relates to risk due to corruption, fraud, money laundering, terrorist financing, tax avoidance or evasion, lack of transparency and undue political influence.

As set out in its Policy on Anticorruption and Integrity, NDF adheres to the principles and definitions commonly applied by International Financial Institutions (IFIs), in particular the IFI Uniform Framework for Preventing and Combating Fraud and Corruption and is committed to participating in the joint efforts of IFIs to combat fraud and corruption.

For NDF it is key that it engages with reputable partners so that its financing and other activities achieve the expected results and impact, its resources are used effectively, and its development and climate objectives are met. The efforts on mitigating the risk of engaging with parties and projects that are, or potentially could be, associated with corruption, fraud, money laundering or the financing of terrorism are put in practice through Integrity Due Diligence.

The integrity of NDF's own activities and of its staff is governed through the Codes of Conduct, which set the values and ethical standards expected from the Control Committee, Board of Directors and the Managing Director and from the staff respectively. The Codes covers topics such as conflicts of interests, gifts, hospitality, trading limitations and perquisite positions.

Note 3: Net interest income

The table shows the interest income and expenses recorded during the year

(EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Interest income		
Loan outstanding	4 405	4 262
Placements with credit institutions	1 089	325
Cash and balances equivalents	493	53
Interest income held at amortised cost	**5 987**	**4 639**
Interest income		
Financial investments	911	535
Other interest income	**911**	**535**
Net interest income	**6 898**	**5 174**

Note 4: Fee and commission income and expenses

Fee and commission income from lending activities:

(EUR 1,000)	1.1. - 31.12.2023	1.1. - 31.12.2022
Non-utilisation fee	76	70
Total	**76**	**70**

Fee and commission expenses:

(EUR 1,000)	1.1. - 31.12.2023	1.1. - 31.12.2022
Fee and commission expenses	-116	-126
Commission expenses, derivative instruments		-11
Total	**-116**	**-137**

Note 5: Net grant financing

The geographic distribution of grant financing is as follows:

(EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Africa	-18 953	-16 457
Asia	-2 846	-811
Multiple regions	-98	-1 025
Latin America	-237	-291
Total disbursements	**-22 134**	**-18 584**

During the year EUR 1 372 891 (2022: EUR 5 697) has been refunded on joint financed grant projects with multilateral development banks.

Note 6: Net profit/loss on financial operations

(EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Financial instruments measured at fair value, realised gains/losses		89
Financial instruments measured at fair value, unrealised gains/losses	4 727	-3 543
Expected credit loss on financial investments measured at amortised cost	-1	-1
Net profit/loss on financial operations	**4 726**	**-3 455**

Note 7: Net personnel expenses, compensation and benefits

On the basis of the Host Country Agreement, NDF receives a host country reimbursement from the Finnish government equal to the tax levied on the salaries of the Fund's employees.

Net personnel expenses (EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Salaries and other remuneration	-2 888	-2 560
Social security and employee insurances	-281	-260
Pensions	-1 109	-963
Board of Directors and Control Committee remuneration	-23	-23
Other personnel expenses	-172	-76
Gross personnel expenses	**-4 473**	**-3 883**
Host country reimbursement according to agreement with Finnish Government	1 013	855
Net personnel expenses	**-3 461**	**-3 028**

Employees	1.1. - 31.12.2023	1.1. - 31.12.2022
Number of employees at 31 December	31	27
Average age of employees	46	46
Average period (years) of employment	5	9
Distribution by gender as of 31 December		
Female	22	18
Male	9	9
Supervised external resources[1]	1	1

[1] Staff with an employment type of in-house consultant or hired staff. The costs arising from this category are not part of salary expenses.

Pension Benefits

NDF is responsible for arranging the pension security for its employees. The Finnish public sector pension system (JuEL Pension) forms the basis for the pension benefits. The JuEL Pension is calculated based on the employee's annual taxable income and the applicable age- linked pension accrual rate. The employer's pension contribution in 2023 was 17.67% (2022: 17.69%) of the pensionable income. The employee's pension contribution was either 7.15% or 8.65%, depending on the employee's age. NDF pays this contribution for its permanent staff, and it is taxed as a benefit for the employee. The pension is accounted for as a defined contribution plan.

