



Nordic Development Fund

NDF Annual Financial Report 2022

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Foreword



Despite the compounding global issues emerging during 2022 - the energy crisis, inflation, rising debt vulnerability, security concerns and the rapidly changing climate - NDF proved its strength as a powerful Nordic tool for tangible solutions in the climate finance arena in countries which need them the most.

Our Annual Financial Report 2022 provides the financial statements, including financial highlights of the year.

NDF's Annual Financial Report 2022 is presented for the first time in accordance with the International Financial Reporting Standards (IFRS). This important milestone is a consequence of the capital increase that now ensures NDF's financial stability and its capacity to play a significant role in the climate finance arena in the foreseeable future.

Alongside our financing activities in climate change and development, we have invested systematically in continued institutional development in 2022. Key activities, such as the development of a Risk Management Framework and the full roll out of the Results Management Framework, are important building blocks for an institution fit for its purpose, and for allowing us to make the bridge from numbers to results.

With the highly concessionary financing of projects, we continue to depend on capital increases from our owners, the Nordic countries, to fund our operations. These capital increases are complemented by returns from our portfolio and 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, impact and agility and pave the way for a sustained financial situation 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. In a separate data-based Results Report, we will present what we achieved together with our partners in 2022.

The trends for global challenges show few signs of reversal. These challenges will continue to impact NDF's operating environment and the related risks, but also the relevance of our focus. We are on a good path to consolidate our role in the global climate finance architecture. Our financing will help the most vulnerable countries deal with the causes and consequences of climate change and build resilience in societies to the benefit of those who need it most.

We will continue to finance projects in the nexus of climate change adaptation, mitigation, and development, and we will stay transparent through our reports and open communication. We look forward to continuing this work with our partners.

Our values will guide us in this work as we Thrive Together and Strive for Excellence to Drive Change.

KARIN ISAKSSON
Managing Director

Board of Directors Report

Brief Overview

Based on the launch of Strategy 2025 and the capital increase concluded in 2020 as well as the continuous development of Nordic Development Fund's (hereafter NDF or Fund) institution, the year 2022 was characterised by an increased flow of new financing activities fully aligned with the NDF's Strategy.

The new financing commitments made during 2022 in the amount of approximately EUR 65 million exceeded the projected EUR 60 million. The total disbursements made in 2022 amounted to EUR 30 million. The global economic and other challenges continued to impact the NDF project portfolio, resulting in some delays in project implementation. During 2022, five projects reached completion.



NDF continued to develop its organisational structure and institutional governance and key administrative processes, creating a basis for strengthened financial, structural and human capital going forward. The conversion from the previously applied accounting principles to International Financial Reporting Standards (IFRS) for the 2022 annual financial report is also a key milestone supporting NDF's governance.

Business Development and Strategy Alignment

Business development at NDF refers to the finetuning and adjustment of NDF's offer based on the Principles and Pathways outlined in Strategy 2025. NDF's added value in its offer is the combination of aligning our financing activities with the Principles and the Pathways. Refinement of the offer is a continuous process that takes place also in the context of project identification, screening and appraisal.

In 2022, all new financing activities were assessed and aligned against the Pathways, namely to develop early stage project design and structure; to provide catalytic finance; and to advance Nordic leadership. In line with Strategy 2025, NDF continued to refine its offer by engaging in a thematic approach focusing on contributions related to biodiversity, the blue economy and Nordic leadership with the objective to be better

informed of the Nordic and global initiatives, and to better understand the areas where NDF can fill critical gaps and add value.

NDF's operational model continues to be based on co-financing and joining forces with strategic partners with whom the Fund 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 2022, NDF continued to work with existing partners, but engaged also with new partners with aligned strategic interests.

During 2022, the effects of the COVID-19 pandemic on NDF's outreach, partnership building and knowledge sharing activities eased up, allowing for wider participation in in-person events, alongside with continued virtual and hybrid events. In November, NDF participated in the UN Climate Conference (COP27) in Egypt through the joint Nordic Pavillion at the conference site, hosting a number of events, including an event on the Systematic Observations Financing Facility (SOFF) jointly with the World Meteorological Organisation (WMO). In addition, NDF participated in several events organised by strategic partners, and joined partners in making announcements for investments and partnerships.

In May 2022 NDF published for the first time evidence-based data and performance information obtained through the Results Management Framework (RMF) in

the NDF Results Report 2021. The report showcased in a digital, user-friendly format the Fund's cumulative development results stemming from the active portfolio during 2021, as well as the 2025 projections, with project level case examples.

Financing Activities

At the end of 2022, NDF's climate project portfolio¹ consisted of 135 active or completed projects (2021: 128 projects) with total NDF-financing of EUR 542.1 million (2021: EUR 484.3 million). NDF's active² climate portfolio at the end of 2022 amounted to EUR 359.3 million³ (2021: EUR 319.4 million), distributed over 48 projects (2021: 48 projects).⁴ In addition, NDF has a legacy portfolio consisting of 159 credits (2021: 159 credits) to sovereign states entered into during 1989-2006⁵.

In 2022, NDF approved financing amounting to a total of EUR 64.7 million of which, EUR 30.5 million were grants and EUR 34.2 million equity investments, for the following seven new projects.

¹ NDF climate projects are projects approved as from 2009.
² The active portfolio includes all projects that have been approved by the Board of Directors and have not reached their closing date yet.
³ The climate portfolio also includes grants that cannot be seen in the total assets why the numbers are not comparable with the statement of financial position.
⁴ This number of active projects does not include sub-projects from NCF or EEP Africa.
⁵ All projects in the legacy portfolio are completed and the total outstanding amount is EUR 559.9 million.

AFRICA	
Country/Project	NDF investment, EUR million
Regional (Africa)	
ARCAFIM Preparatory Activities	0.5
Climate Resilient Cities: Urban and Municipal Development Fund II	10.0
Energy Entrepreneurs Growth Fund (EEGF)	10.0
Systematic Observations Financing Facility (SOFF)	10.0
Total Africa	30.5
ASIA	
Country/Project	NDF investment, EUR million
Regional (Asia, Pacific)	
ADB Ventures Fund 2	10.0
Ocean Resilience and Coastal Adaptation Trust Fund	8.5
Total Asia	18.5
MULTIPLE REGIONS	
Country/Project	NDF investment, EUR million
Multiple regions	
Gigaton Empowerment Fund	15.7
Total Multiple regions	15.7

The total accumulated climate project portfolio in terms of value, includes 69.7% public sector and 30.3% private sector projects. 60.2% of the activities are in partnership with multilateral development banks and 39.8% with other partners. 14.9% of the portfolio focus on mitigation, 22.9% on adaptation and 62.2% includes a combination of both mitigation and adaptation. 48 projects out of the total are active and located in 16 countries across Africa, Asia and Latin America. Africa accounts for 51% of the accumulated portfolio.

Nordic Climate Facility (NCF) and Energy and Environment Partnership for Africa (EEP Africa)

At the end of 2022, the two financing facilities managed by NDF, the Nordic Climate Facility (NCF) and the Energy and Environment Partnership for Africa (EEP

Africa), had an active portfolio of 21 and 39 projects, respectively.

