Frontier Clearing Corporation B.V.
Amsterdam
ANNUAL REPORT 2021

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ANNUAL REPORT

Report from the Supervisory Board

We are delighted to present Frontier Clearing Corporation B.V.'s (hereafter "Frontclear" or the "Company") 2021 Annual Report.

Frontclear is uniquely focused on the development of inclusive and stable money markets in emerging markets and developing countries ("EMDCs"). Frontclear combines risk bearing capacity, technical assistance and networks to achieve system level change and lay the groundwork for the development of the secured segment of the money market, with a strong focus on interbank repo and derivative markets. Frontclear's mandate has never been more urgent. With the world seemingly lurching from one crisis to the next, more needs to be done. Deep and efficient money markets help provide resilience to shocks in times of financial turbulence and convey multiple economic benefits. Money markets are central to the functioning of financial systems and their ability to support economic growth and poverty reduction. Unfortunately, money markets are sorely underdeveloped in many EMDCs which hinders the allocation of liquidity and capital, impairs monetary policy transmission, and limits the depth and liquidity of domestic bond and derivative markets.

The underdevelopment of money markets in EMDCs is driven by high counterparty risk and limited availability of risk-free collateral to mitigate that risk. Moreover, a lack of knowledge and capacity, legal and regulatory challenges and inadequate financial infrastructure create structural barriers to market development. Frontclear seeks to address these challenges through the issuance of guarantees covering counterparty credit risk and collateral liquidity risk, often facilitating the use of local currency securities as collateral. Frontclear's guarantees are complemented by the deployment of technical assistance in partnership with local industry associations and regulators to remove structural barriers to market development. Combined, Frontclear's guarantees and technical assistance provide significant flexibility to deliver tailored solutions that drive real market development. Ultimately, Frontclear seeks to establish and guarantee local financial infrastructure providers, such as central clearing counterparties, to support the establishment of stable and inclusive money markets.

The outlook of EMDCs today is uncertain at best. The combined impact of two years of COVID-19 and the start of the war in Ukraine is forcing many countries to reconsider global trade and investment relationships. Combined with rising USD interest rates and increased global inflation pressures, many investors are evaluating their financial positions. The importance of resilient local markets in dealing with external shock is well understood and the coming years will once again provide evidence that those economies with well-functioning local markets will fare better than others.

Frontclear is not immune to changes in the operating environment. Despite record production, the reduction in global demand for finance, high USD liquidity and low USD interest rates have caused the company to record a small operational loss in 2021. The portfolio however has proven resilient and Frontclear remains well positioned to continue its mission of playing a decisive role in stabilizing money markets going forward.

The Supervisory Board wishes to thank the Management Board, staff, and the Company's operational partners for their solid contribution in 2021.

The Supervisory Board of Frontier Clearing Corporation B.V.,

Mr. Axel van Nederveen (Chairman)
Mr. Michael Bristow
Mr. Bokar Chérif
Mr. Thomas Heinig

Report from the Managing Board

Frontclear Management B.V. is the statutory director of Frontier Clearing Corporation B.V (hereinafter "FCC" or the "Company" and together with the Frontier Clearing Funds and other related entities also referred to as "Frontclear") and pursuant to the FCC Management Agreement acts as the manager of FCC. The Managing Board of Frontclear Management B.V. (hereinafter "FCM" or the "Manager") is pleased to present the audited consolidated annual accounts of FCC for 2021.

2021 was another difficult year for the global economy, and especially for emerging markets and developing countries ("EMDCs"). The second year of the Covid-19 pandemic combined with crushing global liquidity and uncertainty resulted in slow growth and a high-risk environment in most developing regions. In 2021, Frontclear issued 18 new guarantee contracts totaling a record USD 308 million with an average tenor of 1.15 years, mobilizing funding of USD 2,449 million. Nonetheless, it was a difficult year for Frontclear, with most transactions executed in Q3 and Q4 after a significant lull in activity in the first half of the year. Besides Management focus on building the portfolio and achieving its impact goals, significant investment has been made in automating risk and reporting systems throughout the year with the goal of ensuring operational efficiency as Frontclear scales its balance sheet in the coming years. Management has also, together with the Supervisory Board, conducted an in-depth review and developed a strategic plan to guide the Company's growth ambitions. Significant efforts were placed on business and product development which resulted in amendments to the Company's Investment Objective approved by Investors in July 2021. The approved changes to the Investment Objective signal a reduced focus on third party guarantees towards Frontclear's role as principal counterparty.

Frontclear's impact strategy is based on a long-term commitment in its countries of operations with the goal of achieving systemic change. Progress in this regard was achieved in multiple countries, as highlighted by the case studies of Ethiopia and the Dominican Republic as highlighted in Frontclear's 2021 Impact Report. Frontclear's FTAP program welcomed new grant partners, having received new funding commitments from Financial Sector Deepening Africa, Cardano Development's JODEA fund, the International Finance Corporation, and the United Nations Economic Commission Africa. We are grateful for these new partnerships as without them much of the progress achieved in 2021 would not have been possible.

