FMO
Entrepreneurial
Development
Bank

BUILDING PROSPECTS

Annual Report

2021

Building Prospects is the Dutch government fund for private investments in the agribusiness value chain, infrastructure and climate, managed by FMO.

Government of the Netherlands

FMO manages the following funds on behalf of the Dutch government: the Access to Energy Fund (AEF), Building Prospects (BP), MASSIF, the Dutch Fund for Climate and Development (DFCD), FOM, B-CD. The following fund on behalf of the United Kingdom government: Mobilising Finance for Forests (MFF). The total committed portfolio of these funds (excluding grants) amounts to € 1,306 mln as per December 31, 2021. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch and/or UK government that is managed by FMO, unless reference is made to an investment made under a program.

Front photo is from Mekong Timber Plantations Co. Ltd, Laos, one of Laos' largest FSC certified forestry plantation with an emphasis on technological, silvicultural, and ESG improvements.

Building Prospects is a critical enabler of transformation towards sustainable social and economic growth in developing countries.

LETTER FROM THE MB OF THE FUND MANAGER

Dear reader,

This was the second consecutive year in which FMO was faced with the effects of an ongoing pandemic. Challenges and change but also resilience in how we deal with new realities have characterized 2021. For most of the year, we were unable to travel to our markets and carry out business as usual. Still we have supported our customers during the pandemic and at the same time stepped up our efforts in completing the Financial Economic Crime enhancement project, including an extensive Know Your Customer file remediation effort, tailored to the specific requirements of developing and emerging economies.

During these challenging times, the public funds managed to realize or come very close to their targets and therefore continued to play a key, countercyclical role in 2021. Not only did our finance solutions support our clients in facing the pandemic, it also contributed to much-needed new investments, improving the long-term resilience of our customers.

In 2022, that resilience will be further tested as the ongoing war in Ukraine and associated sanctions will have a severe impact on all markets in the global economy.

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

Infrastructure development in agriculture and in rural areas, enhancing productivity and improving logistics generates jobs and increases income. With a growing world population and increasing disruption from extreme weather events, it is critical to increase agricultural capacity without exacerbating the effects on climate. This is the challenge that the Dutch government's Building Prospects Fund aims to target. The Fund supports the acceleration of private sector development by investing in value chains, renewable energy, and forestry projects. Building Prospects invested in eight clients for a total amount of EUR 40.1 million.

The impact of the COVID-19 pandemic is largest for the world's poorest, causing rising poverty rates and increasing inequality. The World Bank Group estimates that globally, three to four years of progress toward ending poverty have been lost and almost 100mln more people are living on less than USD 1.90 a day. Vulnerable groups – women, those with low education and informally employed - lost income at higher rates. Building Prospects funding to drive job creation in the wider agri-value chain remains an important focus point of the fund. Infrastructure and innovation can help less agriculturally developed regions and the world to retain access to jobs, food and products and stimulate economic growth.

There are eight years left in this decisive decade and to help reach the SDGs. Growing inequality continues to affect our markets and we all know the extent of the urgency to take climate action. The world calls for transformative impact to tackle these two challenges. Courage and ambition are therefore imperative in the deployment of the Dutch government funds. We will continue to generate investments that create equal opportunities and equitable access to finance, that protect the value of ecosystems and forests, that provide access to renewable energy and that help build up fair value chains in agriculture.

The Hague, 28 April 2022

On behalf of the Management Board

Michael Jongeneel, Chief Executive Officer
Fatoumata Bouaré, Chief Risk and Finance Officer
Huib-Jan de Ruijter, Chief Investment Officer

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AT A GLANCE

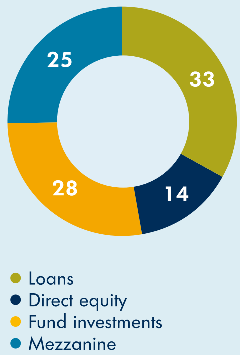
Building Prospects was established in 2002 by the Dutch government and FMO to drive private sector development and job creation in developing countries through investments in infrastructure. In poor countries, agribusiness is generally the most important sector and needs to be the driving engine out of poverty. Building Prospects supports investments in the broad agribusiness value chain. A strong agribusiness value chain needs access to energy and water, and also to logistics and transport. In addition, investment in climate change resilience and mitigation is critical. While there are still remaining legacy customers in the portfolio, Building Prospects no longer invests in non-renewable energy projects. Finally, Building Prospects will build a portfolio that actively takes into account gender equality.

Achievements portfolio as per 31-12-2021

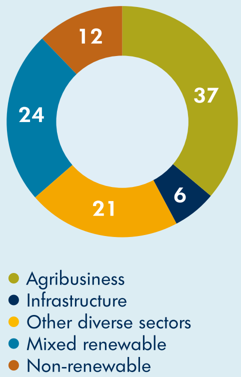
Total committed portfolio

€485 mln

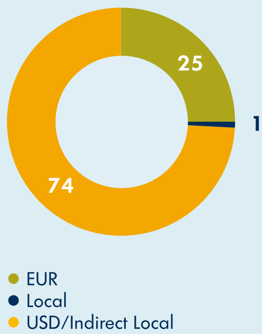
Portfolio by Product
(in % as of 31 Dec 2021)



Portfolio by customer
(in % as of 31 Dec 2021)



Portfolio by currency
(in % as of 31 Dec 2021)



66
Total investments

€1.3 bln
Public co-investments

€0.8 bln
Private co-investments

85.5%
Revolvability

(excluding new investments 2021)

0.8 mln
Beneficiaries reached

60,198
Direct jobs supported

18,592
Direct jobs supported for women

0.8 mln
Beneficiaries reached with renewable energy

344,268
Indirect jobs supported[1]

139,430
Indirect jobs supported for women

1 Increase in indirect job supported is due to inclusion of investee level data and the new methodology: the Joint Impact Model (JIM).

Total committed portfolio by region (per 31 December 2021)

Latin America & The Caribbean	Africa	Asia	Global
€45 mln	€246 mln	€122 mln	€72 mln

Total committed portfolio

€485 mln

PERFORMANCE ON OUR STRATEGY

Highlights

While Building Prospects remained open to new investments throughout 2021, the continued pandemic restrictions made it difficult to source new transactions. In 2020 we processed deals that were already advanced but were unable to build up a strong pipeline for 2021, which became visible in the low level of new commitments. Nevertheless, the fund was able to close eight new transaction totaling EUR 40.1 mln commitment.

Of the eight transactions, four were transacted in Africa. Three of those African transaction maintained the infrastructure theme by investing in large, clean, and renewable energy projects in a variety of African countries, for example, Burkina Faso, Senegal, and Kenya.

Global climate concerns, further highlighted this year at the COP26, are increasing. Building Prospects continues to maintain a clear focus on climate strong investments through our forestry portfolio. Two transactions were added to our forestry portfolio in Laos and Latin America.

Through the year we also continued to support our existing customers through additional topup requests and providing support through the Capacity Development team. We are also seeing some very promising customers growing in the Ventures Fund program who continue to expand through various funding rounds, specifically in the agri-tech sector.

With renewed spirit and enthusiasm, and a clear vision ahead to "build back better", we feel optimistic for the year ahead and are looking forward to executing the Building Prospects mandate in 2022.

Production

Production 2021	
&●	**Stichting And.Green Fund - USD 10 mln debt** &Green is a Debt Fund, incorporated by IDH in 2017, with the Norwegian Government as anchor investor. The Fund's mission is to deliver inclusive, sustainable, and deforestation free commodities-/forest products i.e. palm oil, soy, livestock, rubber, and plantation forestry. As part of its mission, these projects need to be embedded in a Landscape Protection Plan. The Fund's goal is to prove that financing inclusive, sustainable and deforestation-free commodity production can be commercially viable and replicable.
Mekong Timber Plantations Ltd	**Mekong Timber Plantations Co. Ltd - USD 5 mln debt** Mekong Timber Plantations Limited ("MTP") is one of Laos' largest forestry plantation companies with a total land of 24,099 ha, under a 50-year concession until 2049. MTP is located across central Laos (Khammoune, Bolikhamxai, Vientiane and Xengkuang). Total plantation area is 10,898 ha of high-quality eucalyptus and acacia, all FSC certified. MTP is an investee company of the New Forests Tropical Asia Forest Fund ("TAFF"), a fund focused on certified plantation forestry with an emphasis on technological, silvicultural, and ESG improvements. With FMO's financing, MTP aims to further expand its plantation area and to establish an integrated saw log, veneer and chipping mill.
BERKELEY ENERGY	**Africa Renewable Energy Fund II – EUR 10.0 mln equity** The Africa Renewable Energy Fund II ("AREF II") is a private equity fund investing in clean energy generating assets across Sub-Saharan Africa (excluding South Africa). AREF II is the follow-on fund of the AREF, in which FMO invested in 2014 via AEF and Building Prospects and is managed by Berkeley Energy (the "Fund Manager"). By investing in the Africa Renewable Energy Fund II, AEF and BP seek to address the market need for energy in Africa in a sustainable and responsible manner, by increasing the production of clean energy and targeting the Least Developed Countries ("LDC"). BP and AEF have committed EUR 10 million each.
	d.Light Design Inc. - USD 0.61 mln debt topup

d.light is the market leader in distributed solar power for the 2.3 bln people in the developing world without reliable electricity. D.light's products are available in over 70 countries worldwide. The aim of the project is to electrify 300 off-grid private clinics across rural Kenya. These off-grid clinics will gain access to reliable renewable electricity. Sales to the
clinics will provide much-needed revenue for the d.light which will allow them to reduce the risk of layoffs in these difficult times. The project will improve the quality of healthcare to an estimated 480,000 vulnerable citizens (an average 1600 people are covered per rural clinic as per World Resources Institute). d.light employees are secondary beneficiaries, as they are assured job and income security through the continuity of d.light operations.

Africa REN Energy S. A. - EUR 5 mln debt/equity

Africa REN AssetCo is a platform company that will be established. It is the intention that the Africa REN platform will grow into a larger IPP active in West Africa, owning and operating renewable energy projects. Africa REN will own and operate the Senergy 2 solar PV plant in Senegal (in operations), Kodeni Solar (a solar PV plant in Burkina Faso which will commence construction early 2021), and Walo Storage (solar-powered storage facility in Senegal which will commence construction mid 2021). The Africa REN platform will aim to contribute to the development, construction and operations of (greenfield) renewable energy projects in low-income sub-Saharan countries. All projects owned by the Africa REN platform will provide clean and reliable electricity to countries which have low electrification rates, at lower prices than current thermal power stations.

Medical Credit Fund II Cooperatief U.A. - EUR 5 mln debt

Medical Credit Fund Coöperatief U.A., is a Dutch entity affiliated with the PharmAccess Group, a Dutch NGO with a focus on making inclusive health markets work in sub-Saharan Africa. The project aims to provide financing and technical assistance to about 2,500 SMEs active in the health sector in Sub-Saharan Africa. Such financing is highly additional in these markets and leads to better health, an essential component for reducing inequalities.

Mawingu Networks Limited - EUR 1.5 mln debt

Founded in 2013, the Kenya based Mawingu Networks seeks to leverage its low-cost distribution infrastructure and proprietary technology platform to provide internet to rural and peri-urban unconnected communities in Kenya, with expansion plans across East Africa. The company is a Wireless Internet Service Provider (WISP), which offers business, home and public internet services that are low-cost and reliable with unlimited data.