In addition to the JuEL Pension, the Fund has taken out a supplementary group pension insurance policy for its entire permanently employed staff, including the Managing Director. The insurance premium, 6.5%, is calculated based on the employee's taxable income and paid until the age of individual retirement under the JuEL Pension, with an upper age limit of 65 years. The supplementary pension is also accounted for as a defined contribution plan.

The employer's pension contribution regarding the Managing Director amounted to EUR 140.297 (2022: EUR 134.827) of which EUR 40.404 (2022: EUR 38,664) comprised of supplementary pension premiums. Regarding the The Deputy Managing Director the amount is EUR 69.314 (2022: EUR 63.813) of which EUR 14.385 (2022: EUR 12.235) comprised supplementary pension premiums and for Other Members of Management the total amount is EUR 221.523 (2022: EUR 207.886) of which EUR 45.974 (2022: EUR 43.116) comprised of supplementary pension premiums. The Board of Directors and Control Committee members are not eligible for NDF pension arrangements.

Insurances

NDF has taken out several (both statutory and voluntary) insurance policies for its staff: unemployment insurance, group accident insurance, group life insurance, medical insurance and disability insurance. All personal insurance policies are valid for the total duration of employment (if not otherwise stated for the separate insurance alternatives). Longer periods of absence from work may temporarily interrupt the insurance coverage. Some of the insurances are available only to staff with a longer fixed term contract and permanently employed staff. The Board of Directors and Control Committee members are not under the coverage of the abovementioned insurances.

Health care

NDF has also arranged occupational health care for its staff through a private medical centre in Finland. The Fund's medical insurance covers in addition to a broad extent use of other health care service providers if needed and public sector health care services for more severe or complex medical treatment needs. The occupational health care benefit includes both preventive health care and wellbeing actions for staff and medical care. The Board of Directors and Control Committee are not under the coverage of the health care benefit.

Additional Benefits for Expatriate Personnel

Professional staff (including the Managing Director) who move to Finland for the sole purpose of taking up employment at the Fund are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse/ family allowance. In addition, NDF assists the expatriate in finding accommodation, usually by renting a house or a flat in its own name. The staff member reimburses NDF for a part of the rent, which is equal to at least the taxable value of the accommodation benefit established annually by the Finnish National Board of Taxes.

Compensation for Board of Directors, Control Committee and Management

Compensation for the Board of Directors and the Control Committee is set by the Nordic Council of Ministers. The compensation consists of fixed annual remuneration and an attendee allowance. The members of the Board of Directors and the Control Committee are also entitled to reimbursement of travel and accommodation expenses and a daily allowance in accordance with the established travel policy.

The Board of Directors decides on the appointment and remuneration of the Managing Director (MD). According to the Statutes, the Managing Director is appointed on a fixed-term contract of up to five years.The current MD's contract commenced on 19 August 2019 and ends on 29 February 2024. A new MD has been appointed on a four year contract and will start at NDF on 4 March 2024.

Compensation for the Managing Director is paid in the form of a fixed monthly salary and usual salary-based benefits and allowances.

Compensation for the Chairman of the Board of Directors, the Board, the Control Committee,the Managing Director, the Deputy Managing Director and the other members of Management appears in the table below:

(EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Chairman of the Board of Directors	5	5
Other members of the Board of Directors	16	17
Control Committee	2	2
Managing Director	402	387
Deputy Managing Director	221	203
Other members of Management	**733**	**693**

Taxation and host country reimbursement

According to an agreement between the Fund's member countries, taxation of staff salaries and taxable benefits, the Managing Director's salary and the compensation for Board of Directors and Control Committee members, shall be taxed in the host country Finland in accordance with applicable Finnish taxation legislation.

According to the Host Country Agreement between the government of the Republic of Finland and the Fund, the amount of tax withheld in advance on the salaries of NDF's staff and the final tax on salaries collected shall be repaid to the Fund. The host country reimbursement, which the Fund received in 2023, amounted to EUR 1.012.785 (2022: EUR 854.602). The payment reduces the Fund's administrative expenses.

Note 8: Other administrative expenses

NDF purchases administrative services from NIB.