Financial results

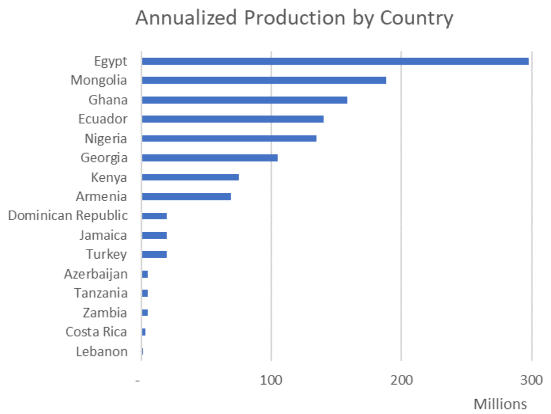
Although the gross notional exposure of the portfolio at 31 December 2021 of USD 278m compares favorably to the year-end portfolio of 2020 at USD 266m, new transactions were booked with a delay and against somewhat lower rates than in 2020. This resulted in revenue from the guarantee portfolio on an accrual basis reducing to USD 4.214 million against USD 4.899 million in 2020. Interest income halved to USD 0.320 million from USD 0.621 million in 2020. Operational expenses also increased to USD 3.602 million versus USD 3.297 in 2020, largely reflecting a stronger euro against the US dollar over 2020. With a slight reduction in guarantee expenses and other items largely stable, the company booked an operational loss on accrual basis of USD 0.767 million versus an operational profit of USD 0.487 million in 2020.

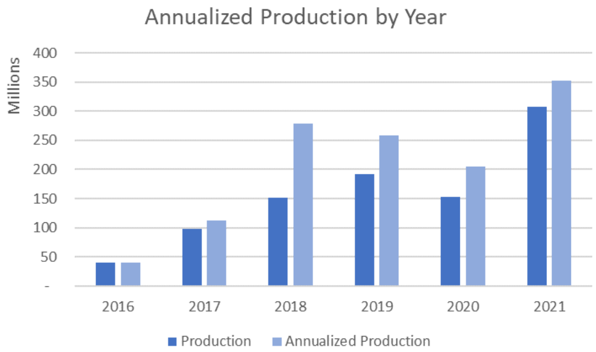
At FVTPL, the guarantee portfolio recorded an income of USD 3.862 million, showing a deceleration of income recognition of USD 0.354 million resulting from both rising credit spreads towards the end of 2020 leading to higher credit value adjustments and rising USD interest rates leading to lower present value of future fee income. The investment portfolio recorded a loss of USD 176m, reflecting a deceleration of USD 0.496 million due to rising USD interest rates affecting the longer-dated investments. The operational result recorded in the profit and loss account therefore reflects a loss of USD 1,617 versus an income of USD 0.733 in 2020.

Portfolio developments

After reaching a low of USD 203 million in September 2021, the gross guarantee portfolio recovered to USD 278 million at 31 December 2021, up from USD 266 million at the end of 2020. The use of risk mitigation on the portfolio remained stable at USD 51.1 million at 31 December 2021 from USD 50 million in 2020, The average rate of return on the net guarantee portfolio decreased to 1.89% at 31 December 2021 from 1.93% the year before.

In 2021, Frontclear issued 18 new guarantee contracts totaling USD 308m with an average tenor of 1.15 years, mobilizing funding of USD 2,449 million to 13 EMDC-based financial institutions from 8 global banks in total (2020: 10 contracts with a value of USD 152m and an average tenor of 1.12 years). Since inception, Frontclear has issued 53 guarantee contracts for a total of USD 942m and an average term of 1.32 years, facilitating USD 3,486 million of funding transactions to EMDC-based financial institutions in 17 countries. The graphs below show production weighted by tenor ("annualized production") since inception of Frontclear.





Outlook

The risk environment for Frontclear will remain elevated in 2022. Rising interest rates will provide opportunities to engage in guarantee contracts at more advantageous rates and help lift investment income for the year, but also means some emerging markets weakened by two years of COVID-19 and impacted by new global uncertainties and redistributions of trade might find themselves in a very difficult position. Frontclear enters 2022 with a strong pipeline, which has notably expanded into more developed markets in line with its growth strategy and goal of diversifying risk. With continued impact of external events on the appetite of global banks to engage with EMDCs, Frontclear has developed a growth strategy that seeks to ensure the Company's ability to exercise more control over income generation and portfolio development. An important development in this regard is the expected launch of its first market-wide Tradeclear® umbrella guarantee platform in 2022.