NCF is a financing facility set up, fully financed and managed by NDF to finance early-stage climate projects to stimulate local business and employment opportunities in the developing world. The latest (9th) call for proposals took place in 2019 with the theme “Testing the viability of innovative climate solutions”. In 2021, 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.

EEP Africa is a multi-donor trust fund hosted and managed by NDF, with Austria, Denmark, Finland, Iceland, NDF and Switzerland as donors. EEP Africa

provides grants and repayable grants in 15 countries in Southern and East Africa. During 2022, the EEP Africa activities focused on launching collaboration with new implementation support partners, SNV Netherlands Development Organisation and Open Capital, as well as developing and revising the format for future calls for proposals. The latest call for proposals, focused on productive use of energy and circular economy solutions, took place in 2020. In 2022 Denmark and Iceland joined EEP Africa as new donors with contributions of approximately EUR 6.7 million and EUR 1.4 million, respectively. Two existing donors, Austria and Finland, renewed their contributions to the EEP Africa contributions of approximately EUR 3.0 million and EUR 4.0 million, respectively.

Institutional Issues

Policies and regulations

During 2022, several parts of the legal framework of NDF were under review and development.⁶ This is both as a result of the institutional project commitments stemming from the 2020 capital increase as well as from general updating needs.

- The revised *Rules of Procedure* for the Control Committee were adopted by the Control Committee in February 2022.
- The *People Policy* was adopted by the Board in December 2022. The objective of the policy is to drive good results through good people management to attract, recruit, develop and retain the best calibre people and competencies

to match the needs of the Fund. During 2022, a number of workstreams leading up to the policy were undertaken, including staff consultations in the form of, for example, surveys and workshops, as well as engagement of external human resource expertise. The *People Policy* builds on the development of *Culture and Values for NDF*, also finalised during 2022, which led to developing of three values shared by the entire NDF: Thrive Together, Strive for Excellence, and Drive Change.

- The *Risk Management Policy* was adopted by the Board in December 2022, which set out the principles of the risk management procedures applied. The policy establishes NDF’s overall approach to the implementation of systematic risk management, defines the key roles and responsibilities, and guides the development of other elements forming NDF’s risk management framework. During 2022, a review of NDF’s existing legal framework and processes as relevant for risk management, as well as several risk assessment workshops and consultations engaging NDF staff members and management, were conducted. The policy will be supported by *Risk Management Guidelines* and the framework taken into use in 2023.

Furthermore, the revision of the *Access to Information Policy* was initiated with an extensive benchmarking exercise, the result of which were compiled into a concept

⁶ 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.

note and presented for the Board's consideration and preliminary input in September 2022. The concept note will guide the revision of the Access to Information Policy during 2023. As a general position, the Board expressed in its deliberations in September that in the long-run more documents should be made public.

Guidelines, standards and processes

The following guidelines were approved in 2022 by the Managing Director:

- In November 2022, the Communications Approach for 2023-2025 was approved. The document provides a framework for the Fund's strategic approach to communications, supporting the implementation of Strategy 2025, but it also acts as a practical guide in implementing all communication activities.
- In December 2022, the Evaluation Guidelines were approved. The Guidelines support NDF's continued results-based management and learning agenda and encompass all project-level evaluations as well as thematic evaluations and/or assessments related to NDF's operations.

Following an evaluation of the feasibility and impact of adopting IFRS, and approval by the Board in June 2021 to transit to IFRS, these 2022 annual financial statements have been prepared in accordance with IFRS. The Expected Credit Loss Implementation Framework, approved by the Managing Director in November 2022, sets out the main principles applied by NDF for calculating and reporting its impairments based on expected credit losses (ECL) in accordance with the IFRS.

During 2022, NDF continued the roll out and application of RMF. 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, which was, during 2022, further developed and updated. NDF also continued to work on streamlining the portfolio project cycle, with focus on the Project Management Phase. The overall improvement of the portfolio monitoring processes, initiated during 2022, will be continued in 2023.

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 2021 annual financial statements on 28 June 2022.

Furthermore, in 2022, NDF continued its dialogue with the Secretariat of the Nordic Council of Ministers in issues relating to climate change and development, in particular in the context of preparations for joint activities in COP27, and a broader dialogue on possibilities for an increased collaboration particularly, in communications.

Board of Directors

In 2022, the Board of Directors had four ordinary meetings. In addition to these meetings, the Board held

three extraordinary meetings and some Board decisions were, as is customary, taken in written procedure. In connection to one of the meetings a workshop on governance was held.

The Chair of the Board of Directors for the period from 1 January to 30 April 2022 was Pekka Hirvonen (Finland), with Davíð Stefánsson (Iceland) as Deputy Chair. As of 1 May 2022, Davíð Stefánsson took over the Chair, with Anne Sofie Bjelland (Norway) as Deputy Chair. As of 1 September, Benedikt Höskuldsson was appointed member (Iceland), succeeding Davíð Stefánsson and taking over the Chair.

In addition, the following changes took place in the Board membership in 2022. As of 19 May, Johanna Pietikäinen was appointed alternate (Finland), succeeding Saija Vuola. As of 24 August, Henrik Bergquist was appointed member (Sweden), succeeding Anders Nyström; Susann Nilsson left their position as alternate (Sweden) and the appointment of a successor is pending. As of 28 August, Anders Ørtnemark was appointed member (Denmark), succeeding Morten Houmann Blomqvist. As of 1 September, Erla Hlín Hjálmarsdóttir was appointed alternate (Iceland), succeeding Ólafur Sigurðsson. As of 29 September, Anna Merrifield was appointed member (Finland), succeeding Pekka Hirvonen.

A list of NDF Board members and their alternates and the Board Secretary can be found on page 9.

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. The financial audit of

NDF is carried out by authorised public accountant firm Ernst & Young, appointed by the Control Committee.

The 2021 annual accounts and the annual auditor's report were approved by the Control Committee on 17 February 2022. At the same meeting, the Control Committee prolonged Ernst & Young's assignment as external auditors and adopted revised Rules of Procedures.

The Control Committee's autumn meeting was held on 22 September 2022. A list of the Chair, members and Secretary of the Committee can be found on page 9.

Administration

As of 31 December 2022, NDF had 27 staff members.⁷ Out of the full-time employees, four were engaged in NCF and EEP Africa. A list of the employees can be found on page 9.

NDF's current organisational structure became effective on 1 January 2021. NDF's organisation consists of four departments: Business Development & Outreach (BDO), Legal and Administrative Support (LAS), Portfolio Origination and Management (POM) and Quality Assurance and Reporting (QAR). During 2022, recruitments were made for the full-time position of a Communications Officer (BDO), and for the part-time positions of an Officer, Portfolio Analysis (QAR) and a Legal Trainee (LAS).

⁷ Of the 27 staff members, 25 have full-time positions and two have part-time positions. Two staff members were on leave as of 31.12.2022.



based on service agreements between NDF and NIB, subject to review from time to time.⁸ During 2022, a thorough mapping exercise of all areas and elements of the services from NIB, including a breakdown of the related pricing structures, was conducted jointly by NDF and the Nordic Environment Finance Corporation (NEFCO) and the outcome was discussed with NIB. The review process resulted in the conclusion of a new service agreement between NIB and NDF in December 2022.