Other administrative expenses (EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Office premises costs	-79	-68
Other general administrative expenses	-919	-837
Cost coverage, NIB	-678	-475
Total	**-1 675**	**-1 380**

Note 9: Depreciation (Tangible and intangible assets)

(EUR 1,000)	1.1.-31.12.2023	1.1. - 31.12.2022
Intangible assets (Note 17)	-210	-182
Total	**-210**	**-182**

Note 10: Net loan losses

In EUR 1,000	1.1.-31.12.2023	1.1. - 31.12.2022
Change in expected credit loss on performing loans	-7 759	-14 925
Net loan losses	**-7 759**	**-14 925**

Note 11: Expected credit loss

Introduction and governance

The Fund calculates and reports its impairments based on ECL. The ECL Framework is based on the requirements of the International Financial Reporting Standard (IFRS 9 Financial Instruments). Additionally, the guidance of the Basel Committee on Banking Supervision and Global Public Policy Committee are followed, where applicable. The ECL Framework is governed by the Funds's Risk Management Policy and has been approved by the Managing Director. The Credit Committee (CC) reviews and recommends the impairment allowances and ECL model based calculation results, which are approved by the Managing Director.

Inputs

The ECL calculation is performed at the level of individual financial assets and the main components comprise Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). The model is forward-looking: current and future macroeconomic conditions are incorporated into the model through the customers credit rating.

Each transaction in the Fund's portfolio has an internal PD rating associated with it. This rating is essentially a long-term, best estimate rating resulting in a neutral estimate without explicit buffers of conservatism. For ECL purposes, the PD is estimated based on a regression model of macroeconomic variables to observed default data. PD term structures are derived for each rating grade reflecting the macro-financial scenarios.

Probability of Default (PD) is estimated using the country rating of NDF's portfolio using S&P Global's rating (and if not available, Moody's or Fitch's).

Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Fund applies a conservative approach and applies a 100% LGD-rate for all borrowers in the ECL model.

Exposure at Default (EAD) represents the expected exposure in the event of a default and is measured from the nominal contractual cashflows and commitments. The loan impairment accounting policy is described in note 1: Accounting policies (1.14 Impairment of loans), and the results of the ECL are described below.

Expected credit loss

(EUR 1,000)	Stage1	Stage2	Stage3	Total
Balance at 31/12/2021	**1 485**	**17 077**	**16 994**	**35 557**
Transfer to stage 1				
Transfer to stage 2	-107	107		0
Transfer to stage 3				
Loan disbursements and other new assets	7	423		430
Amortisations and repayments	-965	-1 328		-2 293
Impact of remeasurement on existing assets and FX differences	1 175	15 614	202	16 990
Net changes in comprehensive income statement	111	14 815	202	15 127
Balance at 31/12/2022	**1 596**	**31 893**	**17 196**	**50 684**
Transfer to stage 1				
Transfer to stage 2	-37	37		0
Transfer to stage 3				
Loan disbursements and other new assets	6	514		521
Amortisations and repayments	-614	-2 300		-2 914
Impact of remeasurement on existing assets and FX differences	-227	10 379	-476	9 677
Net changes in comprehensive income statement	-872	8 631	-476	7 284
Balance at 31/12/2023	**724**	**40 524**	**16 720**	**57 968**

Expected credit loss	**31.12.2023**	**31.12.2022**
Loans outstanding and other lending related receivables	57 335	49 281
Loan commitments	630	1 400
Financial placements	3	3
Total	**57 968**	**50 684**

Assets subject to expected credit loss*

(EUR 1,000)	**Stage1**	**Stage2**	**Stage3**	**Total**
Exposure at 31/12/2021	**524 175**	**112 097**	**16 994**	**653 267**
Transfer to stage 1				
Transfer to stage 2	-40 875	40 875		0
Transfer to stage 3				
Loan disbursements and other new assets	33 254	1 322		34 576
Amortisations and repayments	-53 466	-6 212		-59 678
Other changes (loan commitments)	-146	-1 322		-1 469
Foreign exchange adjustments and other changes	3 112	1 215	202	4 528
Exposure at 31/12/2022	**466 053**	**147 975**	**17 196**	**631 224**
Transfer to stage 1				
Transfer to stage 2	-86 758	86 758		0
Transfer to stage 3				
Loan disbursements and other new assets	38 678	1 607		40 285
Amortisations and repayments	-49 228	-14 995		-64 223
Other changes (loan commitments)	-108	-1 607		-1 715
Foreign exchange adjustments and other changes	2 360	-7 930	-476	-6 045
Exposure at 31/12/2023	**370 997**	**211 809**	**16 720**	**599 527**