Greenlight Planet Incorporated - USD 2.5 mln debt

Greenlight Planet, Inc. (active under the brand name SunKing) is one of the leading providers of Off-Grid solar lanterns and home systems in Sub-Saharan Africa, and in addition has a global footprint in direct sales through various partners. The company's business model in SSA consists of the design, manufacture, distribution, and financing of various solar-powered energy solutions, through a Pay-As-You-Go offering. Greenlight Planet provides clean and green first time energy access to households in areas with unreliable or non-existent grid connection. Increased energy access contributes to productivity of households and economic growth (lighting and charging allows work and study beyond sunset), and helps power small businesses.

Exits and sales

Despite the COVID-19 crisis, one of Building Prospects' client graduated to FMO in 2021. This is good news for Building Prospects and demonstrates its catalytic and 'upstream' role in creating bankable projects.

- **Ivory Cocoa Products S.A.R.L. (ICP)** - ICP was founded in 2012 and started operations with a modest 25k MT processing facility for cocoa. In 2015, the company doubled its capacity to 50k and it is currently producing a full range of semi-finished cocoa products (liquor, butter, cake and powder). Over the years ICP was able to grow due to the entrepreneurial capabilities, partnership and local market knowledge of the owners, underpinned by the financial support of Building Prospects. ICP is a true reflection of the impact and growth that can be attained through supporting the wider agri-value chain.
  ICP has become a valuable and active partner of our African Cheetahs Network, we regularly organize Cocoa-CEO-Chats between ICP and our other cocoa processor Niche. We help the companies to further institutionalize their businesses and to reduce key-man knowledge risk. In addition, significant progress has been made on ICP's E&S standards by pro-actively address the supply chain risks. As such, the financing risk of ICP has decreased, which enabled the client to matured to FMO level funding. We wish ICP continued success in the years to come.

Production capacity development

Contracts CD 2021

Agfunder INC. - EUR 50,000 Technical Assistance

AgFunderNews engaged to build a dedicated Africa content channel to provide news coverage, reporting and data collection on African agriculture and food technologies (agrifoodtech) to a global audience. This project is in line with BP's objectives and the aim is to support in building a cohesive African agribusiness ecosystem by bringing more investment to the sector and driving adoption of promising technologies across the continent.

Waycool Foods and Products Private - EUR 18,889 Technical Assistance

Waycool Foods & Products is an agritech company active in the supply chain technologies space in India. Waycool focusses on India's fragmented food value chains and leverages technology and automation to improve logistics and distribution services, reduce food waste, increase farmer income and improve quality of the produce for the consumer.We worked with ERM India in the development of E&S management system of Waycool through providing a framework that enables the client in the identification of environmental, health and safety and social risks and impacts and puts in place policies, procedures and developing capacities to manage them.

Finnish Fund For Industrial Cooperation - EUR 9,000 Partnership Development Contribution

Support for pitch competition for African Cheetahs Community to provide advisory to the two winners.

Siempelkamp Maschinen- UND Anlagenb - EUR 456,872 Technical Assistance

The objective of this project is to conduct a Feasibility Study that will evaluate and verify the feasibility and commercial potential of the establishment of the first Oriented Strand Board (OSB) production plant, focused on off-take agreements from local farmers. This project will therefore improve the livelihoods of rural communities, test new technologies and the possibility of adding value to bamboo, one of the fastest growing fibre sources in the world and potentially a sustainable input for building materials.

Stichting AndGreen Fund - EUR 100,000 Technical Assistance

Stichting &Green Fund is the foundation of the &Green Fund, a debt fund managed by SAIL Ventures and focusing on Forestry and Sustainable Land Use (SLU) investment. In this project, BP co-funded external advisory which would support the fund with its ESMS update and with the development and implementation of a Biodiversity Net Gain Framework. With FMO's contribution we support a first-time fund manager focusing on high-risk sectors with the management of its E&S risks and a framework on measurable net positive forest and biodiversity outcomes.

SFA FZE - EUR 272,616 Technical Assistance

SFA FZE is a branch company of the Sustainable Finance Advisory and provides advisory, facilitation, consulting and training services to companies around the globe. "The Rallying Cry: Catalysing Action on Climate Change and Gender in Africa" (the project) is a private sector-led initiative to surface and enhance the unique and critical role that women have to play in contributing to climate solutions. It consists of an inclusive, purpose-driven eco-system approach at the intersection of climate change and gender to allow for a wider, diverse range of voices to be heard. It will uncover new business initiatives and engage a wider range of stakeholders as a model for change. This project is an opportunity for FMO, the international development finance community and private sector to catalyse, identify and support gender-smart climate solutions on the African continent.

INTERNATIONAL PRINCIPLES

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

Equator Principles

Signatory

We have been implementing the Equator Principles (EP) since 2006. This risk management framework provides financial institutions with a minimum standard for due diligence and monitoring to determine, assess and manage environmental and social risks in projects. Our annual EP report is available online.

IFC Performance Standards

Adopter

Our E&S approach is guided by the IFC Performance Standards of Environmental & Social Sustainability. This framework helps us understand, avoid and mitigate E&S risks and impacts, for example through stakeholder engagement and disclosure obligations of the client in relation to project-level activities.

OECD Guidelines

Adopter

We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.

UN Guiding Principles on Business and Human Rights

Adopter

We integrate the set of guidelines defined by the UN for states and companies to prevent, address and remedy human rights abuses in business operations.

ILO Standards

Adopter

We follow the set of ILO legal instruments that set out basic principles and rights at work.

Operating Principles for Impact Management

Signatory

In 2019, FMO became a signatory to and advisory board member of the Operating Principles for Impact Management, a global initiative led by the IFC to increase the transparency and accountability of impact investing.

UN Principles of Repsonsible Investment

Signatory

FMO applies PRI's six principles: incorporating ESG into investment practices (Principle 1 and 2), disclosing on ESG issues (Principle 3), supporting acceptance and effective implementation of the principles (Principle 4 and 5), and reporting on progress (Principle 6).

UNEP FI | Principles for responsible banking

Signatory

FMO is a signatory of the Principles for Responsible Banking.

Global Impact Investing Network

Member

We support the GIIN because it is dedicated to increasing the scale and effectiveness of impact investing through knowledge sharing, best practice exchanges, and tools / resources production.

Sustainable Development Goals Charter

Signatory

We joined the SDG Charter Network to foster cooperation between business, civil society and local governments in the Netherlands, in order to achieve the SDGs at home and abroad.

Impact Management Project

Member

We joined and support the IMP, a forum for building global consensus on how to measure, manage and report impact and for sharing best practices.

Natural Capital Finance Alliance

Signatory

We closely follow the developments of the NCFA initiative to integrate natural capital considerations into loans, public and private equity, and fixed income and insurance products.

UNEP FI / EBF Working Group on Banking and Taxonomy

Member

We are part of the UNEP Finance Initiative / European Banking Federation Working Group that assesses how the EU Taxonomy on Sustainable Activities can be implemented by banks and applied to selected banking products.

Dutch Climate Accord

Signatory

We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord to achieve a 49% CO_2 reduction by 2030 in the Netherlands.

Climate Action in Financial Institutions	**Mainstreaming climate action in financial institutions** We are following the five principles of the Climate Action in Financial Institutions Initiative. This coalition of public and private financial institutions aims to enhance integration of climate change considerations across their strategies, programs and operations.	Signatory
PCAF	**Platform for Carbon Accounting Financials** We are one of the early adopters of PCAF, an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans/investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.	Signatory
TCFD	**Task Force on Climate-Related Financial Disclosures** Since 2019, we report on our approach to climate following the recommendations provided by the TCFD.	Adopter
NAB	**Netherlands Advisory Board on Impact Investing** FMO is an active member of the Netherlands Advisory Board (NAB) on Impact Investing - a foundation Member that is part of the Global Steering Group for impact investment and aims to accelerate the growth and improve the effectiveness of the Dutch impact investing market.	Member
CGAP	**Consultative Group to Assist the Poor** We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.	Member
European Microfinance Platform	**European Microfinance Platform** We are part of the e-MFP network to foster activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked through knowledge-sharing, partnership development and innovation.	Member
2X Challenge	**2X Challenge** In 2019, FMO joined the 2X Challenge, which was launched in 2018 by DFIs from the G7 countries. The initiative allows for setting financial ambitions among DFIs and collaboration with various stakeholders towards female empowerment.	Member
EMPEA	**Emerging Market Private Equity Association** We are a member of the global EMPEA association. This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.	Member
CG DF	**Corporate Governance Development Framework** We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.	Adopter
FATF	**Financial Action Task Force** We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.	Adopter
	The Gold Standard For our own operations, we maintain the Gold Standard.	Adopter
GRI	**Global Reporting Initiative** We report according to the standards defined by the GRI to help businesses and governments understand and communicate about their impact on critical sustainability issues.	Adopter
Value Reporting Foundation	**Value Reporting Foundation - Integrated Reporting Framework** We follow the Integrated Reporting framework to produce our annual report. In line with this, we link our strategy and performance to the external environment and value creation in the longer term.	Adopter

LIST OF ABBREVIATIONS

AC	Amortized Cost
AWS	Alliance for Water Stewardship
ASC	Aquaculture Stewardship Council
CD	Capacity Development
DFI	Development Finance Institution
DGIS	Directorate-General for International Cooperation
EAD	Exposure at Default
ECL	Expected Credit Loss
ESG	Environmental, Social and Governance
ExCo	Executive Committee
FSC	Forest Stewardship Council
FV	Fair Value
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
GHG	Green House Gas
Gwh/yr	GigaWatt hours per year
ha	Hectares
HFO	Heavy Fuel Oil
HRW	Human Rights Watch
IASB	International Accounting and Standards Board
IDF	Infrastructure Development Fund
IFRS	International Financial Reporting Standards
IPP	Independent Power Plant
IRC	Investment Review Committee
LDC	Least Developed Country
LGD	Loss Given Default
MT	Mega Tonne
MW	Mega Watt
NGO	Non Governmental Organization
NPL	Non-Performing Loans - loans in default
NPV	Net Present Value
OCI	Other Comprehensive Income
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
PD	Probability of Default
PIM	Public Investment Management team within FMO
SDGs	Sustainable Development Goals
SHS	Solar Home Systems
SPPI	Solely Payments of Principal and Interest
SSA	Sub-Saharan Africa
tCO2eq	Tonnes of CO2 equivalent
VC	Venture Capital
VER	Voluntary Emission Rights
YE	Year End

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

Statement of financial position

At December 31, 2021

	Notes	2021	2020
Assets			
Banks	(1)	30,020	24,204
Current account with FMO	(2)	76	23
Short-term deposits	(3)	14,082	9,833
Derivatives financial instruments	(4)	2,988	2,780
Loan portfolio	(5)		
- of which: at Amortized cost		80,540	95,983
- of which: at Fair value through profit or loss		63,666	72,159
Equity investments	(6)	140,217	108,115
Other receivables	(7)	134	651
Total assets		**331,723**	**313,748**
Liabilities			
Accrued liabilities	(8)	1,736	1,990
Provisions	(9)	73	135
Total liabilities		**1,809**	**2,125**
Fund capital			
Contribution DGIS previous years		384,516	354,516
Contribution DGIS current year		10,000	30,000
Total contribution DGIS		**394,516**	**384,516**
Other reserves		6,505	6,505
Undistributed results previous years		-79,398	-30,071
Net profit/(loss)		8,291	-49,327
Total fund capital	**(10)**	**329,914**	**311,623**
Total liabilities and fund capital		**331,723**	**313,748**
Irrevocable facilities	**(17)**	**99,862**	**98,034**
Total subsidy allocated to BP		462,012	462,012
Total subsidy withdrawn from DGIS		394,516	384,516
Subsidy available BP		**67,496**	**77,496**