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.

Disbursements and results

During 2022, total disbursements to climate projects amounted to EUR 29.8 million (2021: EUR 30.6 million), of which EUR 18.6 million as grant financing (2021: EUR 26.9 million), EUR 1.1 million as recoverable grant financing (2021: EUR 2.9 million), EUR 8.7 million was made as equity contribution (2021: EUR 1.8 million), and EUR 1.5 million as financing to climate loans (2021: EUR 1.8 million). The total sum also includes disbursements to sub-projects under NCF. At the end of the year, accumulated disbursements to climate change projects since 2009 amounted to EUR 396.4 million.

The net profit/loss for the year totalled EUR -32.7 million in comparison with EUR -10.8 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.

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 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 ensuring compliance with the liquidity policy, as countries, for example, may wish to make prepayments. 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 2022, NDF received repayments of loans amounting to EUR 30.6 million (2021: EUR 28.7 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, funds and deposits, altogether yielding an average interest rate of approximately 0.9 % (2021: 0.1%). 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 2022 was EUR 128.2 million (2021: EUR 107.2 million) of which EUR 62.9 million was placed in green instruments (2021: EUR 50.9 million).

Financial results and allocation

NDF's total assets as of 31 December 2022 amounted to EUR 726.9 million (2021: EUR 732.7 million). This amount includes loans outstanding and equity investments to the amount of EUR 577.7 million (2021: EUR 606.1 million). Investments with credit institutions amounts of EUR 34.2 million (2021: EUR 27.8 million). Net loan losses, includes expected credit loss (ECL) on loans and reversals during 2022 totalling EUR -14.9 million (2021: EUR -3.6 million).

As of 31 December 2022, NDF's capital as set out in the Statutes consisted of SDR 515 million (2021: SDR 515 million) and EUR 680 million (2021: EUR 680 million). During 2022, EUR 26.4 million (2021: EUR 6.5 million), pertaining to the 2020 capital increase, was paid in. The accumulated retained earnings were EUR -335.4 million (2021: EUR -302.7 million).

⁸ This arrangement for administrative services is based on a decision by NDF's member countries when establishing NDF in 1988.

The Fund's income during 2022 amounted to EUR 5.2 million (2021: EUR 4.6 million). This consisted of income from credits to the public sector⁹ of EUR 4.3 million (2021: EUR 4.5 million), interest on financial investments of EUR 0.9 million (2021: EUR 0.2 million) and of EUR 0.3 million (2021: EUR 0.6 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. NDF has placed Zambia as of 2022 in stage 2 in the ECL model due to payment delay. Following a review of the International Monetary Fund's Sovereign Arrears Policies and Perimeter, in 2022, NDF introduced a recurring stress testing mechanism, similar to the ECL for its sovereign credits portfolio. Administrative expenses were EUR 4.4 million (2021: EUR 4.0 million).

The largest single item of expenditure consists of salaries and additional salary expenses of EUR 3.8 million (2021: EUR 3.4 million).

Net profit/loss for the year, of EUR -32.7 million (2021: EUR -10.8 million), is carried forward to retained earnings. Due to IFRS transition the net profit/loss and retained earnings have been adjusted compared to the published annual financial reports 2020 and 2021. More information on the IFRS transition can be found in note 3. As NDF provides financing on concessionary terms in the form of grants, loans and equity, NDF is likely to incur net losses and thus dependant 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 10-34.

⁹ 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, 14 February 2023

BENEDIKT HÖSKULDSSON
Chair of the Board

ANNE SOFIE BJELLAND
Deputy 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 Ørnamark, Chief Advisor, Ministry of Foreign Affairs
Alternate: to be nominated

FINLAND
Anna Merrifield, Director, Ministry for Foreign Affairs
Alternate: Johanna Pietikäinen, Programme Officer, Ministry for Foreign Affairs

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

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

SWEDEN
Henrik Bergquist, Deputy Director, Ministry for Foreign Affairs
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
Heli Järvinen, Member of Parliament

ICELAND
Vilhálmur 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 AND STAFF *)

Karin Isaksson, Managing Director
Leena Klossner, Deputy Managing Director, Head of Business Development and Outreach
Jesper Andersen, Director, Head of Quality Assurance and Reporting
Henrik Franklin, Director, Head of Project Origination and Management
Christina Stenvall-Kekkonen, General Counsel, Head of Legal and Administration

Siv Ahlberg, Acting Manager of Nordic Climate Facility
Mira Banerjee, Communication and Outreach Manager
Sofia Chaichee, Monitoring and Evaluation Specialist
Mayra Da Silva, Research Officer
Johanna Eskelinen, Legal Trainee
Paula Fincke, Communication Officer
Amanda Hajnal, Finance and Reporting Officer
Martina Jägerhorn, Program Manager
Aage Jørgensen, Program Manager
Maggie Knorr, Program Officer, EEP Africa
Isa Kujansuu, Legal Counsel
Eveliina Laine, Portfolio Analysis Officer
Isabel Leroux, Program Manager
Jacob Lorentzen, Program Officer, Nordic Climate Facility
Aleksi Lumijärvi, Program Manager
Emeli Möller, Manager of Nordic Climate Facility (on leave)
Mari Rasilainen, Administration Officer
Juha Seppälä, Environmental and Social Safeguards Specialist
Mats Slotte, Manager, Financial Administration
Bolesław Stawicki, Program Manager
Maria Talari, Communication Officer (on leave)
Jussi Viding, Manager, EEP Africa

*) As of 31 December 2022

Statement of comprehensive income

(Amounts in 1,000 EUR)	Note	2022	2021
Interest income from lending at amortised cost		4 262	4 462
Interest income from financial investments at amortised cost		378	40
Interest income from financial investments at fair value		535	123
Net interest income	(4)	5 174	4 625
Fee and commission income received		70	67
Fee and commission income paid		-137	-113
Net fee and commission income	(5)	-67	-46
Grant financing		-18 584	-23 999
Refund of grant financing		6	7 413
Net grant financing	(6)	-18 578	-16 586
Realised profit/loss on financial instruments at fair value		89	-439
Unrealised profit/loss on financial instruments at fair value		-3 543	-699
Expected credit loss on financial operations at amortised cost		-1	
Net profit/loss on financial operations		-3 455	-1 137
Foreign exchange rate differences		3 773	10 091
Net operating expense		317	8 954
Administrative expenses	(8) (9)	-4 409	-4 000
Depreciation	(10)	-182	-157
Total administrative expenses		-4 591	-4 157
Total operating income		-17 744	-7 211
Net profit/loss before loan losses		-17 744	-7 211
Net loan losses		-14 925	-3 597
Net profit/loss for the year	(11)	-32 669	-10 808
Other comprehensive income			
Total comprehensive income		-32 669	-10 808