Assets subject to expected credit loss*	**31.12.2023**	**31.12.2022**
Loans outstanding and other lending related receivables	547 762	583 208
Loan commitments	13 194	14 909
Financial placements	38 570	33 108
Total	**599 527**	**631 224**

* Does not include interest

Note 12: Bond and fund investments

EUR (1,000)	31.12.2023	31.12.2022
Green bonds	79 987	62 878
Yield fund	5 870	5 636
Total , Bond and fund investments	**85 857**	**68 513**

The green bonds are issued by financial institutions and state backed companies. Investments in yield funds are highly liquid and managed by a Nordic commercial bank.

Note 13: Loans outstanding

Loans outstanding consist of loans disbursed. Most part of the loans have been granted during 1989-2005 (collectively referred to as legacy portfolio) and a smaller part of more recent climate loans starting 2016.

Loans outstanding: (EUR 1,000)	31.12.2023	31.12.2022
Bangladesh	25 421	26 760
Benin	15 113	15 510
Bolivia	19 704	21 495
Botswana	2 014	2 273
Burkina Faso	8 470	8 674
Cambodia	7 410	7 595
Cape Verde	1 098	1 232
China	2 236	2 458
Colombia	707	786
Dominican Republic	4 259	4 770
East African Development Bank	3 006	3 279
Ethiopia	18 575	20 013
Ghana	36 097	38 079
Honduras	24 038	25 351
Indonesia	5 681	6 329
Jamaica	3 132	3 514
Kenya	21 294	21 814
Kyrgyz Republic	2 729	2 931
Lao PDR	46 155	46 950
Malawi	13 906	14 938
Maldives	5 013	5 455
Mauritius	975	1 137
Mongolia	17 021	18 388
Mozambique	42 511	45 235
Namibia	868	946
Nepal	12 591	13 615
Nicaragua	30 395	32 301
Pakistan	4 576	5 090
Philippines	7 504	8 185
Rwanda	10 350	10 600
Senegal	33 199	36 290
Sri Lanka	13 464	14 384
Tanzania	15 127	16 246
Tunisia	2 755	3 001
Uganda	37 058	39 379
Vietnam	18 684	19 707
Zambia	17 905	18 726
Zimbabwe	6 493	7 366
Loans outstanding	**537 535**	**570 801**
Move of unreceived amortisations to loans	10 227	12 407
ECL stage 1,2 and 3	-57 335	-49 281
Total	**490 427**	**533 926**

As of 31 December 2023, one borrower were more than 180 days overdue with payments (2022:2 borrowers).

Note 14: Equity investments

Equity investments are distributed as follows:

EUR (1,000)	31.12.2023	31.12.2022
African Guarantee Fund (AGF)	18 366	13 034
Africa Go Green Fund (AGGF)	2 303	
BUILD Impact Fund	3 621	3 547
Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT)	4 031	4 903
Energy Entrepreneurs Growth Fund (EEGF)	4 315	262
Emerging Market Climate Action Fund (EMCAF)	398	319
Facility for Energy Inclusion Off-Grid Energy Access Fund (FEI OGEF)	4 647	4 812
Gigaton Empowerment Fund	10 620	
Serengeti Energy (formerly known as rAREH)	16 288	16 872
Total , equity investments	**64 589**	**43 750**

Note 15: Other assets

Other assets are held at amortized costs except World Bank receivables and repayable grants which are measured at fair value.

In EUR 1,000	31.12.2023	31.12.2022
World Bank receivables	391	391
Other receivables	240	579
Repayable grants	18 860	18 013
Total	**19 491**	**18 984**

Note 16: Tangible and intangible assets

(EUR 1,000)	31.12.2023	31.12.2022
Intangible assets		
Acquisition value at beginning of year	1 157	1 022
Acquisition during the year	23	136
Acqusition value at end of year	1 180	1 157
Accumulated amortisation at beginning of year	646	464
Amortisation according to plan for the year	210	182
Accumulated amortisation at end of year	857	646
Net book value	**324**	**511**
Tangible assets	Office equipment	Office equipment
Acquisition value at beginning of year	107	107
Acquisition during the year	38	
Acqusition value at end of year	145	107
Accumulated depreciation at beginning of year	94	94
Depreciation according to plan for the year		
Accumulated depreciation at end of year	94	94
Net book value	**51**	**13**
Intangible and tangible assets total	**375**	**524**

The right-of-use asset relating to lease agreements for office premises in Helsinki is included in the Intangible assets table above. The amount at the end of 2023 is EUR 324 thousand (2022: EUR 511 thousand).