Statement of comprehensive income

At December 31, 2021

	Notes	2021	2020
Income			
Interest income from financial instruments measured at AC		7,471	8,297
Interest income from financial instruments measured at FVPL		-2,822	5,168
Interest expenses from financial instruments measured at AC		-55	-67
Total net interest income	**(11)**	**4,594**	**13,398**
Fee and commission income	(12)	523	214
Results from equity investments	(14)	18,735	-23,108
Dividend income	(13)	2,480	2,006
Results from financial transactions	(15)	2,741	-18,966
Remuneration for services rendered		50	-
Other income		8	-
Total income		**29,131**	**-26,456**
Expenses			
Remuneration FMO		-8,930	-9,095
Capacity development expenses		-568	-1,815
Evaluation expenses		-51	-67
Total expenses	**(16)**	**-9,549**	**-10,977**
Impairments on			
Loans	(5)	-11,292	-11,894
Banks		1	1
Total impairments		**-11,291**	**-11,894**
Net profit/(loss)		**8,291**	**-49,327**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/(loss)		**8,291**	**-49,327**

Statement of changes in fund capital

At December 31, 2021

	Contributed Fund capital	Other reserves	Undistributed results previous years	Net profit/ (loss)	Total fund capital
Balance at January 1, 2020	**354,516**	**6,505**	**-26,465**	**-3,606**	**330,950**
Transfer profit/(loss) PY to Undistr. Results PY	-	-	-3,606	3,606	-
Contribution DGIS	30,000	-	-	-	30,000
Contribution FMO	-	-	-	-	-
Results current year	-	-	-	-49,327	-49,327
Net balance at December 31, 2020	**384,516**	**6,505**	**-30,071**	**-49,327**	**311,623**
Balance at January 1, 2021	**384,516**	**6,505**	**-30,071**	**-49,327**	**311,623**
Transfer profit/(loss) PY to Undistr. Results PY	-	-	-49,327	49,327	-
Contribution DGIS	10,000	-	-	-	10,000
Contribution FMO	-	-	-	-	-
Results current year	-	-	-	8,291	8,291
Net balance at December 31, 2021	**394,516**	**6,505**	**-79,398**	**8,291**	**329,914**

Statement of cash flows

At December 31, 2021

	Notes	2021	2020
Cash flow from operating activities			
Inflows			
Interest received on loans		9,837	9,766
Repayments on loans	(5)	18,760	11,408
Sales of loans to FMO	(5)	10,792	10,571
Results from sale of loans to FMO		91	-
Sale of equity instruments to parties other than FMO		2,016	11,612
Results from equity investments		364	2,193
Dividends and fees received		3,103	2,282
Other received amounts		538	76
Outflows			
Disbursements on loans	(5)	-21,113	-35,159
Investments in equity instruments	(6)	-15,747	-24,175
Disbursements on development contributions		-789	-758
Management fees FMO		-8,930	-9,089
Other paid amounts		-149	-670
Net cash from operating activities		**-1,227**	**-21,943**
Cash flow from financing activities			
Inflows			
Contribution DGIS current year	(10)	10,000	30,000
Net cash from financing activities		**10,000**	**30,000**
Net change in cash & cash equivalent		**8,773**	**8,057**
Position of cash at January 1 [1)]		34,060	27,076
Foreign exchange translation		1,345	-1,073
Position of cash at end of period [1)]		**44,178**	**34,060**

1 Cash includes current account with FMO.

Summary of accounting policies

General information

Building Prospects (BP), the Fund, is established by the Dutch Ministry of Foreign Affairs in 2002 to support private investments in infrastructures in developing countries. FMO executes the Fund at the risk and expense of the Dutch State. The total subsidy received till date amounts to €462 million and the anticipated end date of the Fund is December 2028.

Basis of preparation

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

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

- Equity investments, short-term deposits, and all derivative instruments that are mandatorily measured at fair value through profit and loss.
- A part of the loans to the private sector which is mandatory measured at fair value (refer to business model assessment and contractual cash flow assessment in this chapter below).

Adoption of new standards, interpretations and amendments

The following standards, amendments to published standards and interpretations were adopted in the current year.

Interest Rate Benchmark - Reform Phase 2 - Amendments to IFRS 9, IAS 39 and IFRS 7

These amendments, mandatory and effective from 1 January 2021, provide reliefs and practical expedients on issues that affect financial reporting when an existing interest rate benchmark is replaced with a RFR. No early adoption of Phase 2 amendments is implemented by the Fund. The main IBOR rate used by the Fund is USD LIBOR for pricing of loans. The Fund will use SOFR as the successor base rate for USD LIBOR. The Fund is managing the transition in the form of the BMR&IBOR project and has planned the transition in various working streams. The Fund has prepared to originate new loans with new reference rates as from the fourth quarter of 2021. This transition did not have a material impact on the financial statements. The LIBOR SOFR transition of existing loans to the new reference rates is planned from 2022 onwards and is expected to last up to the first half-year of 2023.

The table below summarizes the maximum amount of exposures per financial instrument category impacted by IBOR reform as per December 31, 2021.

	USD Libor	Other benchmark rates	Not subject to IBOR Reform	Total
Non-derivative financial assets	78,895	734	165,205	244,834
Derivatives	-	-	2,988	2,988

Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond June 30, 2021 – Amendments to IFRS 16

IFRS 16 Leases has been amended to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment was effective from June 1, 2020.

In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

This does not apply to the Fund.

Issued but not yet adopted standards

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. In June 2020 IFRS 17 was amended whereby the effective date was extended to financial periods beginning on or after January 1, 2023. This standard does not have an impact on the Fund.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

These amendments affect the presentation of liabilities in the statement of financial position. They clarify the considerations that determine whether a liability should be classified as current or non-current. The amendments are not expected to have an impact on how the Fund classifies liabilities in the statement of financial position. The amendments are effective from January 1, 2023 and are applied retrospectively.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to change the way the Fund applies materiality judgements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Fund and will be considered for judgement purposes, when changes are to be applied in a reporting period.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify the application of the initial recognition exemption provided in IAS 12. The initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. The amendments do not have an impact on the Fund.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments to IFRS 3 update the reference to the 2018 Conceptual Framework, as well as making reference to IAS 37 when determining whether a present obligation exists as a part of an acquisition. In addition, IFRS 3 now explicitly states contingent assets acquired in a business combination are not recognised. The amendments are effective for business combinations entered into on or after 1 January 2022. They are not expected to have a significant impact on the Fund's treatment of business combinations.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. The amendments are effective for annual periods beginning on or after 1 January 2022 and are applied retrospectively. This amendment has no impact on financial statements of the Fund.

Amendments to IAS 37 - Onerous Contracts

The amendments provide clarity on which costs an entity considers in assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 and to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. There are currently no contracts recognized in the Fund which will be significantly impacted by the amendments.

Annual Improvements 2018-2020

Subsidiary as a First-Time Adopter (IFRS 1)

IFRS 1 allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. The amendment extends this relief to the cumulative translation differences for foreign operations. The amendment is effective for annual periods beginning on or after January 1, 2022. The amendment will not have an impact on the financial statements of the Fund.

Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (IFRS 9)

When considering the derecognition of a financial liability, IFRS 9 indicates that the terms of the instrument are deemed to be substantially different (and therefore qualify for derecognition) if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity should include when applying the '10 per cent' test. The amendment is effective for annual periods beginning on or after January 1, 2022 and is not expected to have a significant impact on the accounting treatment for derecognition of financial liabilities.

Taxation in fair value measurements (IAS 41)

The amendment removes the requirement for entities to exclude tax related cash flows when measuring the fair value of assets in the scope of IAS 41. The amendments apply to the financial period beginning 1 January 2022 and will have no impact on the Fund's annual financial statements.

Lease Incentives (IFRS 16)

The amendment removes an illustrative example on the reimbursement of leasehold improvements and has no impact on the financial statements of the Fund.

Significant estimates, assumptions and judgements

In preparing the annual accounts in conformity with IFRS, management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. The most relevant estimates and assumptions relate to:

- The determination of the fair value of financial instruments based on generally accepted modeled valuation techniques;
- The determination of the ECL allowance for loans to private sector, loans commitments.

Information about judgements made in applying accounting policies are related to the following:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest;
- The inputs and calibration of the ECL model which include the various formulas and the choice of inputs, aging criteria and forward-looking information;

Changes in accounting estimate

Management overlay - ECL Stage 1 and Stage 2 - COVID - 19

In the first half of 2020, a management overlay ('country crisis override') was introduced to reflect the impact of significant increases in credit risk on certain exposures of the loan portfolio, as a result of COVID-19. The overlay was derived by changing the country cap applied when assessing the client's credit rating as a part of calculating the expected credit losses ('ECL'). During the second half of 2020 the Fund partially unwound the country crisis overrides on exposures where more relevant and up-to-date customer information become available for use in the regular ECL calculation process. The overall impact of the country crisis overrides in the financial results for the year ending December 2020 was an decrease in impairments of € 0.13 million. During the first half of 2021, the Fund continued to substitute credit ratings previously overwritten as a part of the country crisis override as new relevant information became available. Updated information is available for most customers as of this reporting date, thereby negating the need for manually overwritten client ratings.

Foreign Currency translation

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

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

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

Offsetting financial instruments

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

Fair value of financial instruments

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

Amortized cost and gross carrying amount

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

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

Assets

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through P&L (FVPL) or fair value through other comprehensive income (FVOCI).

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

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

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

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

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

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

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

Business model assessment

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

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

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

Contractual cashflow assessment

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

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

Reclassification

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

Financial assets – Impairment

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

- Banks;
- Loans;
- Loan commitments.

No impairment loss is recognized on equity investments.

Impairment stages: loans and banks

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

- Stage 1 – Performing loans: when loans are first recognized, an allowance is recognized based on a 12-month expected credit loss;
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, an allowance is recorded for the lifetime expected credit loss;

- Stage 3 – a lifetime expected credit loss is recognized for these loans. In addition, in Stage 3, interest income is accrued on the AC of the loan net of allowances.

ECL measurement

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

ECL measurement Stage 1 and Stage 2

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

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. The Fund uses a scorecard model based on quantitative and qualitative indicators to determine PDs. The output of the scorecard model is mapped to the Moody’s PD master scale based on idealized default rates. A point in time adjustment is made to these PDs using a z-factor approach to account for the business cycle;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected drawdowns and accrued interest from missed payments;
- LGD: the Loss Given Default is an estimate of the Fund's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows or collateral that the Fund would expect to receive;
- Z-factor: the z-factor is a correction factor to adjust the client PDs for current and expected future conditions. The z-factor adjusts the current PD and PD two years into the future. GDP growth rates per country from the IMF, both current and forecasted, are used as the macro-economic driver to determine where each country is in the business cycle. Client PDs are subsequently adjusted upward or downward based on the country where they are operating.