Statement of financial position

(Amounts in 1,000 EUR)	Note	31 December 2022	31 December 2021	01 January 2021
ASSETS				
Cash and cash equivalents		25 493	20 817	13 229
Long-term placements with credit institutions		34 244	27 822	30 077
Bond and fund investments	(13)	68 513	58 526	50 901
Loans outstanding	(14)	533 926	575 034	596 149
Equity investments	(15)	43 749	31 085	29 773
Derivative instruments			28	316
Other assets	(16)	18 984	17 748	14 661
Accrued interest and fee		1 439	1 088	1 271
Tangible and intangible assets	(17)	524	570	712
Total assets		726 872	732 717	737 089
LIABILITIES AND EQUITY				
Liabilities				
Other liabilities		2 906	2 491	2 595
Total liabilities		2 906	2 491	2 595
Equity				
Paid-in capital	(18)	1 059 335	1 032 925	1 026 385
Retained earnings		-302 700	-291 892	-254 731
Net profit / loss		-32 669	-10 808	-37 161
Total equity		723 967	730 226	734 494
Total liabilities and equity		726 872	732 717	737 089

Changes in equity

CHANGES IN EQUITY (amounts in EUR 1,000)	Paid-in fund capital	Retained earnings	Profit/loss for the year	Total
Equity as of 31 December 2020	1 026 385	-238 496	-37 161	750 728
IFRS transition adjustments		-16 235		-16 235
Equity as of 1 January 2021	1 026 385	-254 731	-37 161	734 494
Transfers between equity items		-37 161	37 161	
Profit/loss for the year			-10 669	-10 669
Paid-in fund capital	6 540			6 540
IFRS transition adjustments		-139		-139
Equity as of 31 December 2021	1 032 925	-292 031	-10 669	730 226
Transfers between equity items		-10 669	10 669	
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

Cash flow statement

(Amounts in 1,000 EUR)	1.1 - 31.12.2022	1.1 - 31.12.2021
Cash flow from operating activities:		
Net profit/loss for the year	-32 669	-10 808
Adjustments		
Depreciation of tangible and intangible assets	182	157
Foreign exchange differences	-3 773	-10 091
Fair value of derivative instruments	28	288
Fair value of other financial investments	7 236	975
Fair value of equity investment	-3 720	-564
ECL on financial placements	1	
Adjustment of equity investments		1 200
Change in accrued interest and fees (assets)	-351	183
Adjustments to foreign exchange differences	2 160	3 609
Change in other liabilities	-53	123
Net loan losses	14 925	3 597
Other adjustments to the net profit/loss for the year	3	3
Adjustments, total	16 637	-520
Lending		
Disbursed loans	-1 469	-1 825
Repayments of loans	30 606	28 656
Lending adjustments	-1 013	
Lending, total	28 124	26 831
Cash flow from operating activities	12 092	15 503
Cash flow from investing activities:		
Change in investments with a maturity longer than 3 months	-6 423	2 255
Change in bond and fund investments	-17 223	-8 599
Change in equity investments	-8 944	-1 948
Change in other assets	-1 236	-6 164
Cash flow from investing activities	-33 826	-14 456
Cash flow from financing activities:		
Paid-in fund capital	26 410	6 540
Cash flow from financing activities	26 410	6 540
Change in cash and cash equivalents	4 676	7 588
Opening balance for cash and cash equivalents	20 817	13 229
Closing balance for cash and cash equivalents	25 493	20 817
Additional information to the statement of cash flows		
Interest income received	4 893	4 874
Interest expense paid	-	-

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).

NDF publishes its first financial statements prepared under IFRS standards for the year ended 31 December 2022 with comparative information for the year ended 31 December 2021. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on 31 December 2022.

In these financial statements the Fund applies IFRS 1 First-time Adoption of International Financial Reporting Standards with the date of transition 1 January 2021

and applies each IFRS standard that is effective as at 31 December 2022 in its opening balance sheet and all periods presented in the financial statements. The Fund has previously applied the methods of valuation and recognition principles at its choice and was not following any generally accepted accounting standard ("GAAP") in its financial statements. More information on the Fund's IFRS transition is provided in Note 3.

1.3 New accounting standards adopted in 2022

As NDF started to apply the IFRS standards 1.1.2022, no new IFRS standards during 2022 were adopted.

1.4 New Accounting Standards for financial year beginning on or after 1 January 2023

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 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 24.

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
Cash and cash equivalents	To be held until maturity	Yes pass	AC
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
Investments in associate undertaking	Possibility to be traded	No	Equity method

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 expected credit loss 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 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:

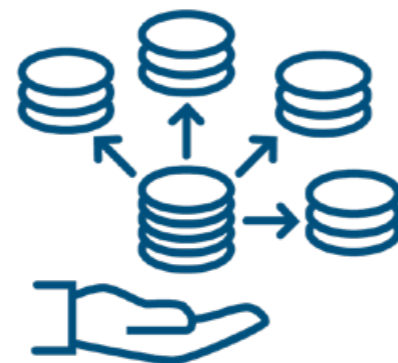
- (a) NDF considers that the borrower is unlikely to pay its credit obligations in full.
- (b) The credit rating of the borrower is Default (D)

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 12.

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 19.

1.16. Derivative instruments

NDF has entered into foreign exchange derivative instruments in order to limit exchange change fluctuations between SDR and EUR in foreign exchange differences.

The derivative instruments 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. The derivatives are included in level 2 of the fair value hierarchy.

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 19.

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 2022 is SDR 515 000 thousand (2021: SDR 515 000 thousand) and EUR 680 000 thousand (2021: 680 000 thousand), equivalent to EUR 1 371 405 thousand (2021: EUR 1 371 405 thousand).

The carrying value of the paid-in capital is EUR 1 059 335 thousand (2021: EUR 1 032 925 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 9. 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 8). 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 established a Risk Management Policy (Policy) which was approved in December 2022 and will be implemented in 2023 onwards. The Policy 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, which are being developed further.

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 and derivative transactions used for asset and liability management purposes. 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 100% hedged against changes in foreign exchange rates. However, in accordance with the Hedging Policy, measures have been taken to reduce the effects from the foreign exchange differences by hedging 50% of the credits denominated in SDR.

The derivative instruments are valued at fair value at the end of the year and the change in fair value is recognised in the Statement of comprehensive income.

NDF utilises both forward and deposition contracts for liquidity management purposes. NDF has forward and deposition contracts with a commercial bank.

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.

Asset 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 (IDD).

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 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: Transition to IFRS

The structure of the statement of comprehensive income, statement of financial position, changes in equity and cash flow statement in accordance with IAS 1 in accordance with IFRS 1.

Changes resulting from classification changes regarding assets and liabilities are recorded in retained earnings for items belonging to previous statements of comprehensive income.

More details regarding the transitions can be found in relevant notes.