Amsterdam, 31 May 2022,

The Managing Board of Frontclear Management B.V.,

Mr. Philip Buyskes, Chief Executive Officer
Mr. Erik van Dijk, Chief Risk & Finance Officer

Overview of the company and services

Mandate

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

Instruments

Frontclear facilitates access to money markets for local financial institutions in EMDC through 1) the provision of credit guarantees to cover a transacting institution's counterparty credit risk and 2) financial support to local financial market infrastructure and capacity building programs, through the Frontclear Technical Assistance Program ("FTAP").

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

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

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

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

The combination of facilitating transactions through the provision of risk capital and assisting local regulators and market participants with technical assistance projects, provides for a very powerful combination of activities to promote the development of local money markets. For further reading on the impact strategy and developments results of Frontclear, please refer to the 2021 Frontclear Impact Report.

Capital structure

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

Risk Waterfall

Partner Beneficiaries	
Insurance & Risk Distribution	KfW Counter Guaranee: USD 100m
	Portfolio Insurance: USD 75m
	FCF Junior: USD 91m
	FCF Subordinated: USD 13.2m
Diversified Collateral Pool	

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

Legal structure

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

- Frontier Clearing Corporation B.V. ("FCC") – FCC is the operating company of Frontclear and hence the entity issuing guarantees and making investments to achieve the mission of Frontclear.

- FCC Securities B.V. ("FCC Securities") - In 2017, FCC established a 100%-owned subsidiary FCC Securities B.V. to support specific transaction structures.

- Frontier Clearing Funds ("FCF") – the FCF are funds for joint account through which Frontclear raises funds from investors. At 31 December 2021 there are three separate funds - FCF Subordinated, FCF Junior and FCF Callable - each investing in a separate class of notes - Subordinated Notes, Junior Notes and Callable Notes, respectively - issued by FCC. Through the FCF, Frontclear is funded by European governments and development finance institutions. At 31 December 2021, FCF Callable has no subscriptions yet and has extended its first book year to 31 December 2022.

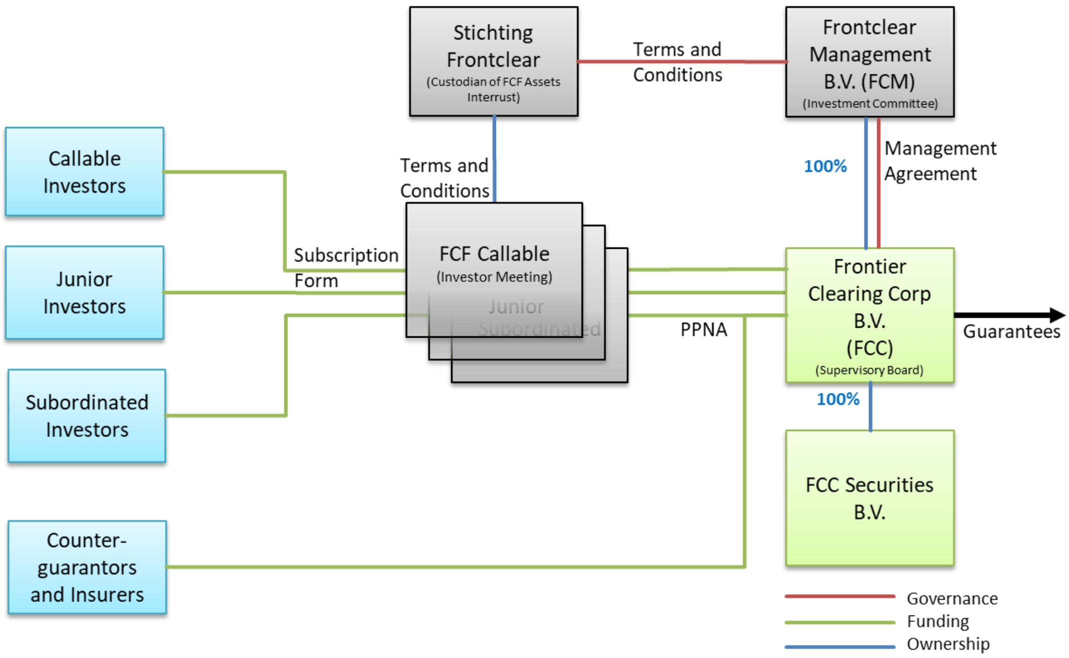
- Stichting Frontclear – Stichting Frontclear is the custodian for the FCF and therefore the legal owner of the assets of the FCF.

- Stichting FTAP – effective 1 January 2020, Stichting FTAP is the program custodian for FTAP, administering all donor contributions and program allocations and expenses. Prior, Stichting Frontclear acted as the program custodian of FTAP.

- Frontclear Management B.V. ("FCM") – FCM is the Fund Manager for the FCF in accordance with the amended Terms & Conditions of the FCF adopted on 2 December 2019. FCM is registered as an exempted fund manager of Alternative Investment Funds ("AIF"). In addition, FCM is the single shareholder and statutory director of FCC and the statutory director of FCC Securities. FCM manages FCC and FCC Securities pursuant to the terms of the FCC Management Agreement and FTAP in accordance with the Amended & Restated FTAP Agreement. FCM is 100% owned by Cardano Development B.V. which in turn is 100% owned by Stichting Cardano Development, an institution for the benefit of general interest ("ANBI", tax exemption status under Dutch law).