Macro economic scenarios in PD estimates

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

The three scenarios applied are:

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

ECL measurement Stage 3

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

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

Staging criteria and triggers

Financial instruments classified as low credit risk

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

No material significant increase in credit risk since origination (Stage 1)
All loans which have not had a significant increase in credit risk since contract origination are allocated to Stage 1 with an ECL allowance recognized equal to the expected credit loss over the next 12 months. The interest revenue of these assets is based on the gross amount

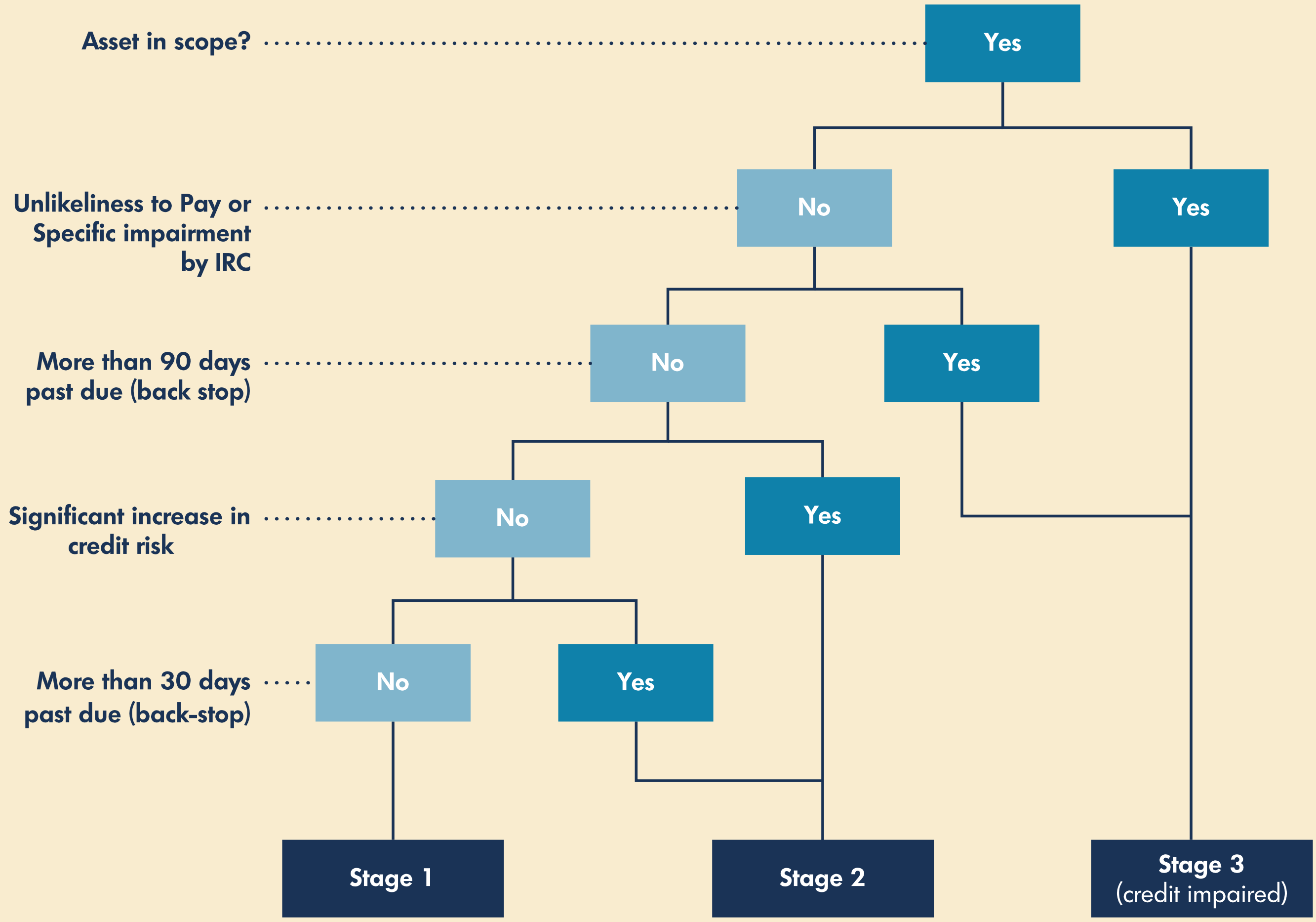
Significant increase in credit risk (Stage 2)
IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognized based on their lifetime ECLs. The Fund considers whether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

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

Definition of default (Stage 3)
A financial asset is considered as default when any of the following occurs:

- The client is past due more than 90 days on any material obligation to the Fund, including fees (excluding on-charged expenses);
- The Fund judges that the client is unlikely to pay its credit obligation to the Fund due to occurrence of credit risk deterioration and the IRC decides on a specific impairment on individual basis. The triggers for deciding on specific impairment include among others bankruptcy, days of past due, central bank intervention, distressed restructuring or any material adverse change or development that is likely to result in a diminished recovery of debt;

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



Reversed staging

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

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

Written-off financial assets

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

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

Modification of financial assets

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

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

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

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

Modification of contractual terms versus forbearance

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

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

Derivative instruments

Derivative financial instruments are initially recognized at fair value on the date the Fund enters into a derivative contract and are subsequently remeasured at its fair value. Changes in the fair value of these derivative instruments are recognized immediately in profit and loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives

Part of the derivatives related to the asset portfolio concerns derivatives that are embedded in other financial instruments. Such combinations are known as hybrid instruments and arise predominantly from providing mezzanine loans and equity investments.

Derivatives embedded in host contracts, where the host is a financial asset in the scope of IFRS 9, are not separated. Instead, the whole hybrid financial instrument as a whole is assessed for classification as set out in the section Financial assets- Classification.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit or loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. An assessment is carried out when the Fund first becomes party to the contract. When there is a change in the terms of the contract that significantly modifies the expected cash flows, the modification results in derecognition of the original instrument and leads to recognition of a new instrument again on the balance sheet.

Cash and cash equivalents

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

Loans

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

Loans on the balance sheet of the Fund include:

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

Equity investments

Equity investments on the balance sheet of the Fund include:

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

Liabilities

Provisions

Provisions are recognized when:

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

Provisions are recognised for loan commitments.

Fund Capital

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

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

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

Profit and Loss

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

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

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

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

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

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

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

Results from financial transactions

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

Capacity development expenses and contributions

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

Statement of cash flows

The statement of cash flows from operations are presented using the direct method.

Taxation

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

Notes to the annual accounts

1. Banks

	2021	2020
Banks	30,020	24,204
Balance at December 31	**30,020**	**24,204**

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

2. Current account with FMO

	2021	2020
Current account with FMO	76	23
Balance at December 31	**76**	**23**

The current account which can be freely disposed of.

3. Short-term deposits

Short-term deposits are very liquid accounts with high credit ratings and are subject to an insignificant risk of changes in fair value. The Fund has on demand full access to the carrying amounts.

	2021	2020
Money market funds	14,082	9,833
Balance at December 31	**14,082**	**9,833**

4. Derivatives

The following tables present the fair value of derivatives which are related to the loan portfolio.

At December 31, 2021	Notional amounts	Fair value assets	Fair value liabilities
Derivatives related to asset portfolio	-	2,988	-

At December 31, 2020	Notional amounts	Fair value assets	Fair value liabilities
Derivatives related to asset portfolio	-	2,780	-

5. Loan portfolio

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund. The tables below present the movement in loans during 2021 and 2020.

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2021
Balance at January 1	183,369	72,159	255,528
Disbursements	14,058	7,055	21,113
Conversion from Loans versus Equity	-	-	-
Sale of loans	-10,792	-	-10,792
Repayments	-11,595	-7,165	-18,760
Write-offs	-5,715	-	-5,715
Derecognized and/or restructured loans	24	-	24
Principal Capitalization	-	-	-
Interest capitalization	-	1,168	1,168
Changes in amortizable fees	279	-	279
Changes in fair value	-	-16,740	-9,005
Changes in accrued income	-650	1,760	1,110
Exchange rate differences	9,957	5,429	15,386
Balance at December 31	**178,935**	**63,666**	**242,601**
Impairment	-98,395	-	-98,395
Net balance at December 31	**80,540**	**63,666**	**144,206**

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2020
Balance at January 1	186,629	75,257	261,886
Disbursements	30,878	4,281	35,159
Conversion from Loans versus Equity	-	-	-
Sale of loans	-10,571	-	-10,571
Repayments	-10,318	-1,090	-11,408
Write-offs	-354	-	-354
Derecognized and/or restructured loans	-135	-	-135
Principal Capitalization	-912	1,641	729
Changes in amortizable fees	166	-	166
Changes in fair value	-	-4,051	-4,051
Changes in accrued income	920	2,218	3,138
Exchange rate differences	-12,934	-6,097	-19,031
Balance at December 31	**183,369**	**72,159**	**255,528**
Impairment	-87,386	-	-87,386
Net balance at December 31	**95,983**	**72,159**	**168,142**

The contractual amount of assets that were written off during the period (2021: €5.7 million, 2020: €0.4 million) are still subject to enforcement activity. There were no recoveries from written off loans (2020: €0.0 million).

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

	2021					
Loans segmented by sector	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total 2021**	**Total 2020**
Energy	13,858	3,118	10,282	16,574	43,832	50,910
Agribusiness	14,111	19,439	9,538	35,446	78,534	81,623
Infrastructure, Manufacturing and Services	6,617	-	3,577	11,646	21,840	35,609
Net balance at December 31	**34,586**	**22,557**	**23,397**	**63,666**	**144,206**	**168,142**

	2021					
Loans segmented by geographical area	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total 2021**	**Total 2020**
Africa	15,440	7,074	10,939	26,470	59,923	56,852
Asia	19,146	-	8,916	20,347	48,409	66,099
Latin America & the Carribbean	-	15,483	3,542	9,284	28,309	35,642
Europe & Central Asia	-	-	-	-	-	-
Non - region specific	-	-	-	7,565	7,565	9,549
Net balance at December 31	**34,586**	**22,557**	**23,397**	**63,666**	**144,206**	**168,142**

	2021	**2020**
Gross amount of loans to companies in which the Fund has equity investments	26,580	25,373
Gross amount of subordinated loans	92,076	92,400

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

Changes in loans to the private sector at AC in 2021	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross amount	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**
At December 31, 2020	62,786	-845	11,877	-759	108,706	-85,782	183,369	-87,386
Additions	15,400	-490	-	-	-	-	15,400	-490
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-8,919	180	-1,953	67	-723	1	-11,595	248
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-12,583	296	12,583	-296	-	-	-	-
Transfers to Stage 3	-10,616	162	-	-	10,616	-162	-	-
Modifications of financial assets (including derecognition)	-12,134	-	24	-	-	-	-12,110	-
Changes in risk profile not related to transfers	-	205	-	-672	-	-10,630	-	-11,097
Amounts written off	-	-	-	-	-5,715	5,715	-5,715	5,715
Changes in amortizable fees	183	-	35	-	62	-	280	-
Changes in accrued income	-47	-	-36	-	-569	-	-652	-
Foreign exchange adjustments	1,072	-64	1,721	-34	7,165	-5,287	9,958	-5,385
At December 31, 2021	**35,142**	**-556**	**24,251**	**-1,694**	**119,542**	**-96,145**	**178,935**	**-98,395**

Changes in loans to the private sector at AC in 2020	Stage 1		Stage 2		Stage 3		Total	
	Gross amount	ECL allowance	Gross amount	ECL allowance	Gross amount	ECL allowance	Gross amount	ECL allowance
At December 31, 2019	54,906	-1,071	39,798	-3,466	91,925	-76,694	186,629	-81,231
Additions	29,938	-477	-	-	-	-	29,938	-477
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-7,143	69	-13,519	253	-227	-	-20,889	322
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-11,515	503	-12,236	2,364	23,751	-2,867	-	-
Modifications of financial assets (including derecognition)	28	-	-135	-	-	-	-107	-
Changes in risk profile not related to transfers	-	8	-	-322	-	-11,558	-	-11,872
Amounts written off	-	-	-	-	-354	354	-354	354
Changes in amortizable fees	-25	-	143	-	48	-	166	-
Changes in accrued income	508	-	-465	-	877	-	920	-
Foreign exchange adjustments	-3,911	123	-1,709	412	-7,314	4,983	-12,934	5,518
At December 31, 2020	**62,786**	**-845**	**11,877**	**-759**	**108,706**	**-85,782**	**183,369**	**-87,386**

Total impairments on loans in the profit and loss account

	2021	2020
Additions / exposure derecognised or matured/lapsed (excluding write - offs)	-242	-155
Changes in risk profile (including changes in accounting estimates)	-11,097	-11,872
Other	47	133
Balance at December 31	**-11,292**	**-11,894**

The table below show the values of the IMF GDP forecasts used in each of the economic scenarios for the ECL calculations of the top 10 countries where the Fund operates. The upside and downside scenario calculations are derived from the base case scenario, adjusted based on an indicator of public debt to GDP in emerging markets.