(Amounts in 1,000 EUR)	31 Dec 2020 as per annual report	Reclassification	Remeasurement	1 Jan 2021 as per IFRS	Explanation
ASSETS					
Cash and cash equivalents	13 229			13 229	
Other long-term financial placements	30 080	-30 080			1)
Long-term placements with credit institutions		30 080	-3	30 077	1)
Other financial placements	50 901	-50 901			
Bond and fund investments		50 901		50 901	
Credits to sovereign states	602 329	-602 329			1) 2) 5)
Other loans	3 826	-3 826			1) 3)
Climate loans	7 798	-7 798			1) 4)
Loans with equity features and equity investments	36 545	-36 545			6) 9)
Loans outstanding		613 953	-17 804	596 149	1) 2) 3) 4) 5)
Equity investments		36 545	-6 772	29 773	6) 9)
Other assets	5 000		9 660	14 661	5) 10)
Derivative instruments	316			316	
Accrued income	1 271			1 271	
Intangible assets	699	-699			7)
Tangible assets	13	-13			8)
Tangible and intangible assets		712		712	7) 8)
Total assets	752 007		-14 918	737 089	
LIABILITIES AND EQUITY					
Other liabilities	1 279		1 316	2 595	1)
Total liabilities	1 279		1 316	2 595	
Paid-in capital	1 026 385			1 026 385	
Retained earnings	-238 496		-16 235	-254 731	10) 11)
Net profit / loss	-37 161			-37 161	
Total equity	750 728		-16 235	734 494	
Total liabilities and equity	752 007		-14 918	737 089	

(Amounts in 1,000 EUR)	31 Dec 2021 as per annual report	Reclassification	Remeasurement	1 Jan 2021 as per IFRS	Explanation
ASSETS					
Cash and cash equivalents	20 817			20 817	
Other long-term financial placements	27 825	-27 825			1)
Long-term placements with credit institutions		27 825	-3	27 822	1)
Other financial placements	58 526	-58 526			
Bond and fund investments		58 526		58 526	
Credits to sovereign states	580 969	-580 969			1) 2) 5)
Other loans	3 553	-3 553			1) 3)
Climate loans	9 622	-9 622			1) 4)
Loans with equity features and equity investments	37 293	-37 293			6) 9)
Loans outstanding		594 144	-19 110	575 034	1) 2) 3) 4) 5)
Equity investments		37 293	-6 208	31 085	6) 9)
Other assets	7 731		10 017	17 748	5) 10)
Derivative instruments	28			28	
Accrued income	1 088			1 088	
Intangible assets	557	-557			7)
Tangible assets	13	-13			8)
Tangible and intangible assets		570		570	7) 8)
Total assets	748 020		-15 303	732 717	
LIABILITIES AND EQUITY					
Other liabilities	1 420		1 071	2 491	1)
Total liabilities	1 420		1 071	2 491	
Paid-in capital	1 032 925			1 032 925	
Retained earnings	-275 657		-16 235	-291 892	10) 11)
Net profit / loss	-10 669		-139	-10 808	12)
Total equity	746 600		-16 374	730 226	
Total liabilities and equity	748 020		-15 303	732 717	

(Amounts in 1,000 EUR)

	1 Jan to 31 Dec 2021 as per annual report	Reclassification	Remeasurement	Explanation		1 Jan to 31 Dec 2021 as per IFRS	Explanation
Income statement					Statement of comprehensive income		
Income					Interest income from lending at amortised cost	4 462	13)
Service charges from credits	4 462	-4 462		13)	Interest income from financial investments at amortised cost	40	15)
Income from loans with equity features	606	-606		14)	Interest income from financial investments at fair value	123	16)
Fee and commission income	67				Net interest income	4 625	
Interest income/expenses from investments with credit institutions	43	-43		15)	Fee and commission income received	67	
Interest income from other financial investments	123	-123		16)	Fee and commission income paid	-113	
Interest income from cash and balances with banks	-3	3		15)	Net fee and commission income	-46	
Real. and unreal. gains/losses other financial investments	-2 091	2 091	564	9) 17)	Grant financing	-23 999	10)
Total income	3 206	-3 139	564		Refund of grant financing	7 413	
Expenses					Net grant financing	-16 586	
Grant financing for climate projects	-26 893		2 893	10)	Realised profit/loss on financial instruments at FV	-439	14) 17)
Refund of grant financing	7 413				Unrealised profit/loss on financial instruments at FV	-699	9) 17)
Fee and commission expenses	-93				ECL on financial operations at AC		9)
Commission expenses, derivative instruments	-20				Net profit/loss on financial operations	-1 137	
General administrative expenses	-4 000				Foreign exchange rate differences	10 091	
Depreciation/amortisation on tangible and intangible assets	-157				Net operating expense	8 954	
Changes in provision for credit losses, write-down of loans and reversals			-3 597	1)	Administrative expenses	-4 000	
Total expenses	-23 749		-704		Depreciation	-157	
Net result for the year before foreign exchange differences and unrealised gains/losses on derivative instruments	-20 543				Total administrative expenses	-4 157	
Foreign exchange differences	10 091				Total operating income	-7 211	
Unrealised gains/losses on fair value of derivative instruments	-288	288		17)	Net profit/loss before loan losses	-7 211	
Realised gains/losses on derivative instruments	71	-71		14)	Net loan losses	-3 597	1)
Foreign exchange differences, net	9 875	216			Net profit/loss for the year	-10 808	12)
Net result for the year	-10 669		-139	12)	Other comprehensive income		
					Total comprehensive income	-10 808	

Explanation:

1) ECL for long-term placement with credit institutions and loans outstanding held at amortised cost. See also 1.9. Basis for classification and measurement, 1.11. Long-term placements with credit institutions, 1.14. Impairment of loans, Note 7: Net profit/loss on financial operations, Note 12: Expected credit loss and Note 19: Fair value note, classification of financial instruments.
2) Credits to sovereign states have been reallocated to loans outstanding. See also 1.9. Basis for classification and measurement, 1.13. Loans outstanding, 1.14. Impairment of loans, Note 12: Expected credit loss and Note 19: Fair value note, classification of financial instruments.
3) Other loans have been reallocated to loans outstanding. See also 1.9. Basis for classification and measurement, 1.13. Loans outstanding, 1.14. Impairment of loans, Note 12: Expected credit loss and Note 19: Fair value note, classification of financial instruments.

4) Climate loans have been reallocated to loans outstanding. See also 1.9. Basis for classification and measurement, 1.13. Loans outstanding, 1.14. Impairment of loans, Note 12: Expected credit loss and Note 19: Fair value note, classification of financial instruments.
5) The amortisations which have not been paid by lending customers, have been reallocated to outstanding loans from other assets. This has been done as the ECL has been allocated to outstanding loans. See also Loans outstanding, 1.14. Impairment of loans and Note 12: Expected credit loss.
6) Loans with equity features can now be found under item Equity investments. See also 1.9. Basis for classification and measurement, Note 7: Net profit/loss on financial operations and Note 19: Fair value note, classification of financial instruments.
7) Intangible assets have been combined to one item Tangible and intangible assets.
8) Tangible assets have been combined to one item Tangible and intangible assets.

9) Fair value adjustment for equity investments held at fair value. See also 1.9. Basis for classification and measurement, Note 7: Net profit/loss on financial operations and Note 19: Fair value note.
10) Repayable grants have been reallocated from Grant financing for climate projects to the statement of financial position among line-item other assets. See also 1.9. Basis for classification and measurement, Note 7: Net profit/loss on financial operations and Note 19: Fair value note.
11) ECL for long-term placement with credit institutions and loans outstanding held at amortised cost and fair value adjustments referring to the transition to IFRS are now included in retained earnings in the financial position. See also 1.9. Basis for classification and measurement, 1.11. Long-term placements with credit institutions, 1.14. Impairment of loans, Note 7: Net profit/loss on financial operations, Note 12: Expected credit loss and Note 19: Fair value note.