- KfW – FCC has entered into an agreement with KfW to counter-guarantee the obligations of FCC towards beneficiaries of guarantees issued by FCC.

- FCC maintains portfolio insurance and transactions specific insurance to further complement its capital structure and credit strength.



Legal agreements

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

- Terms & Conditions of FCF – the Terms & Conditions define the rights and obligations of the investors, the Fund Manager (FCM) and the Custodian (Stichting Frontclear). The Terms & Conditions also specify the appointment of and the rights and obligations of the FCC Supervisory Board and the Investment Committee.

- Subscription Agreements – Investors have committed to the Terms & Conditions of the FCF adopted by the Fund Manager and the Custodian by means of Subscription Agreements.

- Amended & Restated PPN Agreement – the PPN Agreement is entered into by FCC and the FCF and determines the issuance of three classes of Profit Participating Notes from FCC to the FCF. The PPN Agreement captures the FCC Investment Guidelines and the FCC Risk Charter, defining the risk appetite and risk management approach for FCC. The PPN Agreement specifies approvals required from the FCC Supervisory Board for the execution of certain rights under the PPN Agreement.

- Portfolio Insurance – the Excess of Loss Portfolio Insurance Policy has been entered into by FCC on 2 December 2019 for an initial period of 5 years. The policy pays out in case claims under guarantee obligations exceed the funds available to FCC, with a waiting period of 180 days. The policy is compliant with the conditions for unfunded capital protection stated in the Capital Requirement Regulation of the European Union.

- Liquidity Facility – FCC has entered into a revolving liquidity facility of USD 25m, that can be drawn against claims issued under the Portfolio Insurance policy.

- Amended & Restated KfW Counter-Guarantee – the KfW Counter-Guarantee agreement entered into by FCC and KfW is a contract for the benefit of third parties under German law, counter-guaranteeing the obligations of FCC towards eligible third parties under guarantees issued. The agreement defines under which conditions third parties are eligible to benefit from the counter-guarantee and certain consent rights of KfW on amendments to the documentation of Frontclear.

- Amended & Restated FCC Management Agreement – entered into by FCM and FCC, the FCC Management Agreement prescribes the terms pursuant to which FCM manages FCC, additional rights and obligations of the FCC Supervisory Board and the Investment Committee and the remuneration of FCM for managing FCC. The management of FCC Securities is deemed covered by the FCC Management Agreement.

- Amended & Restated FTAP Agreement – some of the investors of FCF Subordinated have committed to donate the distributions of FCF Subordinated to the FTAP. The FTAP Agreement specifies the conditions under which FTAP is operated by FCM and Stichting FTAP and specifies amongst others the appointment of and rights and obligations of the Donor Committee.

- Grant Agreements – FTAP has received additional commitments from FSDA, ABSA and Cardano Development (together the “Donors”), which are documented with separate Grant Agreements. The Grant Agreements gives rise to additional obligations for the management of FTAP vis-à-vis the Donors.

Corporate governance

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

The following bodies exercise control in the governance of Frontclear:

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

- FCC Supervisory Board – the members of the FCC Supervisory Board are appointed by cooptation, subject to approval by the Joint Investor Meeting by Investor Ordinary Consent.

  The Supervisory Board consists of the following members:

    - Axel van Nederveen, Chairman;
    - Mike Bristow;
    - Bokar Chérif; and
    - Thomas Heinig.

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

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

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

- Donor Committee – the Donor Committee governs the allocation of technical assistance funding and the progress and impact reporting of approved interventions. The appointment of members to the Donor Committee is captured in the FTAP Agreement. The Donor Committee consists of the following members:

    - Evans Osano, Chairman;
    - Alice Chapple; and
    - Fleur Henderson.

- FCM Management Board – the Management Board of FCM consists of:

    - Philip Buyskes, CEO and Chairman; and
    - Erik van Dijk, CFRO.

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

- FCM Supervisory Board – the Supervisory Board of FCM consists of:

    - Joost Zuidberg

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

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

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

Compliance standards

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

FCM has adopted a Code of Conduct, applicable to all employees, Supervisory Board members and committee members of FCM or FCC and where relevant extended by contract to material service providers to Frontclear. The Code of Conduct captures the required conflict of interest guidelines of the AIFMD commensurate to the size of Frontclear.