IMF GDP % Growth Forecasts	2021	2022
Benin	5.0%	6.5%
Togo	3.0%	5.9%
Sudan (The)	0.8%	3.5%
Congo (The Democratic Republic Of The)	3.6%	5.6%
Peru	7.3%	4.6%
Nepal	1.8%	4.4%
Myanmar	5.7%	-0.1%
Côte d'Ivoire	6.2%	6.5%
India	8.8%	8.5%
Tanzania (United Republic Of)	3.6%	5.1%

The following tables outline the impact of multiple scenarios on the ECL allowance. Given the developments due to COVID -19 in 2020 leading to modified macroeconomic forecasts, the probabilities of macroeconomic scenarios (making point-in-time adjusted probability of default) were updated using the data provided by the International Monetary Fund (IMF).

Note that macroeconomic scenarios have been updated by using the latest available information by the IMF, as published in October 2021. Considering that no update has been made available after Russia invaded Ukraine on February 21, 2022, the impact following current events in Ukraine cannot be assessed at this stage.

ECL allowance

December 31, 2021	Total unweighted amount per ECL scenario	Probability	Loans to the private sector 1	Total
ECL Scenario:				
Upside	97,783	2%	1,956	1,956
Base case	98,468	50%	49,234	49,234
Downside	100,185	48%	48,088	48,088
Total	**296,436**	**100%**	**99,278**	**99,278**

1 Loans to the private sector include amounts related to ECL allowances for off balance loan commitments

ECL allowance

December 31, 2020	Total unweighted amount per ECL scenario	Probability	Loans to the private sector 1	Total
ECL Scenario:				
Upside	86,934	2%	1,739	1,739
Base case	87,521	50%	43,760	43,760
Downside	88,602	48%	42,528	42,528
Total	**263,057**	**100%**	**88,027**	**88,027**

1 Loans to the private sector include amounts related to ECL allowances for off balance loan commitments

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

December 31, 2021

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Loan commitments	Total
More than 30 days past due	-	-	-
Forbearance	-1,588	-	-1,588
Deterioration in credit risk rating - financial difficulties	-106	-	-106
Total	**-1,694**	**-**	**-1,694**

December 31, 2020

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Loan commitments	Total
More than 30 days past due	-	-	-
Forbearance	-505	-	-505
Deterioration in credit risk rating - financial difficulties	-254	-	-254
Total	**-759**	**-**	**-759**

We also refer to our accounting policy on macro-economic scenarios on PD estimates.

6. Equity investments

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

	Equity investments measured at FVPL
Net balance at January 1, 2021	108,115
Purchases and contributions	15,747
Return of Capital	-2,493
Changes in fair value	18,848
Net balance at December 31, 2021	**140,217**

	Equity investments measured at FVPL
Net balance at January 1, 2020	120,853
Purchases and contributions	24,175
Return of Capital	-13,903
Changes in fair value	-23,010
Net balance at December 31, 2020	**108,115**

The following table summarizes the equity investments segmented by sector:

	2021	2020
Energy	42,145	36,858
Agribusiness	22,696	9,864
Multi-Sector Fund Investments	46,687	31,806
Infrastructure, Manufacturing, Services	28,689	29,587
Net balance at December 31	**140,217**	**108,115**

7. Other receivables

Fee receivables primarily relate to front-end fees.

	2021	2020
Fee receivables	134	137
Debtor sales result	-	514
Balance at December 31	**134**	**651**

8. Accrued liabilities

Accrued liabilities relate mainly to CD expenses.

	2021	2020
Accrued liabilities	1,737	1,990
Balance at December 31	**1,737**	**1,990**

9. Provisions

	2021	2020
Allowance for loan commitments	73	135
Balance at December 31	**73**	**135**

10. Contributed fund capital and other reserves

	2021	2020
Contributed Fund Capital		
Contribution DGIS previous years	384,516	354,516
Contribution DGIS current year	10,000	30,000
Balance at December 31	**394,516**	**384,516**

	2021	2020
Other reserves	6,505	6,505
Balance at 31 December	**6,505**	**6,505**

Undistributed results	2021	2020
Balance at January 1	-79,398	-30,071
Addition: Net profit/loss	16,743	-49,327
Balance at December 31	**-62,655**	**-79,398**

11. Net interest income

Interest income

	2021	2020
Interest on loans measured at AC	7,471	8,297
Total interest income from financial instruments measured at AC	**7,471**	**8,297**
Interest on loans measured at FVPL	-2,829	5,153
Interest on short-term deposits	7	15
Total interest income from financial instruments measured at FVPL	**-2,822**	**5,168**
Total net interest income	**4,649**	**13,465**

Interest expenses

	2021	2020
Interest expenses related to banks (assets)	-55	-67
Total interest expenses	**-55**	**-67**

12. Fee and commission income

	2021	2020
Prepayment fees	503	-
Administration fees	84	99
Other fees (like arrangement, cancellation and waiver fees)	-64	115
Total fee and commission income	**523**	**214**

13. Dividend income

	2021	2020
Dividend income direct investments	37	1,961
Dividend income fund investments	2,443	45
Total dividend income	**2,480**	**2,006**

14. Results from equity investments

	2021	2020
Results from equity investments		
Unrealized results from FX conversions - cost price	8,925	-15,707
Unrealized results from FX conversions - capital results	-1,821	2,745
Unrealized results from capital results	11,744	-10,048
Results from Fair value re-measurements	**18,848**	**-23,010**
Results from sales		
Realized results	-529	2,193
Release unrealized results	416	-2,291
Net results from sales	**-113**	**-98**
Total results from equity investments	**18,735**	**-23,108**

15. Results from financial transactions

	2021	2020
Results on sales and valuations of FVPL loans	-9,005	-4,051
Results on sales and valuations of AC loans	175	-
Results on sale and valuation of embedded derivatives related to asset portfolio	-	-88
Foreign exchange results	11,571	-14,827
Total results from financial transactions	**2,741**	**-18,966**

16. Operating expenses

Remuneration FMO concerns the management fees paid to FMO.
Capacity development expenses relate to development contributions contracted with beneficiaries in terms of the fund's objectives.
Evaluation costs are expenses made during frequent investigations and controls of existing investments and costs related to due diligence of new projects.

	2021	2020
Remuneration FMO	-8,930	-9,095
Capacity development expenses	-568	-1,815
Evaluation expenses	-51	-67
Total expenses	**-9,549**	**-10,977**

17. Off-Balance Sheet information

To meet the financial needs of borrowers, the Fund enters into various irrevocable commitments (loan commitments, equity commitments). Though these obligations are not recognized on the balance sheet, they do obtain Credit Risk similar to the loan portfolio. Therefore, provisions are calculated for loan commitments according to ECL measurement methodology. Refer to the 'Accounting Policy' chapter.

Nominal amounts for irrevocable facilities is as follows:

	2021	2020
Irrevocable facilities		
Contractual commitments for disbursements of:		
Loans	38,829	34,056
Development contributions	-	581
Equity investments	61,033	63,397
Total irrevocable facilities	**99,862**	**98,034**

The movement in exposure and ECL allowances for commitments of AC loans is as follows:

Movement of loan commitments in 2021	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Nominal amount	**ECL allowance**	**Nominal amount**	**ECL allowance**	**Nominal amount**	**ECL allowance**	**Nominal amount**	**ECL allowance**
At January 1, 2021	16,953	-135	-	-	-	-	16,953	-135
Additions	35,119	-160	-	-	-	-	35,119	-160
Exposures derecognised or matured (excluding write-offs)	-30,592	183	-	-	-	-	-30,592	183
Transfers to Stage 1	-	-22	-	22	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	62	-	-22	-	-	-	40
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	861	-1	-	-	-	-	861	-1
At December 31, 2021	**22,341**	**-73**	**-**	**-**	**-**	**-**	**22,341**	**-73**

Movement of loan commitments in 2020	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2020	34,447	-276	6,614	-	-	-	41,061	-276
Additions	-	-	-	-	-	-	-	-
Exposures derecognised or matured (excluding write-offs)	-16,474	194	-6,072	-	-	-	-22,546	194
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-61	-	-	-	-	-	-61
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-1,020	8	-542	-	-	-	-1,562	8
At December 31, 2020	**16,953**	**-135**	**-**	**-**	**-**	**-**	**16,953**	**-135**

18. Analysis of financial assets and liabilities by measurement basis

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

December 31, 2021	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	14,082	-	14,082
Derivative financial instruments	2,988	-	2,988
Loan portfolio	63,666	-	63,666
Equity investments	140,217	-	140,217
Total	**220,953**	**-**	**220,953**
Financial assets not measured at fair value			
Banks	-	30,020	30,020
Loan portfolio	-	80,540	80,540
Current accounts with FMO	-	76	76
Other receivables	-	134	134
Total	**-**	**110,770**	**110,770**
Financial liabilities not measured at fair value			
Provisions	-	73	73
Accrued liabilities	-	1,736	1,736
Total	**-**	**1,809**	**1,809**

December 31, 2020	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	9,833	-	9,833
Derivative financial instruments	2,780	-	2,780
Loan portfolio	72,159	-	72,159
Equity investments	108,115	-	108,115
Total	**192,887**	**-**	**192,887**
Financial assets not measured at fair value			
Banks	-	24,204	24,204
Loan portfolio	-	95,983	95,983
Current accounts with FMO	-	23	23
Other receivables	-	651	651
Total	**-**	**120,861**	**120,861**
Financial liabilities not measured at fair value			
Provisions	-	135	135
Accrued liabilities	-	1,990	1,990
Total	**-**	**2,125**	**2,125**

Fair value hierarchy

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

Valuation process

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

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

Valuation technique

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

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

Valuation techniques include:

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

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

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

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

	2021		2020	
At December 31	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Banks	30,020	30,020	24,204	24,204
Loan portfolio	80,540	75,022	95,983	94,548
Total non fair value financial assets	**110,560**	**105,042**	**120,187**	**118,752**