12) Net profit/loss for the year directed to Net profit/loss in Equity.
13) Reallocated from Service charges from credits to Interest income from lending at amortised cost.
14) Reallocated from Income from loans with equity features and Realised gains/losses on derivative instruments to Realised profit/loss on financial instruments at FV.
15) Reallocated from Interest income/expenses from investments with credit institutions and Interest income from cash and balances with banks to Interest income from financial investments at amortised cost.
16) Reallocated from Interest income from other financial investments to Interest income from financial investments at fair value.
17) Reallocated from Real. and unreal. gains/losses other financial investments and Unrealised gains/losses on fair value of derivative instruments to Realised profit/loss on financial instruments at FV and Unrealised profit/loss on financial instruments at FV.

Note 4: Interest income and expense

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

(EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Interest income held at amortised cost		
Lending	4 262	4 462
Investments with credit institutions	325	43
Cash and balances with banks	53	-3
Total, interest income held at amortised cost	4 639	4 502
Interest income held at fair value		
Financial investments	535	123
Total, interest income held at fair value	535	123
Net interest income	5 174	4 625

Note 5: Fee and commission income and expenses

Fee and commission income from lending activities:

(EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Non-utilisation fee	70	67
Total	70	67

Fee and commission expenses:

(EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Fee and commission expenses	-126	-93
Commission expenses, derivative instruments	-11	-20
Total	-137	-113

Note 6: Net grant financing

The geographic distribution of grant financing is as follows:

(EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Africa	-16 457	-14 495
Asia	-811	-8 495
Multiple regions	-1 025	-337
Latin America	-291	-673
Total disbursements	-18 584	-24 000

During the year EUR 6 thousand (2021: EUR 7 413 thousand) has been refunded on joint financed grant projects with multilateral development banks.

Note 7: Net profit/loss on financial operations

(EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Financial instruments measured at fair value, realised gains/losses	89	-439
Financial instruments measured at fair value, unrealised gains/losses	-3 543	-699
Financial instruments measured at amortised cost, realised gains/losses		
Expected credit loss on financial investments measured at amortised cost	-1	
Net profit/loss on financial operations	-3 455	-1 137

Note 8: 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. - 31.12.2022	1.1. - 31.12.2021
Salaries and other remuneration	-2 560	-1 975
Social security and employee insurances	-260	-222
Pensions	-963	-871
Board of Directors and Control Committee remuneration	-23	-21
Other personnel expenses	-76	-471
Gross personnel expenses	-3 883	-3 560
Host country reimbursement according to agreement with Finnish Government	855	752
Net personnel expenses	-3 028	-2 808

Employees	1.1. - 31.12.2022	1.1. - 31.12.2021
Number of employees at 31 December	27	28
Average age of employees	46	45
Average period (years) of employment	9	7
Distribution by gender as of 31 December		
Female	18	18
Male	9	10

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 2022 was 17.69% (2021: 17.25%) 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 134.827 (2021: EUR 128,567) of which EUR 38.664 (2021: EUR 36,915) comprised of supplementary pension premiums. Regarding the Deputy Managing Director the amount is EUR 63.813 (2021: EUR 61.043) of which EUR 12.235 (2021: EUR 12.841) comprised supplementary pension premiums and for Other Members of Management the total amount is EUR 207.886 (2021: EUR 160.412) of which EUR 43,116 (2021: EUR 33,744) 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 above mentioned 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. According to the Statutes, the Managing Director is appointed on a fixed-term contract of up to five years. The existing contract can also be prolonged. The current Managing Director's contract has a four-year term, which commenced on 19 August 2019.

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

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. - 31.12.2022	1.1. - 31.12.2021
Chairman of the Board of Directors	5	5
Other members of the Board of Directors	17	12
Control Committee	2	2
Managing Director	387	376
Deputy Managing Director	203	198
Other members of Management	693	532

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 2022, amounted to EUR 854,602 (2021: EUR 751,922). The payment reduces the Fund's administrative expenses.

Note 9: Other administrative expenses

NDF purchases administrative services from NIB.

Other administrative expenses (EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Office premises costs	-68	-29
Other general administrative expenses	-837	-479
Cost coverage, NIB	-475	-685
Total	-1 380	-1 193

Note 10: Depreciation (Tangible and intangible assets)

(EUR 1,000)	1.1. - 31.12.2022	1.1. - 31.12.2021
Intangible assets (Note 17)	-182	-157
Tangible assets (Note 17)		
Total	-182	-157

Note 11: Net loan losses

In EUR 1,000	1.1. - 31.12.2022	1.1. - 31.12.2021
Change in expected credit loss on performing loans	-14 925	-3 190
Change in expected credit loss on non-performing loans		-407
Decrease of provision to cover realised losses		
Realised loan losses		
Net loan losses	-14 925	-3 597

Note 12: Expected credit loss

Introduction and governance

The Fund calculates and reports its impairments based on expected credit losses (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.

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
Before ECL 31.12.2020			8 090	8 090
Transition to IFRS	1 306	14 066	8 090	23 463
Expected credit loss 1/1/2021	1 306	14 066	16 180	31 553
Transfer to stage 1				
Transfer to stage 2	-35	35		0
Transfer to stage 3				
Loan disbursements and other new assets	12	236		249
Amortisations and repayments	-845	-908		-1 754
Impact of remeasurement on existing assets and FX differences	1 047	3 648	814	5 509
Net changes in comprehensive income statement	179	3 011	814	4 004
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
Expected credit loss	31.12.2022	31.12.2021	1.1.2021	
Loans outstanding and other lending related receivables	49 281	34 484	30 234	
Loan commitments	1 400	1 071	1 316	
Financial placements	3	3	3	
Total	50 684	35 557	31 553	

Assets subject to expected credit loss	Stage 1	Stage 2	Stage 3	Total
Exposure at 1/1/2021	535 241	94 258	16 180	645 679
Transfer to stage 1				0
Transfer to stage 2	-21 194	21 194		
Transfer to stage 3				
Loan disbursements and other new assets	27 718	1 478		29 196
Amortisations and repayments	-54 538	-6 159		-60 697
Foreign exchange adjustments and other changes	10 519	1 664	814	12 996
Exposure at 31/12/2021	497 746	112 434	16 994	627 175
Transfer to stage 1				0
Transfer to stage 2	-33 243	33 243		
Transfer to stage 3				0
Loan disbursements and other new assets	33 947	1 322		35 270
Amortisations and repayments	-53 466	-6 212		-59 678
Foreign exchange adjustments and other changes	-5 181	838	202	-4 142
Exposure at 31/12/2022	439 803	141 626	17 196	598 625
Assets subject to expected credit loss	31.12.2022	31.12.2021	1.1.2021	
Loans outstanding and other lending related receivables	187 947	151 371	131 891	
Loan commitments	3 904	5 074	7 230	
Financial placements	28 801	27 397	29 826	
Total	220 653	183 842	168 947	