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

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

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

(as at 31 December, before profit appropriation)

(all amounts in thousands USD)	Notes	2021	2020
Assets			
Non-current assets			
Deferred tax asset	11	2,039	3,315
Total non-current assets		2,039	3,315
Current assets			
Cash and cash equivalents	6	35,234	30,609
Financial instruments at FVTPL - Securities	14	53,895	61,844
Financial guarantee contracts at FVTPL	12	143	88
Financial instruments at FVTPL - Other	13	1,257	739
Prepaid guarantee expenses		206	40
Management fee receivable	16	-	267
Other receivables	17	201	178
Total current assets		90,936	93,765
Total assets		**92,975**	**97,080**
Equity			
Shareholders' equity			
Issued share capital	0	-	-
General reserve	8	(8,874)	(8,695)
Undistributed result for the period	9	(933)	(179)
Total shareholders' equity		(9,807)	(8,874)
Liabilities			
Long-term liabilities			
Junior Notes	10	88,307	89,574
Subordinated Notes	10	11,866	12,560
Total long term liabilities		100,173	102,134
Short-term liabilities			
Financial guarantee contracts at FVTPL	12	810	307
Financial instruments at FVTPL - Other	13	1,142	541
Accrued fees	15	75	67
Management fee payable	16	25	-
Deferred Performance fee and LTI	34	-	487
Other liabilities	17	557	2,418
Total short term liabilities		2,609	3,820
Total equity & liabilities		**92,975**	**97,080**

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

Consolidated Statement of Comprehensive income

(all amounts in thousands USD)	Notes	**2021**	**2020**
Revenues			
Realized fees on contracts at FVTPL	20	4,391	4,404
Change in fair value of contracts at FVTPL	21	(531)	507
Guarantee expenses	22	(717)	(984)
Total revenues		**3,143**	**3,927**
Finance costs			
Subordinated Notes	23	(264)	(265)
Counter Guarantee Fee	24	(355)	(356)
Portfolio Insurance Fee	25	(301)	(306)
Liquidity Facility fee	26	(65)	-
Total finance costs		**(985)**	**(927)**
Other results			
Interest income	27	1,521	2,047
Fair value changes in liquidity investments	14	(1,685)	(988)
FX results		(9)	7
Other income		-	4
Total other results		**(173)**	**1,070**
Total operating income		**1,985**	**4,070**
Operating expenses			
Management Fees	0	(2,511)	(2,346)
Performance Fees	29	(270)	(260)
Legal Fees	30	(263)	(201)
Third party service providers	31	(201)	(115)
Other operating expenses	33	(357)	(375)
Total operating expenses		**(3,602)**	**(3,297)**
Operating result		**(1,617)**	**773**
Deferred Performance fee and LTI	34	-	(487)
Net result for the period before revaluation of PPN		**(1,617)**	**286**
Revaluation of Subordinated Notes	10	694	(1,273)
Revaluation of Junior Notes	10	1,267	196
Net loss for the period before tax		**344**	**(791)**
Income tax	11	(1,277)	612
Comprehensive loss for the period		**(933)**	**(179)**
Comprehensive loss for the period attributable to the holder of the issued share of FCC	35	*(933)*	*(179)*

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

Consolidated Statement of Cash flows

(all amounts in thousands USD)	Notes	2021	2020
Cash flow from operating activities			
Guarantee fees received	20	3,230	3,244
Income received from financial instruments at FVTPL		1,161	1,160
Guarantee expenses paid		(908)	(724)
Interest received		1,522	2,089
Management fees paid	0	(2,219)	(2,662)
Performance fee paid		(487)	-
Other operational expenses		(810)	(1,222)
Collateral received		(2,140)	2,140
Net cash flow used in operating activities		**(651)**	**4,025**
Cash flow from investing activities			
Financial instruments at FVTPL – Securities purchases		(26,336)	(78,722)
Financial instruments at FVTPL – Securities sales and redemptions		32,600	71,221
Net cash flow used in investing activities		**6,264**	**(7,501)**
Cash flow from financing activities			
Subordinated Notes - FTAP Fee paid	23	(264)	(254)
Counter-guarantee fee paid	24	(354)	(356)
Liquidity Facility fee paid	26	(57)	-
Portfolio insurance fee paid		(304)	(176)
Net cash flow generated from (used in) financing activities		**(979)**	**(786)**
Net cash flow generated during (used in) the year		**4,634**	**(4,262)**
Cash and cash equivalents at beginning of the period		30,609	34,863
Foreign currency translation of cash positions		(9)	8
Cash and cash equivalents at the end of the period		**35,234**	**30,609**
Analysis of cash and cash equivalents			
Cash at banks		15,234	10,609
Money market funds		20,000	20,000
Total of cash and cash equivalents	**6**	**35,234**	**30,609**

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

Statement of Changes in Equity

(all amounts in thousands USD)	Amounts		Number of shares	
	2021	**2020**	**2021**	**2020**
Equity at beginning of the period	(8,874)	(8,695)	1	1
Proceeds from shares issued	-	-	-	-
Net change from transactions with shareholders	-	-	-	-
Comprehensive loss for the period	(933)	(179)		
Equity at end of year	**(9,807)**	**(8,874)**	**1**	**1**