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

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	14,082	-	-	14,082
Derivative financial instruments	-	-	2,988	2,988
Loan portfolio mandatory at FVPL	-	-	63,666	63,666
Equity investments	-	-	140,217	140,217
Total financial assets at FVPL	**14,082**	**-**	**206,871**	**220,953**

December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	9,833	-	-	9,833
Derivative financial instruments	-	-	2,780	2,780
Loan portfolio mandatory at FVPL	-	-	72,159	72,159
Equity investments	-	-	108,115	108,115
Total financial assets at FVPL	**9,833**	**-**	**183,054**	**192,887**

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

	Derivative financial instruments	**Loan portfolio**	**Equity investments**	**Total**
Balance at January 1, 2021	2,780	72,159	108,115	183,054
Total gains or losses				
· In profit and loss (changes in fair value)	-	-16,740	11,744	-4,996
Purchases/disbursements	-	7,055	15,747	22,802
Sales/repayments	-	-5,997	-2,493	-8,490
Accrued income	-	1,760	-	1,760
Exchange rate differences	208	5,429	7,104	12,741
Balance at December 31, 2021	**2,988**	**63,666**	**140,217**	**206,871**

	Derivative financial instruments	**Loan portfolio**	**Equity investments**	**Total**
Balance at January 1, 2020	3,118	75,257	120,853	199,228
Total gains or losses				
· In profit and loss (changes in fair value)	-89	-4,051	-15,707	-19,847
Purchases/disbursements	-	5,922	24,175	30,097
Sales/repayments	-	-1,090	-13,902	-14,992
Accrued income	-	2,218	-	2,218
Exchange rate differences	-249	-6,097	-7,304	-13,650
Balance at December 31, 2020	**2,780**	**72,159**	**108,115**	**183,054**

Type of debt investment	Fair value at December 31, 2021	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	20,416	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/lower fair value of approx €6m.
	20,198	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch will result in a 1% increase/ decrease
	13,509	Credit impairment	n/a	n/a
Debt Funds	9,543	Net Asset Value	n/a	n/a
Total	**63,666**			

Type of equity investment	Fair value at December 31, 2021	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity based on the significant unobservable inputs
Private equity fund investments	77,180	Net Asset Value	n/a	n/a
Private equity direct investments	8,934	Recent transactions	Based on at arm's length recent transactions	n/a
	36,177	Book multiples	1.0	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €36 million.
	6,617	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 11.1)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €7million.
	8,321	Discounted Cash Flow (DCF)	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €8 million.
	2,988	Put option	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €3 million.
Total	**140,217**			

19. Related party information

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

Dutch Government

The Dutch Ministry of Foreign Affairs, Directoraat-Generaal Internationale Samenwerking (DGIS) sets up and administers the Building Prospects fund, according to the Dutch Government's development agenda. DGIS is the main contributor to Building Prospects, providing funding upon FMO's request (2021: €10 million; 2020: €30 million).

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

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in agribusiness, food & water, energy, financial institutions and Dutch business focus areas to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO's shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor's.

FMO has been entrusted by the Dutch Government to execute the mandates of the Funds. Currently MASSIF, Building Prospects, Access to Energy – I, FOM, FOM-OS and the Land Use Facility of the Dutch Fund for Climate and Development (DFCD) are under FMO's direct management; the execution of Access to Energy – II and the other facilities of DFCD are performed by third parties under FMO's supervision.

FMO charges a management fee to the Dutch Ministry of Foreign Affairs and it is reimbursed accordingly from the subsidy amount of Building Prospects. The management fee amounts up to €9 million in 2021 (2020: €9 million). BP has sold one exposure to FMO, a loan of €11 million (2020: €11 million).

20. Subsequent events

On February 24, 2022 the Russian Federation started to invade Ukraine. At reporting date, the fund has no direct exposure to Ukraine, the Russian Federation or Belarus, therefore no material impact is expected on the financial statements.

There has been no significant subsequent event between the balance sheet date and the date of approval of these accounts which should be reported by the Fund.

Risk management

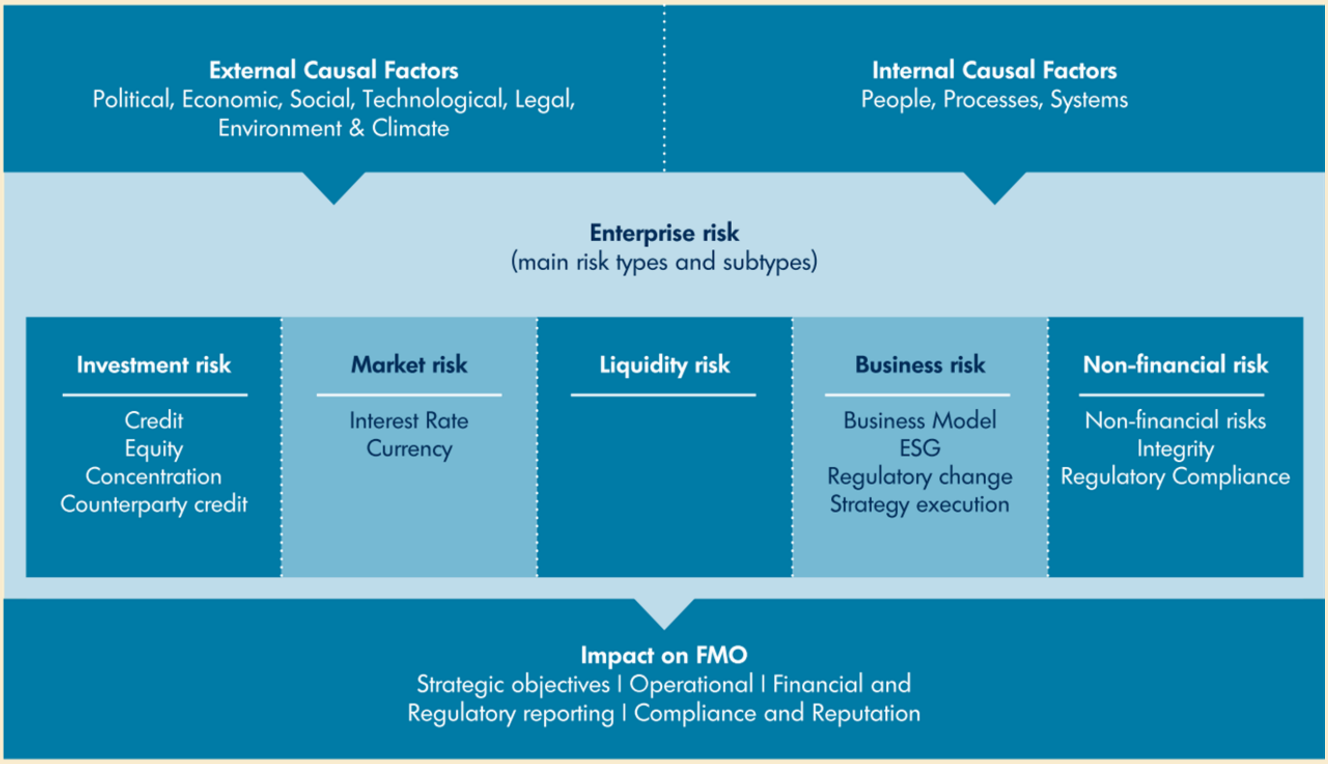
Organization of risk management

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

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

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

Risk taxonomy framework FMO



Risk profile & appetite

The Fund actively seeks to take risk stemming from debt and equity investments in private institutions in developing countries. This risk profile is supported by maintaining prudent levels of capital and liquidity and strong diversification of the portfolio across regions and sectors.

Capital management

The Fund aims to optimize development impact. This can only be achieved with a sound financial framework in place, combining a healthy long-term revolvability of ≥100% and sound capital adequacy. Therefore, FMO seeks to maintain a strong capital position for the Fund. The Fund's structure is based on a 100% contribution from the Dutch government. Total contribution from the Dutch government is €394.5 million at 31 December 2021 (31 December 2020: €384.5 million). Total fund capital – which is the sum of the contribution by the government, undistributed results from previous years, results from the current year, development contribution and evaluation costs – increased to €338.3 million in 2021 (2020: €312 million).

Financial risk

Investment risk

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

Credit risk

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

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

Developments

FMO has embarked on an overhaul of its credit risk policy and processes. The objective is to implement a more aligned and effective portfolio management framework across the organization. Implementation has started in 2021 via the Investment Risk Project, which will continue further in 2022.

In the first half of 2020, a management overlay ('country crisis override') was introduced to reflect the impact of significant increases in credit risk on certain exposures of the loan portfolio, as a result of COVID-19. The overlay has been removed in 2021.

Credit risk in the emerging markets loan portfolio

The Fund offers loans in emerging market countries. Strong diversification within the Fund's emerging market portfolio is ensured through stringent limits on individual counterparties (single customer limit of 10% of the Fund's capital), countries and sectors (max. 40% of the annually available budget to be invested in one sector, fund, or country).

Internal credit approval process

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

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

Maximum exposure to credit risk

	2021	2020
On balance		
Banks	30,020	24,204
Short-term deposits	14,082	9,833
Derivative financial instruments	2,988	2,780
Loans to private sector		
-of which: Amortized cost	179,617	175,036
-of which: Fair value through profit or loss	74,717	82,489
Current account with FMO	76	23
Other receivables	134	581
Total on-balance	**301,634**	**294,946**
Off-balance		
Irrevocable facilities	38,829	34,637
Total off-balance	**38,829**	**34,637**
Total credit risk exposure	**340,463**	**329,583**

Credit quality analysis

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

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

Loan portfolio at December 31, 2021 **Indicative counterparty credit rating scale of S&P**	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	16,118	-	-	13,135	29,253
F14-F16 (B-,B,B+)	19,262	16,849	-	24,850	60,961
F17 and lower (CCC+ and lower)	-	7,548	119,836	36,736	164,120
Sub-total	**35,380**	**24,397**	**119,836**	**74,721**	**254,334**
Less: amortizable fees	-238	-146	-294	-	-678
Less: ECL allowance	-556	-1,694	-96,145	-	-98,395
Plus: FV adjustments	-	-	-	-11,055	-11,055
Carrying value	**34,586**	**22,557**	**23,397**	**63,666**	**144,206**

Loans commitments at December 31, 2021 **Indicative counterparty credit rating scale of S&P**	Stage 1	Stage 2	Stage 3	Other[1]	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	15,642	-	-	9,613	25,255
F14-F16 (B-,B,B+)	6,699	-	-	6,611	13,310
F17 and lower (CCC+ and lower)	-	-	-	264	264
Total nominal amount	**22,341**	**-**	**-**	**16,488**	**38,829**
ECL allowance	-73	-	-	-	-73
Total	**22,268**	**-**	**-**	**16,488**	**38,756**

1 Other loan commitments consist of transactions for which no ECL is calculated.

Loan portfolio at December 31, 2020 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	1,230	1,230
F11-F13 (BB-,BB,BB+)	34,819	-	-	-	34,819
F14-F16 (B-,B,B+)	28,553	3,639	-	59,830	92,022
F17 and lower (CCC+ and lower)	-	8,306	108,965	12,961	130,232
Sub-total	**63,372**	**11,945**	**108,965**	**74,021**	**258,303**
Less: amortizable fees	-586	-68	-259	-	-913
Less: ECL allowance	-845	-759	-85,782	-	-87,386
Plus: FV adjustments	-	-	-	-1,862	-1,862
Carrying value	**61,941**	**11,118**	**22,924**	**72,159**	**168,142**