Note 17: Equity

NDF's capital subscribed to during 1989-2000 amounted to SDR 515 000 thousand and EUR 330 000 thousand. In 2020, the Nordic Council of Ministers passed a resolution to increase the capital of NDF by EUR 350 000 thousand.

After the 2020 capital increase, the subscribed capital of NDF amounted to SDR 515 000 thousand and EUR 680 000 thousand, equivalent to EUR 1 371 405 thousand.

On 31 December 2023, SDR 515 000 thousand - the equivalent of EUR 691 405 thousand- and EUR 405 860 thousand, totalling EUR 1 097 265 thousand has been paid in by the member countries.

Subscribed capital on 31 December 2023

(EUR 1,000)	SDR	%	EUR	%
Denmark	115 067	22 %	158 800	23 %
Finland	96 726	19 %	116 840	17 %
Iceland	5 453	1 %	8 550	1 %
Norway	101 591	20 %	171 550	25 %
Sweden	196 163	38 %	224 260	33 %
Subscribed fund capital	**515 000**	**100 %**	**680 000**	**100 %**

Subscribed capital on 31 December 2022

(EUR 1,000)	SDR	%	EUR	%
Denmark	115 067	22 %	158 800	23 %
Finland	96 726	19 %	116 840	17 %
Iceland	5 453	1 %	8 550	1 %
Norway	101 591	20 %	171 550	25 %
Sweden	196 163	38 %	224 260	33 %
Subscribed fund capital	**515 000**	**100 %**	**680 000**	**100 %**

Paid in subscribed capital of NDF on 31 December 2023

(EUR 1,000)	in SDR	Converted into EUR	in EUR	Total	%
Denmark	115 067	153 858	108 660	262 518	24 %
Finland	96 726	130 592	68 700	199 292	18 %
Iceland	5 453	7 303	4 200	11 503	1 %
Norway	101 591	136 354	93 710	230 064	21 %
Sweden	196 163	263 299	130 590	393 889	36 %
Paid-in Fund capital	**515 000**	**691 405**	**405 860**	**1 097 265**	**100 %**

Paid in subscribed capital of NDF on 31 December 2022

(EUR 1,000)	in SDR	Converted into EUR	in EUR	Total	%
Denmark	115 067	153 858	95 580	249 438	24 %
Finland	96 726	130 592	63 720	194 312	19 %
Iceland	5 453	7 303	3 750	11 053	1 %
Norway	101 591	136 354	83 980	220 334	20 %
Sweden	196 163	263 299	120 900	384 199	36 %
Paid-in Fund capital	**515 000**	**691 405**	**367 930**	**1 059 335**	**100 %**

Note 18: Fair value note

CLASSIFICATION OF FINANCIAL INSTRUMENTS

In EUR 1,000	Amortised cost (AC)	Fair value through profit and loss (FVTPL)	Total
Financial assets			
Cash and cash equivalents	35 041		35 041
Long-term placements with credit institutions	39 726		39 726
Bond and fund investments		85 857	85 857
Loans outstanding	490 427		490 427
Equity investments		64 589	64 589
Other assets	240	19 252	19 491
Total 31 December 2023	**565 434**	**169 697**	**735 131**
Financial liabilities	1 946		1 946
Total 31 December 2023	**1 946**		**1 946**

CLASSIFICATION OF FINANCIAL INSTRUMENTS

In EUR 1,000	Amortised cost (AC)	Fair value through profit and loss (FVTPL)	Total
Financial assets			
Cash and cash equivalents	25 493		25 493
Long-term placements with credit institutions	34 244		34 244
Bond and fund investments		68 513	68 513
Loans outstanding	533 926		533 926
Equity investments		43 749	43 749
Other assets	579	18 405	18 984
Total 31 December 2022	**594 242**	**130 668**	**724 910**
Financial liabilities	2 906		2 906
Total 31 December 2022	**2 906**		**2 906**