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

Notes to the Consolidated Financial Statements

1. General information

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

FCC facilitates access to financial markets for local institutions in EMDCs through the provision of credit guarantees to cover a transacting institution's counterparty credit risk. FCC is primarily funded by means of its Profit Participating Notes program, under which it issues Subordinated Notes, Junior Notes and Callable Notes (together the "Profit Participating Notes" or "PPN") to the Frontier Clearing Fund Subordinated, Frontier Clearing Fund Junior and Frontier Clearing Fund Callable (together the "Funds"). Senior Notes issued to Frontier Clearing Fund Senior have been repaid and commitments to Frontier Clearing Fund Senior have been cancelled on 2 December 2019. FCM is the fund manager (in this capacity the "Fund Manager") of the Funds in accordance with their Terms and Conditions.

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

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

2. Events after the reporting period

On 28 March 2022, the FCC Supervisory Board awarded the Manager with a Performance Fee being the sum of a Fixed Performance Fee Component of USD 191,869 and EUR 194,451 relating to the variable compensation of the staff of the Manager.

The amount of USD 191,869 has been added to the deferred Fixed Performance Fee Component, of which an amount of USD 0 has been recognized in 2021 for pay-out to the Manager (see Note 34 for further detail).

The amount of EUR 194,451 relating to the variable compensation of the staff of the Manager is recognized in 2022, after it has been determined by the Supervisory Board of FCC. The amount of Performance Fee recognized in 2021 related to the discretionary part of the 2020 Performance Fee only (see Note 29 for further detail).

The war in the Ukraine that started in 2022 has contributed to increased uncertainty in financial markets and on top of two years of COVID-19 has left some emerging markets facing additional strain in the form of increased commodity prices, shifts in trade relationships and global supply chains or even food security. Despite an immediate effect of the outbreak of the war on currency exchange rates and credit spreads, this new event has so far not had a material impact on the portfolio of FCC. The company continues to monitor the second order effects of the war, the impact of COVID-19 and the rise of USD interest rates on its portfolio.

3. Statement of compliance

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

The consolidated financial statements were authorized for issue by the Managing Board on 31 May 2022.

4. Summary of significant accounting policies

Basis for preparation

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

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

Adoption of new standards and amendments to existing standards
There are no new standards or amendments to existing standards which are relevant to the Fund.

New standards, amendments and interpretations to existing standards which are relevant to the Company and not yet effective
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Basis for consolidation

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

Subsidiaries

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

Subsidiary FCC Securities B.V.

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

Foreign currency translation

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

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

Financial Instruments

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

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

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

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

Initial recognition
FCC recognizes a financial instrument on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognized using trade date accounting. Gains and losses are recognized from this date on. Drawdowns under the PPN are treated as loans. A further description of this feature is disclosed in Note 10.

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

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

Fair value measurement principles
Investments in liquid securities are valued against available market prices (Level 1). For all other financial instruments which are highly rated and liquid such as money market funds or deposits for which reference prices are available in an active market, the fair value is determined based on market standard cash flow methodologies and are further referred to as Level 2 financial instruments.

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

The fair value of financial guarantees at initial recognition is equal to the consideration received for the guarantee at inception minus a credit value adjustment, containing expected credit loss, cost of capital and add on elements. Subsequent measurement is based on a model that reflects the probability of default of the obligor whose obligations are guaranteed, the expected exposure at time of default, loss given default assumptions and the cost of the marginal economical capital allocation to the transaction, with changes in their fair value recognized as gains or losses in the statement of comprehensive income. A further description of the valuation of the financial guarantee contracts is disclosed in Note 12.

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

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

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

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

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

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

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

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

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

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

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

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

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

Long-term incentive fees are determined in accordance with defined performance targets in the FCC

Management Agreement and are approved by the FCC Supervisory Board.

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

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

Taxation

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Risk Management

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

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

Market price risk
Market price risk is the risk that the value of an instrument fluctuates as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.
FCC limits the average duration of its liquidity investments to two years and the maximum duration of any individual investment to five years. At 31 December 2021, the Company has no assets or liabilities subject to significant market risk.

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

The Company's financial liabilities are issued on both a fixed rate and floating rate basis. The Subordinated and Junior Notes are fixed whilst any drawn Callable Notes are floating.

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

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

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

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

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

The open currency positions of the company at 31 December 2021, incurred through bank balances in foreign currency and payables due only, are given below:

(all amounts in thousands USD)	**Exposure 2021**	**Exposure 2020**
EUR	109	7
GHS	142	2
Total	**251**	**9**

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

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

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

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

	2021	**2020**
Counterparty event	2.2	2.6
Market or legal risk event	2.1	1.7
Country event	1.8	1.5

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

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

The following table shows the credit exposure for liquidity investment as at December 31, 2021:

(all amounts in thousands USD)	**Credit rating**	**Exposure 2021**	**Exposure 2020**
Money market funds	AAA	20,000	20,000
Fixed income investments	AA- and up	53,895	61,844
Cash positions Rabobank	AA-	7,810	1,199
Term deposits Rabobank	AA-	5,800	9,400
Cash positions CACEIS Bank, Netherlands Branch	AA-	117	8
Other Cash Positions – EMDC banks	Not rated	1,507	2
Total		**89,129**	**92,453**

The increase in balances held at EMDC banks is due to receipts on collateral instruments in repurchase transactions not passed on to the repo counterparty.