Note 13: Bond and fund investments

EUR (1,000)	31.12.2022	31.12.2021	1.1.2021
Green bonds	62 878	50 851	43 205
Yield fund	5 636	7 674	7 697
Total , Bond and fund investments	68 513	58 525	50 902

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 14: 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)	31.12.2022	31.12.2021	1.1.2021
Bangladesh	26 760	27 769	28 421
Benin	15 510	15 868	16 025
Bolivia	21 495	22 625	23 138
Botswana	2 273	2 532	2 791
Burkina Faso	8 674	8 878	9 082
Cambodia	7 595	7 780	7 966
Cape Verde	1 232	1 319	1 352
China	2 458	2 680	2 902
Colombia	786	834	849
Dominican Republic	4 770	5 100	5 222
East African Development Bank	3 279	3 553	3 826
Ethiopia	20 013	20 864	21 170
Ghana	38 079	39 889	41 699
Honduras	25 351	26 319	26 852
Indonesia	6 329	6 977	7 625
Jamaica	3 514	3 762	3 857
Kenya	21 814	22 333	22 852
Kyrgyz Republic	2 931	3 133	3 335
Lao PDR	46 950	47 664	47 781
Malawi	14 938	15 970	17 002
Maldives	5 455	5 898	6 340
Mauritius	1 137	1 299	1 462
Mongolia	18 388	19 426	19 840
Mozambique	45 235	47 520	48 936
Namibia	946	986	1 104
Nepal	13 615	14 638	15 585
Nicaragua	32 301	34 162	35 973
Pakistan	5 090	5 605	6 120
Philippines	8 185	8 552	8 582
Rwanda	10 600	10 850	11 100

Senegal	36 290	38 031	38 482
Sri Lanka	14 384	15 303	16 222
Tanzania	16 246	17 153	17 834
Tunisia	3 001	3 246	3 491
Uganda	39 379	41 701	43 769
Vietnam	19 707	20 592	21 270
Zambia	18 726	19 353	19 981
Zimbabwe	7 366	7 959	8 225
Loans outstanding	570 801	598 124	618 066
Move of unreceived amortisations to loans	12 407	11 394	8 317
ECL stage 1,2 and 3	-49 281	-34 484	-30 234
Total	533 926	575 034	596 149

As of 31 December 2022, two borrowers were more than 180 days overdue with payments (2021:1 borrower).

Note 15: Equity investments

Equity investments are distributed as follows:

EUR (1,000)	31.12.2022	31.12.2021	1.1.2021
African Guarantee Fund (AGF)	13 034	12 990	11 534
BUILD Impact Fund	3 547		
Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT)	4 903	2 498	1 525
Energy Entrepreneurs Growth Fund (EEGF)	262		
Emerging Market Climate Action Fund (EMCAF)	319		
Facility for Energy Inclusion Off-Grid Energy Access Fund (FEI OGEF)	4 812	2 863	2 059
Serengeti Energy (formerly known as rAREH)	16 872	12 734	14 655
Total , equity investments	43 750	31 085	29 773

Note 16: 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	31.12.2022	31.12.2021	1.1.2021
World Bank receivables	391	391	391
Other receivables	579	463	269
Repayable grants	18 013	16 893	14 000
Total	18 984	17 748	14 661

Note 17: Tangible and intangible

(EUR 1,000)	31.12.2022	31.12.2021	1.1.2021
Intangible assets			
Acquisition value at beginning of year	1 022	1 006	982
Acquisition during the year	136	15	24
Acquisition value at end of year	1 157	1 022	1 006
Accumulated amortisation at beginning of year	464	307	158
Amortisation according to plan for the year	182	157	149
Accumulated amortisation at end of year	646	464	307
Net book value	511	557	699
Tangible assets	Office equipment	Office equipment	Office equipment
Acquisition value at beginning of year	107	107	107
Acquisition during the year			
Acquisition value at end of year	107	107	107
Accumulated depreciation at beginning of year	94	94	94
Depreciation according to plan for the year			
Accumulated depreciation at end of year	94	94	94
Net book value	13	13	13
Intangible and tangible assets total	524	570	712

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 2022 is EUR 511 thousand (2021: EUR 557 thousand).

Note 18: 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 2022, SDR 515 000 thousand - the equivalent of EUR 691 405 thousand- and EUR 341 520 thousand, totalling EUR 1 032 925 thousand has been paid in by the member countries.

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 %

Subscribed capital on 31 December 2021

(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 1 January 2021

(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 2022

(EUR 1,000)	in SDR	into EUR	in EUR	Total	%
Denmark	115 067	153 858	95 580	249 438	24 %
Finland	96 726	130 592	63 720	194 312	18 %
Iceland	5 453	7 303	3 750	11 053	1 %
Norway	101 591	136 354	83 980	220 334	21 %
Sweden	196 163	263 299	120 900	384 199	36 %
Paid-in Fund capital	515 000	691 405	367 930	1 059 335	100 %

Paid in subscribed capital of NDF on 31 December 2021

(EUR 1,000)	in SDR	into EUR	in EUR	Total	%
Denmark	115 067	153 858	89 040	242 898	24 %
Finland	96 726	130 592	63 720	194 312	19 %
Iceland	5 453	7 303	3 300	10 603	1 %
Norway	101 591	136 354	74 250	210 604	20 %
Sweden	196 163	263 299	111 210	374 509	36 %
Paid-in capital	515 000	691 405	341 520	1 032 925	100 %

Paid in subscribed capital of NDF on 1 January 2021

(EUR 1,000)	in SDR	into EUR	in EUR	Total	%
Denmark	115 067	153 858	82 500	236 358	23 %
Finland	96 726	130 592	63 720	194 312	19 %
Iceland	5 453	7 303	3 300	10 603	1 %
Norway	101 591	136 354	74 250	210 604	21 %
Sweden	196 163	263 299	111 210	374 509	36 %
Paid-in capital	515 000	691 405	334 980	1 026 385	100 %

Note 19: 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	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
Derivative instruments			
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

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	20 817		20 817
Long-term placements with credit institutions	27 822		27 822
Bond and fund investments		58 526	58 526
Loans outstanding	575 034		575 034
Equity investments		31 085	31 085
Derivative instruments		28	28
Other assets	463	17 285	17 748
Total 31 December 2021	624 136	106 924	731 059
Financial liabilities			
	2 491		2 491
Total 31 December 2021	2 491		2 491

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	13 229		13 229
Long-term placements with credit institutions	30 077		30 077
Bond and fund investments		50 901	50 901
Loans outstanding	596 149		596 149
Equity investments		29 773	29 773
Derivative instruments		316	316
Other assets	14 661	14 391	14 661
Total 1 January 2021	639 724	95 382	735 106
Financial liabilities			
	2 595		2 595
Total 1 January 2021	2 595		2 595

FAIR VALUE OF FINANCIAL INSTRUMENTS

In EUR 1,000	31.12.2022		31.12.2021		1.1.2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	25 493	25 493	20 817	20 817	13 229	13 229
Long-term placements with credit institutions	34 244	34 244	27 822	27 822	30 077	30 077
Bond and fund investments	68 513	68 513	58 526	58 526	50 901	50 901
Loans outstanding	533 926	533 926	575 034	575 034	596 149	596 149
Equity investments	43 749	43 749	31 085	31 085	29 773	29 773
Derivative instruments			28	28	316	316
Other assets	18 984	18 984	17 748	17 748	14 661	14 661
Total	724 910	724 910	731 059	731 059	735 106	735 106
Financial liabilities						
	2 906	2 906	2 491	2 491	2 595	2 595
Total	2 906	2 906	2 491	2 491	2 595	2 595

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.