FAIR VALUE OF FINANCIAL INSTRUMENTS

	31.12.2023		31.12.2022	
In EUR 1,000	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	35 041	35 041	25 493	25 493
Long-term placements with credit institutions	39 726	39 726	34 244	34 244
Bond and fund investments	85 857	85 857	68 513	68 513
Loans outstanding	490 427	490 427	533 926	533 926
Equity investments	64 589	64 589	43 749	43 749
Other assets	19 491	19 491	18 984	18 984
Total	**735 131**	**735 131**	**724 910**	**724 910**
Financial liabilities	1 946	1 946	2 906	2 906
Total	**1 946**	**1 946**	**2 906**	**2 906**

The following table provides an analysis of the fair value of financial instruments at the end of the year broken down by the applicable Level in the fair value hierarchy.

The loans outstanding, carrying amount and fair value, are the same due to the special nature of the borrowers and the lending terms. The loans have a maturity of up to 38 years and have low interest rate (0,75% service charge). As NDF enjoys preferred creditor status, and the borrowers mostly represent low-income countries, NDF is of the view that the best estimate for the fair value is the amortised cost value.

LEVEL OF FAIR VALUE MEASUREMENT FOR FINANCIAL INSTRUMENTS AT THE END OF THE YEAR

	31.12.2023			31.12.2022		
In EUR 1,000	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets						
Cash and cash equivalents	35 041			25 493		
Long-term placements with credit institutions		39 726			34 244	
Bond and fund investments		85 857			68 513	
Loans outstanding		490 427			533 926	43 749
Equity investments			64 589			
Other assets		240	19 252		579	18 405
Total	**35 041**	**616 249**	**83 841**	**25 493**	**637 263**	**62 154**
Financial liabilities		1 946			2 906	
Total		**1 946**			**2 906**	

Level 1 refers to market prices quoted in an active marketplace.
Level 2 refers to observable data other than Level 1 market prices.
Level 3 refers to information based on other than directly observable data.

CHANGES IN FAIR VALUES CATEGORISED IN LEVEL 3

The following table provides an analysis of the changes in the fair value of Level 3 investment assets and other placements.

In EUR 1,000	Equity investments	Other assets	Level 3, total
31 December 2021	**31 085**	**17 285**	**48 370**
Investments during the year	8 944	1 120	10 064
Change in value*	3 720		3 720
31 December 2022	**43 749**	**18 405**	**62 154**
Investments during the year	19 873	847	20 720
Change in value*	967		967
31 December 2023	**64 589**	**19 252**	**83 841**

* this line corresponds to the effect on profit and loss

Sensitivity analysis and measurement of financial instruments in level 3

In the assessment of NDF's Level 3 assets, due consideration must be given to the inherent nature of the investments and the form of NDF's involvement. The investments – normally made in recently established entities – are assessed at fair value. Unlisted holdings in funds or directly owned holdings in companies are measured at NDF's share of the value that the fund manager or company reports (Net Asset Value (NAV)) and is normally updated on a semi-annual basis. There are several factors affecting the valuation of assets in level 3, the most important being the performance of the underlying assets which is impacted by among other things exchange rate fluctuations, the political climate and natural disasters,which are interdependent and might result in a worst case scenario result in total loss of asset.

Note 19: Maturity table

The table below sets out a maturity analysis for financial assets and liabilities containing principal and interest flows. For loans outstanding, undiscounted cash flows are presented until contractual final maturity.