Counterparty credit risk
FCC is exposed to credit risk under the financial guarantees it has issued to cover the counterparty credit risk on transactions, where the obligor is typically located in an emerging or frontier market. The exposure under financial guarantees issued is affected by both country risk factors and credit risk factors relating to the obligor.

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

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

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

2021

(all amounts in thousands USD)	**Gross notional exposure**	**Hedged**	**Net notional exposure**	**Fair Value**
Armenia	27,356	-	27,356	(94)
Dominican Republic	20,000	(10,000)	10,000	33
Ecuador	17,500	-	17,500	20
Egypt	60,000	(10,000)	50,000	(486)
Georgia	35,000	-	35,000	(154)
Ghana	60,000	(25,000)	35,000	57
Jamaica	5,000	-	5,000	88
Mongolia	23,000	(6,100)	16,900	56
Nigeria	15,000	-	15,000	(68)
Turkey	15,000	-	15,000	(5)
Total	**277,856**	**(51,100)**	**226,756**	**(552)**

2020

(all amounts in thousands USD)	**Gross notional exposure**	**Hedged**	**Net notional exposure**	**Fair Value**
Armenia	16,306	-	16,306	(59)
Azerbaijan	5,000	-	5,000	(2)
Ecuador	53,210	(17,280)	35,930	(92)
Egypt	60,000	(10,000)	50,000	(155)
Georgia	30,000	-	30,000	12
Jamaica	8,000	-	8,000	18
Mongolia	73,000	(23,500)	49,500	198
Nigeria	20,000	-	20,000	59
Total	**265,516**	**(50,780)**	**214,736**	**(21)**

FCC has obtained non-payment insurance to hedge USD 51.1 million (31 December 2020: USD 50,8 million) of its gross notional exposure. Insurance is obtained to bring the net exposure of contracts within the country or counterparty limits. The timing and the maturity of the hedged agreement aligns with the maturity of the gross exposure. Capital requirements for net guarantee follow from the capital model as described below.

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

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

The Pillar II capital add-on for liquidity risk is determined by the liquidity stress-tests described under *Liquidity Risks* above. FCC reserves 5% of available capital for market and operational risk.

The stochastic capital model used for Pillar I also expresses the ability of FCC to meet its obligations under outstanding financial guarantees by the implied rating of FCC in accordance with the rating methodology of the external rating agencies. The minimum implied rating for FCC is set to A-.

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

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

6. Cash and cash equivalents

(all amounts in thousands USD)	**2021**	**2020**
Money market fund – Blackrock ICS USD Liquidity	10,000	10,000
Money market fund – Blackrock ICS USD Treasury	10,000	10,000
Term deposits Rabobank	5,800	9,400
Cash positions Rabobank	7,810	1,199
Cash positions CACEIS Bank, Netherlands Branch	117	8
Other Cash Positions – EMDC banks	1,507	2
Total cash and cash equivalents	**35,234**	**30,609**

No restrictions to the usage of cash and cash equivalents exists at year end. Interest income related to cash and cash equivalents amounted to USD 12 (2020: USD 164).

7. Issued share capital

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

8. General reserve

(all amounts in thousands USD)	2021	2020
Balance as at beginning of period	(8,695)	(4,954)
Distributed from undistributed result for the period	(179)	(3,741)
Balance as at 31 December	**(8,874)**	**(8,695)**

9. Undistributed result for the period

(all amounts in thousands USD)	2021	2020
Balance as at beginning of period	(179)	(3,741)
Distributed to general reserve	179	3,741
Comprehensive income for the period	(933)	(179)
Balance as at 31 December	**(933)**	**(179)**

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

10. Long-term liabilities

The long-term liabilities as at 31 December 2021 are detailed as follows:

(all amounts in thousands USD)	Junior Notes	Callable Notes	Subordinated Notes	Total
Total position at beginning of period	**89,574**	**-**	**12,560**	**102,134**
Revaluation during the period	(1,267)	-	(694)	(1,961)
Total position at 31 December 2021	**88,307**	**-**	**11,866**	**100,173**

The long-term liabilities at 31 December 2020 are detailed as follows:

(all amounts in thousands USD)	Junior Notes	Callable Notes	Subordinated Notes	Total
Total position at beginning of period	**89,770**	**-**	**11,287**	**101,057**
Revaluation during the period	(196)	-	1,273	1,077
Total position at 31 December 2020	**89,574**	**-**	**12,560**	**102,134**

Callable Notes

Status
Frontier Clearing Fund Callable ("FCF Callable") was established on 29 November 2019. FCF Callable is party to the Amended & Restated PPN Agreement between FCC and each of the Frontier Clearing Funds. FCC agrees to issue to and FCF Callable agrees to purchase Callable Notes up to the level of commitments given to FCF Callable by its investors (the "Callable Commitment"). The Callable Commitment is unconditional and irrevocable. The Callable Commitment on 31 December 2021 is nil (2020: nil).