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, natural disasters.

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

In EUR 1,000	31.12.2022			31.12.2021			1.1.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets									
Cash and cash equivalents	25 493			20 817			13 229		
Long-term placements with credit institutions		34 244			27 822			30 077	
Bond and fund investments		68 513			58 526			50 901	
Loans outstanding		533 926			575 034			596 149	
Equity investments			43 749			31 085			29 773
Derivative instruments					28			316	
Other assets		579	18 405		463	17 285		269	14 391
Total	25 493	637 263	62 154	20 817	661 872	48 370	13 229	677 713	44 164
Financial liabilities									
		2 906			2 491			2 595	
Total		2 906			2 491			2 595	

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
1 January 2021	29 773	14 391	44 164
Investments during the year	1 948	2 893	4 841
Divestments during the year			
Capital reduction	-1 200		-1 200
Change in value*	564		564
Reassignment from/to level 3			
31 December 2021	31 085	17 285	48 370
Investments during the year	8 944	1 120	10 064
Divestments during the year			
Capital reduction			
Change in value*	3 720		720
Reassignment from/to level 3			
31 December 2022	43 750	18 405	62 155

* this line corresponds to the effect on profit and loss

Note 20: 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.

31.12.2022									
(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	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		6 365	29 500	192 244	178 349	196 099	6 035	
Equity investments	43 749								43 749
Derivative instruments									
Other assets	18 984								18 984
Assets total	724 910	139 123	46 408	51 762	250 929	189 643	196 099	6 035	69 510
Other liabilities									
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

31.12.2021

(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	20 817	20 817	20 817						
Long-term placements with credit institutions	27 822	27 850	7 071	20 326					453
Bond and fund investments	58 526	58 869	1 108	2 713	42 172	5 202			7 674
Loans outstanding	575 034	632 470	6 307	28 046	185 496	180 334	218 630	13 657	
Equity investments	31 085								31 085
Derivative instruments	28			28					
Other assets	17 748								17 748
Assets total	731 059	740 003	35 302	51 113	227 667	185 536	218 630	13 657	56 961
Other liabilities									
Other liabilities	2 491								2 491
Other liabilities total	2 491								2 491
Loans agreed but not yet disbursed									
Loans agreed but not yet disbursed	16 378								16 378
Loans agreed but not yet disbursed total	16 378								16 378

1.1.2021

(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	13 229	13 229	13 229						
Long-term placements with credit institutions	30 077	30 283	11 056	18 771					456
Bond and fund investments	50 901	50 472	98	3 190	30 953	8 535			7 697
Loans outstanding	596 149	656 230	5 856	26 797	179 427	182 334	238 610	23 206	
Equity investments	29 773								29 773
Derivative instruments	316				316				
Other assets	14 661								14 661
Assets total	735 106	750 214	30 239	48 757	210 695	190 868	238 610	23 206	52 587
Other liabilities									
Other liabilities	2 595								2 595
Other liabilities total	2 595								2 595
Loans agreed but not yet disbursed									
Loans agreed but not yet disbursed	18 202								18 202
Loans agreed but not yet disbursed total	18 202								18 202

Note 21: 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 2022

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

Net currency position as of 31 December 2021

In EUR 1,000	EUR	USD	SDR	Other	Total
Assets					
Cash and cash equivalents	11 342	9 474			20 817
Placements with credit institutions	450	27 371			27 822
Other financial placements	58 526				58 526
Loans outstanding	443 113		131 921		575 034
Equity investments	31 085				31 085
Derivatives	28				28
Other assets	17 746		2		17 748
Accrued interest and fees receivables	881	13	193		1 088
Tangible and intangible assets	570				570
Total assets	563 741	36 859	132 117		732 717
Liabilities and equity					
Other liabilities	-2 448	-42		-2	-2 491
Equity	-730 226				-730 226
Total liabilities and equity	-732 673	-42		-2	-732 717
Total assets and liabilities	-168 933	36 817	132 117	-2	0

Net currency position as of 1 January 2021

In EUR 1,000	EUR	USD	SDR	Other	Total
Assets					
Cash and cash equivalents	7 781	5 448			13 229
Placements with credit institutions	453	29 624			30 077
Other financial placements	50 901				50 901
Loans outstanding	463 052		133 097		596 149
Equity investments	29 773				29 773
Derivatives	316				316
Other assets	14 609		52		14 661
Accrued interest and fees receivables	902	174	195		1 271
Tangible and intangible assets	712				712
Total assets	568 500	35 246	133 343		737 089
Liabilities and equity					
Other liabilities	-2 593	-1		-2	-2 595
Equity	-734 494				-734 494
Total liabilities and equity	-737 086	-1		-2	-737 089
Total assets and liabilities	-168 587	35 245	133 343	-2	0

Note 22: Collaterals and commitment note

NDF has received adequate collateral, in the form of government bonds, that covers the derivative instruments' market value. The derivative instruments are measured at fair value level 2. Valuation techniques are based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

In EUR 1,000	31.12.2022	31.12.2021	1.1.2021
Loans agreed but not yet disbursed	14 910	16 378	18 202
Grants agreed but not yet disbursed	72 460	60 242	77 565
Other financing agreed but not yet disbursed	76 650	52 255	10 632
Gross collateral with respect to derivatives exposure			
Collateral received ^{1 2}		739	783
Collateral given			
Total	164 020	129 613	107 183

¹ Fair value. ² Only securities, no cash

NDF as lessee

At 31 December, the future minimum lease payments under non-cancellable leases were as follows;

In EUR 1,000	31.12.2022	31.12.2021	1.1.2021
Within one year	228	164	158
Later than one but not two years	228	164	158
Later than two but not three years	114	164	158
Later than three but not four years		82	158
Later than four but not five years			79
Total	571	572	709

Note 23: 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 are presented in the table below. No interest is charged during the year (2021: EUR 0). See also note 9.

(EUR 1,000)	NDF's outstanding debt to NIB	NDF's outstanding claim on NIB	NDF's outstanding claim on NIB
2022	2		
2021	2	4	4

Note 24: Currency exchange rates

The Fund's capital and credits to sovereign states are partially denominated in Special Drawing Rights (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 31.12.2022	EUR-rate on 31.12.2021	EUR-rate on 1.1.2021
DKK	Danish krone	7,43643	7,43631	7,44088
ISK	Icelandic króna	151,4919	147,6015	156,0581
NOK	Norwegian krone	10,51846	9,98652	10,47062
SEK	Swedish krona	11,11912	10,25463	10,02819
USD	US dollar	1,06733	1,13257	1,22706
SDR	Special Drawing Right *	0,79862	0,8081	0,84875

* 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 25: Subsequent events

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



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