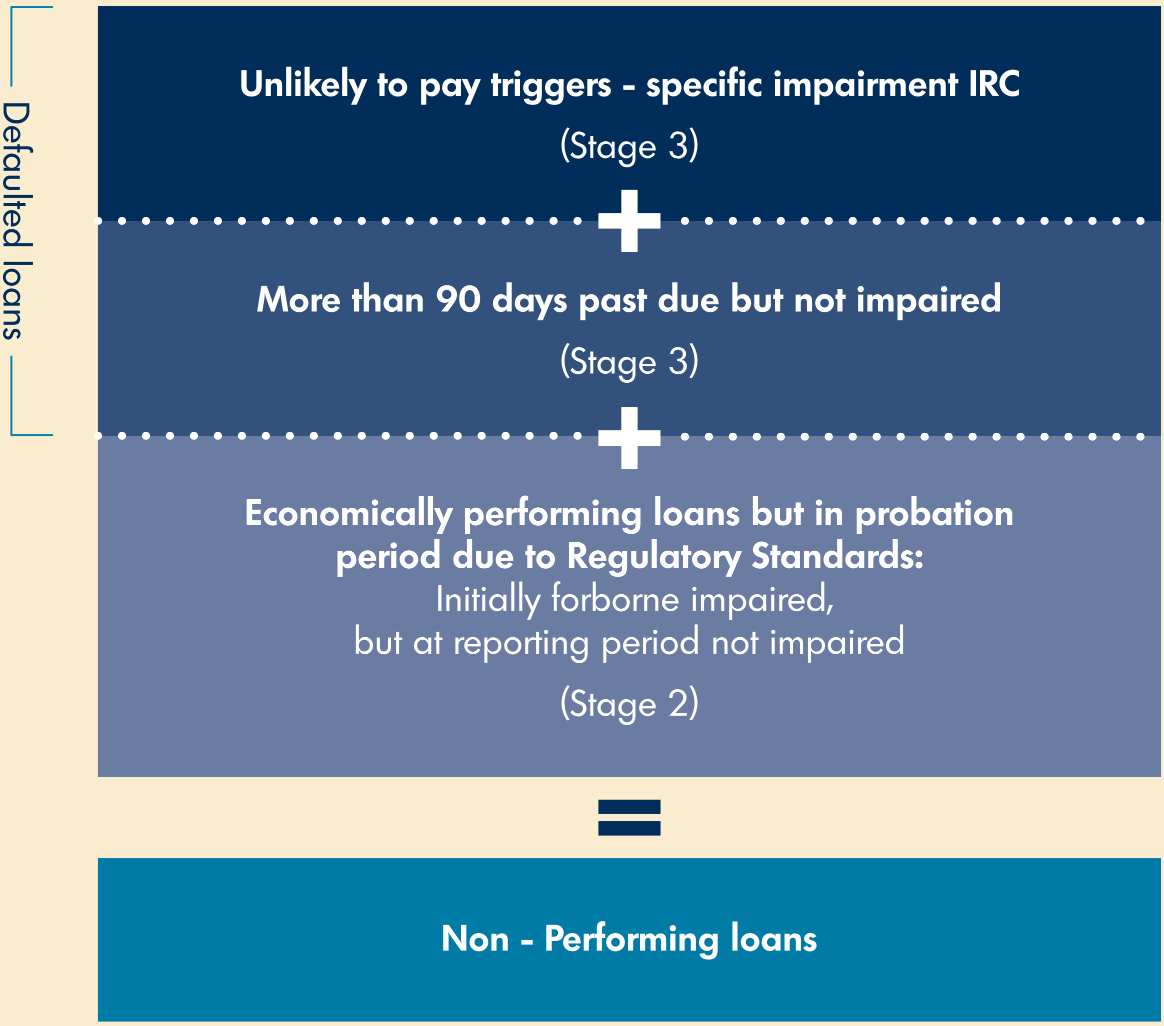
Loans commitments at December 31, 2020 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other[1]	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	9,870	-	-	-	9,870
F14-F16 (B-,B,B+)	7,083	-	-	15,058	22,141
F17 and lower (CCC+ and lower)	-	-	-	2,044	2,044
Total nominal amount	**16,953**	**-**	**-**	**17,102**	**34,055**
ECL allowance	-135	-	-	-	-135
Total	**16,818**	**-**	**-**	**17,102**	**33,920**

1 Other loan commitments consist of transactions for which no ECL is calculated.

Non-Performing loans

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

- When FMO judges that the customer is "unlikely to pay" its credit obligation to FMO and IRC decides on a specific impairment on a loan (Stage 3);
- Loans with interest, principal or fee payments that are past due for more than 90 days (Stage 3);
- One of the loans is classified as non-performing due to criteria mentioned above, all loans of the customer will be identified as non-performing (Stage 3);
- Forborne exposures which are economically performing but are still in probation (curing) period due to Regulatory Standards (Stage 2). Probation period before returning to performing status is one year;
- Additional forbearance measures are applied for forborne performing loans which have exited the NPL probation (Stage 2);
- Performing forborne loans which have exited the NPL probation period have past due amounts for more than 30 days (Stage 2).



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The Fund's NPL ratio increased from 45.4% (2020) to 61.9% (2021), mainly due to additional impairments.

Loans past due and impairments 2021

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	35,380	24,397	10,537	68,724	139,038
Loans past due:					
-Past due up to 30 days	-	-	-	-	-
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	5,997	5,997
-Past due more than 90 days	-	-	109,299	-	109,299
Subtotal	**35,380**	**24,397**	**119,836**	**74,721**	**254,334**
Less: amortizable fees	-238	-146	-294	-	-678
Less: ECL allowance	-556	-1,694	-96,145	-	-98,395
Plus FV adjustments	-	-	-	-11,055	-11,055
Carrying value	**34,586**	**22,557**	**23,397**	**63,666**	**144,206**

Loans past due and impairments 2020

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	54,762	11,945	5,519	61,060	133,286
Loans past due:					
-Past due up to 30 days	8,610	-	-	8,363	16,973
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	4,598	4,598
-Past due more than 90 days	-	-	103,446	-	103,446
Subtotal	**63,372**	**11,945**	**108,965**	**74,021**	**258,303**
Less: amortizable fees	-586	-68	-259	-	-913
Less: ECL allowance	-845	-759	-85,782	-	-87,386
Plus FV adjustments	-	-	-	-1,862	-1,862
Carrying value	**61,941**	**11,118**	**22,924**	**72,159**	**168,142**

Stage 3 loans - ECL distributed by regions and sectors

At December 31, 2021	Energy	Agribusiness	Infrastructure, Manufacturing, Services	Total
Africa	-46,033	-34,066	-	-80,099
Asia	-8,129	-5,046	-	-13,175
Latin America & the Caribbean	-	-	-2,871	-2,871
Total	**-54,162**	**-39,112**	**-2,871**	**-96,145**

Stage 3 loans - ECL distributed by regions and sectors

At December 31, 2020	Energy	Agribusiness	Infrastructure, Manufacturing, Services	Total
Africa	-44,515	-33,233	-	-77,748
Asia	-3,578	-	-	-3,578
Latin America & the Caribbean	-1,843	-	-2,613	-4,456
Total	**-49,936**	**-33,233**	**-2,613**	**-85,782**

Modified financial assets

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

The watch-list process and the Credit department review modified loans periodically. When a loan is deemed no longer collectible, it is written off against the related loss allowance. In 2021, there were no write-offs (2020: €0.35 million).

The following table provides a summary of the Fund's forborne assets, both classified as performing and not, as of December 31.

December 31, 2021	Performing	*of which: performing but past due > 30 days and <=90 days*	*of which: performing forborne*	Non Performing	*of which: non performing forborne*	*of which: impaired*	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loan portfolio measured at AC	**59,777**	-	21,173	**119,836**	45,932	45,932	**179,613**	-678	-98,395	-	**80,540**
Loan portfolio measured at FVPL	**40,157**	-	-	**42,299**	14,394	-	**82,456**	-	-	-11,055	**71,401**
Total	**99,934**	**-**	**21,173**	**162,135**	**60,326**	**45,932**	**262,069**	**-678**	**-98,395**	**-11,055**	**151,941**

December 31, 2020	Performing	*of which: performing but past due > 30 days and <=90 days*	*of which: performing forborne*	Non Performing	*of which: non performing forborne*	*of which: impaired*	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loan portfolio measured at AC	**75,317**	-	8,307	**108,965**	29,220	108,965	**184,282**	-913	-87,386	-	**95,983**
Loan portfolio measured at FVPL	**65,658**	4,598	-	**8,363**	-	-	**74,021**	-	-	-1,862	**72,159**
Total	**140,975**	**4,598**	**8,307**	**117,328**	**29,220**	**114,601**	**258,303**	**-913**	**-87,386**	**-1,862**	**168,142**

Equity risk

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

The Fund takes a long-term view of its equity portfolio, aiming to sell its equity stake within a period of five to ten years. The Fund can accommodate an increase in the average holding period of its equity investments and wait for markets to improve again to realize exits. The fund has no deadlines regarding the exit date of our equity investments. Equity investments are assessed by the Investment Committee in terms of specific obligor as well as country risk. The Investment Review Committee assesses the valuation of the majority of equity investments quarterly. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio on December 31, 2021, amounts to €140.9 million (2020: €105.6 million) of which €76.3 million (2020: €50.6 million) is invested in investment funds.

Equity portfolio distributed by region and sector

At December 31, 2021	Energy		Agribusiness		Multi-Sector Fund Investments		Infrastructure, Manufacturing, Services		Total	
	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds
Africa	18,513	10,267	2,471	1,937	-	13,229	2,988	-	23,972	25,433
Asia	9,850	-	-	7,851	-	27,961	-	-	9,850	35,812
Latin America & the Caribbean	-	-	-	-	-	254	-	-	-	254
Europe & Central Asia	3,254	-	-	3,990	-	5,245	25,701	-	28,955	9,235
Non-region specific	261	-	-	6,445	-	-	-	-	261	6,445
Total	**31,878**	**10,267**	**2,471**	**20,223**	**-**	**46,689**	**28,689**	**-**	**63,038**	**77,179**

Equity portfolio distributed by region and sector

At December 31, 2020	Energy		Agribusiness		Multi-Sector Fund Investments		Infrastructure, Manufacturing, Services		Total	
	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds
Africa	14,842	8,431	238	1,860	-	7,945	29,587	-	44,667	18,236
Asia	1,309	814	-	2,519	-	15,428	-	-	1,309	18,761
Latin America & the Caribbean	-	-	-	-	-	-	-	-	-	-
Europe & Central Asia	1,210	-	-	4,391	-	-	-	-	1,210	4,391
Non-region specific	10,252	-	-	856	-	8,433	-	-	10,252	9,289
Total	**27,613**	**9,245**	**238**	**9,626**	**-**	**31,806**	**29,587**	**-**	**57,438**	**50,677**

Concentration risk

Country risk

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

In the fund risk appetite, the country risk exposure for BP is set at a maximum of 40% of the total portfolio.