31.12.2023 (EUR 1,000)	Carrying amount	Contractual cash flows	Up to and including 3 months	Over 3 months and up to and including 12 months	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years and up to and including 20 years	Over 20 years	Undefined
Assets									
Cash and cash equivalents	35 041	35 041	35 041						
Long-term placements with credit institutions	39 726	40 705	14 270	25 265					1 170
Bond and fund investments	85 857	100 608	6 598	6 681	65 259	16 201			5 870
Loans outstanding	490 427	571 270	6 681	30 324	192 228	169 852	170 645	1 540	
Equity investments	64 589								64 589
Other assets	19 491								19 491
Assets total	**735 131**	**747 625**	**62 590**	**62 270**	**257 486**	**186 053**	**170 645**	**1 540**	**91 120**
Other liabilities	1 946								1 946
Other liabilities total	**1 946**								**1 946**
Loans agreed but not yet disbursed	27 987								27 987
Loans agreed but not yet disbursed total	**27 987**								**27 987**
31.12.2022									
Assets									
Cash and cash equivalents	25 493	25 493	25 493						
Long-term placements with credit institutions	34 244	34 942	14 443	19 358					1 141
Bond and fund investments	68 513	78 626	108	2 904	58 685	11 294			5 636
Loans outstanding	533 926	608 592	6 365	29 500	192 244	178 349	196 099	6 035	
Equity investments	43 749								43 749
Other assets	18 984								18 984
Assets total	**724 910**	**747 653**	**46 408**	**51 762**	**250 929**	**189 643**	**196 099**	**6 035**	**69 510**
Other liabilities	2 906								2 906
Other liabilities total	**2 906**								**2 906**
Loans agreed but not yet disbursed	14 909								14 909
Loans agreed but not yet disbursed total	**14 909**								**14 909**

Note 20: Currency risk

NDF's operations are mostly in euro, Special Drawing Right and US dollars. The table below shows the net assets and liabilities in the major currencies.

Net currency position as of 31 December 2023

In EUR 1,000	EUR	USD	SDR	Total
Assets				
Cash and cash equivalents	26 049	8 992		35 041
Long-term Placements with credit institutions	26 156	13 570		39 726
Bond and fund investments	85 857			85 857
Loans outstanding	376 233		114 194	490 427
Equity investments	64 589			64 589
Other assets	19 460		32	19 491
Accrued interest and fees receivables	1 390	251	168	1 809
Tangible and intangible assets	375			375
Total	**600 108**	**22 813**	**114 394**	**737 315**
Liabilities and equity				
Other liabilities	-1 922	-24		-1 946
Equity	-735 369			-735 369
Total	**-737 291**	**-24**		**-737 315**
Net of assets and liabilities	**-137 184**	**22 790**	**114 394**	

Net currency position as of 31 December 2022

In EUR 1,000	EUR	USD	SDR	Total
Assets				
Cash and cash equivalents	18 269	7 224		25 493
Long-term placements with credit institutions	6 136	28 108		34 244
Bond and fund investments	68 513			68 513
Loans outstanding	408 395		125 532	533 926
Equity investments	43 749			43 749
Other assets	18 961		24	18 984
Accrued interest and fees receivables	967	288	184	1 439
Tangible and intangible assets	524			524
Total	**565 514**	**35 619**	**125 739**	**726 872**
Liabilities and equity				
Other liabilities	-2 831	-74		-2 906
Equity	-723 967			-723 967
Total	**-726 798**	**-74**		**-726 872**
Net of assets and liabilities	**-161 284**	**35 545**	**125 739**	**0**

Note 21: Commitment note

In EUR 1,000	31.12.2023	31.12.2022
Loans agreed but not yet disbursed	27 983	14 910
Grants agreed but not yet disbursed	61 020	72 460
Other financing agreed but not yet disbursed	58 624	76 650
Total	**147 627**	**164 020**

The future minimum lease payments under non-cancellable leases were as follows;

NDF as lessee

In EUR 1,000	31.12.2023	31.12.2022
Within one year	249	228
Later than one but not two years	124	228
Later than two but not three years		114
Total	**373**	**571**

Note 22: Related party disclosures

According to the constituent documents of NDF, the Fund's principal office shall be located at the principal office of NIB. Furthermore, the Statutes of NDF set out that that the Fund's Control Committee members appointed by the Nordic Council shall be the same persons as appointed by the Council to the Control Committee of NIB. In addition, the Statutes of NDF set out that the powers vested in the Board of Directors may to the extent appropriate be delegated to the Fund's Managing Director and/or to NIB.

NDF acquires services at cost from NIB and rents the office premises through NIB. The outstanding balance of claims and debts between NDF and NIB, the service fee paid to NIB and the rental expenses are presented in the table below. No interest is charged during the year (2022: EUR 0). See also note 8.