FMO recognizes that the impact of country risk differs across the financial products it offers. Multiple countries and regions were subject to a downgrade throughout 2021. In 2021, Kenya, Myanmar and Nepal were downgraded by one or more notches, in which BP's exposure amounted around 12% of the total committed portfolio. Building Prospects has several investments which cover multiple countries, which are labeled as regional investments. Therefore, the downgrades of the regions Asia and Africa are noteworthy as well, as circa 24% of the total committed portfolio is labeled as regional investments in these two regions

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

Overview country ratings BP Portfolio

Indicative external rating equivalent 2021	BP (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	8.1	2.5
F10 (BBB-)	8.8	7.3
F11 (BB+)	0.0	2.2
F12 (BB)	0.0	5.3
F13 (BB-)	6.6	11.5
F14 (B+)	17.0	26.6
F15 (B)	10.8	22.0
F16 (B-)	20.0	10.5
F17 and lower (CCC+ and lower ratings)	28.7	12.1
Total	**100.0**	**100.0**

Overview country ratings BP Portfolio

Indicative external rating equivalent 2020	BP (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	9.1	3.4
F10 (BBB-)	7.8	8.5
F11 (BB+)	0.0	2.3
F12 (BB)	2.2	5.9
F13 (BB-)	0.0	7.5
F14 (B+)	30.1	30.1
F15 (B)	31.4	24.2
F16 (B-)	11.1	8.1
F17 and lower (CCC+ and lower ratings)	8.3	10.0
Total	**100.0**	**100.0**

Gross exposure of loan portfolio distributed by region and sector

	Energy	Agribusiness	Infrastructure, Manufacturing, Services	Total
At December 31, 2021				
Africa	64,476	69,258	8,295	142,029
Asia	20,954	29,467	20,170	70,591
Latin America & the Caribbean	6,009	21,608	6,532	34,149
Non-region specific	7,042	523	-	7,565
Total	**98,481**	**120,856**	**34,997**	**254,334**
At December 31, 2020				
Africa	55,266	74,279	8,622	138,167
Asia	19,770	24,846	24,025	68,641
Latin America & the Caribbean	17,366	18,556	5,902	41,824
Non-region specific	9,669	2	-	9,671
Total	**102,071**	**117,683**	**38,549**	**258,303**

Single and group risk exposures

In the fund risk appetite the maximum customer exposure for BP is set at 10% of the total portfolio.

Counterparty credit risk

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

Liquidity risk

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

Market risk

Market risk can be divided into interest rate risk and currency risk.

Interest rate risk

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

Interest re-pricing characteristics

December 31, 2021	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	30,020	-	-	-	-	30,020
Short-term deposits	14,082	-	-	-	-	14,082
Derivative financial instruments	-	-	-	-	2,988	2,988
Loan portfolio						-
-of which: Amortized cost	4,202	35,264	4,025	37,049	-	80,540
-of which: Fair value through profit or loss	16,736	24,398	22,532	-	-	63,666
Equity investments: Fair value through profit or loss	-	-	-	-	140,217	140,217
Current accounts with State funds and other programs	-	-	-	-	76	76
Other receivables	-	-	-	-	134	134
Total assets	**65,039**	**59,662**	**26,558**	**37,049**	**143,415**	**331,723**
Liabilities and Fund capital						
Accrued liabilities	-	-	-	-	1,736	1,736
Provisions	-	-	-	-	73	73
Fund Capital	-	-	-	-	329,914	329,914
Total liabilities and Fund capital	**-**	**-**	**-**	**-**	**331,723**	**331,723**
Interest sensitivity gap 2021	**65,039**	**59,662**	**26,558**	**37,049**	**-188,308**	-

Interest re-pricing characteristics

December 31, 2020	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	24,204	-	-	-	-	24,204
Short-term deposits	9,833	-	-	-	-	9,833
Derivative financial instruments1	-	-	-	-	2,780	2,780
Loan portfolio						
-of which: Amortized cost	19,614	21,578	10,794	43,997	-	95,983
-of which: Fair value through profit or loss	3,870	16,585	25,144	26,560	-	72,159
Equity investments: Fair value through profit or loss	-	-	-	-	108,115	108,115
Investments in associates	-	-	-	-	-	-
Current accounts with State funds and other programs	-	-	-	-	23	23
Other receivables	-	-	-	-	651	651
Total assets	**58,195**	**38,163**	**35,938**	**70,557**	**110,895**	**313,748**
Liabilities and Fund capital						
Accrued liabilities	-	-	-	-	1,990	1,990
Provisions	-	-	-	-	135	135
Other liabilities	-	-	-	-	-	-
Fund Capital	-	-	-	-	311,623	311,623
Total liabilities and Fund capital	**1,990**	**-**	**-**	**-**	**311,758**	**313,748**
Interest sensitivity gap 2020	**56,205**	**38,163**	**35,938**	**70,557**	**-200,863**	

Currency risk

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

Currency risk exposure (at carrying values)

December 31, 2021	EUR	USD	XOF	Other	Total
Assets					
Banks	23,773	6,247	-	-	30,020
Short-term deposits	21	14,061	-		14,082
Derivative financial instruments	-	2,988			2,988
Loan portfolio				-	
-of which: Amortized cost	24,639	55,901			80,540
-of which: Fair value through profit or loss	527	63,139			63,666
Equity investments: Fair value through profit or loss	29,513	105,664	2,988	2,052	140,217
Current account with FMO	76				76
Other receivables	48	86			134
Total assets	**78,597**	**248,086**	**2,988**	**2,052**	**331,723**
Liabilities and Fund capital					
Accrued liabilities	1,736				1,736
Provisions	58	15			73
Fund Capital	329,914				329,914
Total liabilities and Fund capital	**331,708**	**15**	**-**	**-**	**331,723**
Currency sensitivity gap 2021		**248,071**	**2,988**	**2,052**	
Currency sensitivity gap 2021 excluding equity investments and investments in associates		**142,407**	**-**	**-**	

Currency risk exposure (at carrying values)

December 31, 2020	EUR	USD	XOF	GTQ	Other	Total
Assets						
Banks	18,239	5,965	-	-	-	24,204
Short-term deposits	21	9,812	-	-	-	9,833
Derivative financial instruments	-	2,780	-	-	-	2,780
Loan portfolio						
-of which: Amortized cost	29,437	59,842	-	3,677	3,027	95,983
-of which: Fair value through profit or loss	1,194	70,965	-	-	-	72,159
Equity investments: Fair value through profit or loss	14,451	89,337	3,019	-	1,308	108,115
Current account with FMO	23	-	-	-	-	23
Other receivables	94	557	-	-	-	651
Total assets	**63,459**	**239,258**	**3,019**	**3,677**	**4,335**	**313,748**
Liabilities and Fund capital						
Accrued liabilities	1,990	-	-	-	-	1,990
Provisions	95	40	-	-	-	135
Fund Capital	311,623	-	-	-	-	311,623
Total liabilities and Fund capital	**313,708**	**40**	**-**	**-**	**-**	**313,748**
Currency sensitivity gap 2020		**239,218**	**3,019**	**3,677**	**4,335**	
Currency sensitivity gap 2020 excluding equity investments and investments in associates		**149,881**	**-**	**3,677**	**3,027**	

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

	IFRS 9 December 31, 2021	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity**
USD value increase of 10%	24,807	-
USD value decrease of 10%	-24,807	-
XOF value increase of 10%	299	-
XOF value decrease of 10%	-299	-

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

	IFRS 9 December 31, 2020	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity**
USD value increase of 10%	23,922	-
USD value decrease of 10%	-23,922	-
XOF value increase of 10%	302	-
XOF value decrease of 10%	-302	-
GTQ value increase of 10%	368	-
GTQ value decrease of 10%	-368	-

Non-financial risk

Environmental, social and governance risk

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

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

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

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

Compliance risk

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

Fund's customers follow FMO's procedures to mitigate compliance risk. FMO's standards and policies and good business practices foster acting with integrity. FMO's standards and policies and good business practices foster acting with integrity. FMO is committed to its employees, customers, and counterparties, adhering to high ethical standards. FMO has a Compliance framework which entails identifying risks, designing policies, monitoring, training, and providing advice. FMO has policies on topics such as financial economic crime (including KYC, sanctions, anti-bribery, and corruption) conflicts of interest, anti-fraud, private investments, protection of personal data and speak-up. FMO also regularly trains its employees to raise awareness by means of e.g., virtual classroom trainings and mandatory compliance related e- learnings. Employees are also encouraged to speak up in case of suspected integrity violations conducted by a FMO employee.

Management is periodically informed via the Compliance Committee or when required on an ad-hoc basis, on integrity related matters at customer or employee level. In case of signals of violations, e.g., money laundering, fraud or corruption, management will take appropriate actions. For example, initiating a dialogue with the customer, if possible and appropriate given the circumstances, to understand the background to be able to assess and investigate the severity. When FMO is of the opinion that there is a breach of law that cannot be remedied or that no improvement by the customer will be achieved (e.g. awareness, implementing controls) or that the risk to FMO's reputation is unacceptably high, FMO may be able to exercise certain remedies under the contract such as the right to cancel a loan or suspend upcoming disbursements and will report to regulatory authorities if deemed necessary.

The governance of compliance also entails the following key risks:

Financial Economic Crime, incl. sanctions

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

In 2021, FMO continued the FEC Enhancement program initiated in 2019 and met the agreed deadline with DNB to finalize the remediation project on December 31, 2021. All active KYC-files are remediated – using a new KYC tool - and meet the standards of the renewed CDD-AML Policy and CDD-AML Manual. In the second half of 2021, the renewed KYC organization was implemented in the front-office (first line) and business as usual processes were restarted, amongst others periodic reviews of KYC-files. Independent external validation confirmed that the remediated efforts and KYC files are demonstrably compliant with the relevant requirements, after which the Management Board provided a compliance statement to DNB end of 2021. The validation identified several recommendations that FMO will follow up on in 2022.

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

General Data Protection Act (GDPR)

In 2021, FMO started a project to further develop and enhance privacy data protection capabilities including engaging a dedicated privacy officer and privacy champions within various departments. Specific trainings will be deployed to stimulate awareness. The project aims to finish in 2022. The privacy officer monitors FMOs privacy compliance periodically. The privacy officer is involved in i.e., change management activities and new projects to advise on privacy risks and risk mitigation

Corruption

Corruption is a global problem, requiring a global response. FMO is guided by the OECD Convention on Combating Bribery and the UN Convention against Corruption and is dedicated to fighting corruption and bribery not only to adhere to the law, but also because such acts undermine sustainable development and the achievement of higher levels of economic and social welfare. Good governance, fair business practices and public trust in the private sector is necessary to unlock the full potential of an economy and its citizens. Corruption can be best prevented collaboratively and FMO actively supports the Transparency International's Netherlands branch and the International Chamber of Commerce to share best practices and stimulate the dialogue between Dutch corporates on best practices in doing international business.

Operational risk

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

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

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

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

Building a better working world

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Independent auditor's report

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

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Building Prospects (hereafter: BP or the Fund), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of BP as at 31 December 2021, and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:

- The Statement of Financial Position as at 31 December 2021
- The following statements for 2021:
  - The Statement of Comprehensive Income
  - The Statement of Changes in Fund Capital
  - The Statement of Cash Flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

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

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

Report on other information included in the annual report

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

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

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

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

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

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

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

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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

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

Amsterdam, 28 April 2022

Ernst & Young Accountants LLP

signed by J.G. Kolsters

Colophon

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