(EUR 1,000)	NDF's outstanding debt to NIB	Service fee	Rental expenses
2023	23	665	254
2022	2	463	221

Note 23: Currency exchange rates

The Fund's capital and credits to sovereign states are partially denominated in SDR. The SDR is neither a currency nor a claim on the International Monetary Fund (IMF), but it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies. Monetary assets and liabilities denominated in SDR are recognised in the accounts at the rates issued by IFM.

		EUR-rate on 31.12.2023	EUR-rate on 31.12.2022
DKK	Danish krone	7,45324	7,43643
ISK	Icelandic króna	150,5169	151,4919
NOK	Norwegian krone	11,23847	10,51846
SEK	Swedish krona	11,08845	11,11912
USD	US dollar	1,10536	1,06733
SDR	Special Drawing Right *	0,82134	0,79862

* Daily valuations also for SDR. No exceptions.

NDF uses exchange rates acquired from a leading market data provider based on rates prevailing at 13:00 GMT at 31 December except for Special drawing right (SDR) which is based on the International Monetary Fund (IMF) last published rate of the year.

Note 24: Subsequent events

There have been no material subsequent events that would require disclosure or adjustment to these financial statements.

Annex 1

Auditor's report

To the Control Committee of Nordic Development Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic Development Fund (the Fund) which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the Nordic Development Fund's financial position as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information than the Annual Accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles described in the notes to the financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement. whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Fund's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on 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 level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on other requirements

Opinion

In addition to our audit of the financial statements, we have also audited the administration of the Board of Directors and the Managing Director of Nordic Development Fund for the year 2023 in accordance with the Terms of the Engagement.
In our opinion the administration of the Board of Directors and the Managing Director, in all material aspects, complied with the Statutes of the Fund.

Basis for Opinion

We conducted the audit in accordance with generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities section.
We are independent of the Fund in accordance with professional ethics for accountants and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

All the powers of the Fund shall be vested in the Board, which may delegate these powers to the Managing Director or the Nordic Investment Bank or both to the extent considered appropriate based on Section 7 of the Statutes.

The Managing Director is responsible for the conduct of the ordinary operations of the Fund and shall follow the guidelines and instructions given by the Board.

Auditor's Responsibilities

Our objective concerning the audit of whether the Board of Director's and the Managing Director's administration have complied with the Statutes of the Fund, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect has acted in contravention of the Statutes.
Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect actions or omissions that can give rise to liability to the Fund.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Fund's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Helsinki, 23 February 2023

Ernest & Young Oy
Authorized Public
Accountant Firm

TERHI MÄKINEN
Authorized Public Accountant

MONA ALFREDSSON
Authorized Public Accountant

Annex 2

Statement by the Control Committee

Statement by the Control Committee of the Nordic Development Fund on the audit of the administration and accounts of the Fund

To the Nordic Council of Ministers

In accordance with section 9 of the Statutes of the Nordic Development Fund, we have been appointed to ensure that the operations of the Fund are conducted in accordance with the Statutes and to bear responsibility for the audit of the Fund. Having completed our assignment for the year 2023, we hereby submit the following report.

The Control Committee met during the financial year as well as after the Fund's financial statements had been prepared, whereupon the necessary control and examination measures were performed. The Fund's Annual Report was examined at a meeting in Helsinki on 26 February 2024, at which time we also received the Auditors' Report submitted on 26 February 2024 by the authorised public accountants appointed by the Control Committee.

Following the audit performed, we note that:

- the Fund's operations during the financial year have been conducted in accordance with the Statutes, and that
- the financial statements, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, are prepared in all material respects in accordance with the accounting principles described in the notes to the financial statements. The financial statements show a loss of EUR 26 527 442,55.

We recommend to the Nordic Council of Ministers that:

- the result for year 2023 will be treated as proposed by the Board of Directors,
- the statement of comprehensive income and the statement of financial position will be adopted, andthe Board of Directors and Managing Director will be discharged from liability for the administration of the Fund's operations during the accounting period examined by us.

Helsinki 26 February 2024

JAN-ERIK ENESTAM
Chairman

VILHJÁLMUR ÁRNASON

SJÚRÐUR SKAALE

JOHAN ANDERSSON

NOORA FAGERSTRÖM

MAY BRITT LAGESEN

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