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

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

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

Junior Notes

Status
A net nominal value of USD 91 million has been issued to and fully settled by Frontier Clearing Fund Junior ("FCF Junior). Of the outstanding USD 91 million, an amount of USD 26,4 million was issued on 15 April 2019 and USD 65 million on 20 December 2019. All Junior Notes have been issued at par and are fully settled. An amount of USD 400,000 has been redeemed on 20 December 2019 for a price of USD 559,316.

Repayment and interest
FCC pays each quarter on the first business day of April, July October and January of each calendar year all of its Available Cash remaining after FCC has paid all accrued Commitment Fees, Liquidity Fees and FTAP Fees (if applicable) and (ii) reduced by the total amount of any outstanding Callable Funds (nil as per 31 December 2020), Junior Funds (as per 31 December 2020 USD 91 million) and Subordinated Funds (as per 31 December 2020 USD 13,2 million) as interest on the Junior Notes. During the period, no interest has been paid.

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

Subordinated Notes

Status
The nominal value of Subordinated Notes issued to Frontier Clearing Fund Subordinated ("FCF Subordinated) stands at USD 13,2 million at 31 December 2021 (2020: USD 13,2 million). The first Subordinated Notes were issued on 15 April 2015 for an amount of USD 8,7 million at par. On 29 December 2016, FCC issued an additional USD 2,2 million in Subordinated Notes to FCF Subordinated at par. On 20 December 2019 an amount of USD 2,3 million has been issued to FCF Subordinated at a price of USD 2 million. All issues have been fully paid.

Repayment and interest
FCC pays each quarter on the first business day of April, July, October and January of each calendar year the FTAP Fee of 2% per annum.

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

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

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

Level 3 discounted cashflow model
FCC values the PPN with a level 3 discounted cashflow model, which models the cashflows to each of the PPN over the remaining life of the notes based on portfolio actuals and the following significant unobservable inputs:

Description	Definition
Portfolio baseline	The expected average portfolio over the period up to the next financial year-end;
Portfolio growth rate	The annual growth rate of the portfolio of guarantees issued by FCC, subject to the portfolio leverage limits, in the years following the next financial year-end;
Portfolio leverage	The portfolio leverage is the maximum ratio of outstanding guarantee portfolio over risk capital allowed;
Pricing	The expected average guarantee fee percentage earned over the projected horizon;
OPEX growth rate	The annual growth rate of the operational expenses of FCC, subject to the OPEX ceiling, in the years following the next financial year-end;
OPEX ceiling	The maximum level of annual operational expenses anticipated over the projected horizon.

The unobservable input parameters for the proxy model are discussed with the FCC Supervisory Board as part of the business planning cycle towards the end of each calendar year. The Management Board reassesses the adequacy of the input parameters at the end of each calendar quarter, in light of portfolio actuals and the portfolio outlook.

The discounted cashflow value ("DCF value") of each note is the present value of all its projected distributions and redemptions, discounted USD zero coupon rates extracted from observable interest rates for the remaining tenor of the notes plus the risk premium observed in the latest transaction of the notes. The discount rates hence reflect the return expectation of investors in the most advantageous market for FCC.

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

Redemption value
The redemption value of the PPN is based on the contractual cash flows attributable to the notes under the PPN Agreement. In accordance with the PPN Agreement, the redemption value is determined by the level of Available Cash to be attributed to each class of the PPN in line with their ranking.

The level of Available Cash is equal to the fair value of cash and cash equivalents, minus a provision for amounts to be paid under legally binding obligations and expenses and minus the reasonable remuneration to the shareholder of FCC, defined in the Amended & Restated PPN Agreement as 5% of the Approved Budget. The Approved Budget is the budget of operational expenses relating to the financial period, as approved by the FCC Supervisory Board. The Approved Budget for 2021 was equal to USD 3.8 million (2020: USD 3,5 million).

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

Fair value end of period
The fair value of the PPN's at 31 December 2021 is the value derived from the discounted cashflow model plus the amount by which the redemption value of the notes based on the PPN Agreement exceeds that value, if any. The latter reflects the fact that investors have not moved to vote on liquidation and therefore must consider information elements not captured by the level 3 discounted cashflow model.

The table below provides an overview of valuations of the PPN. The final column in the table below value corresponding to the business case for FCC reflects the value of the PPN under a scenario including targeted but not yet committed capital contributions in the proxy valuation.

2021

(all amounts in thousands USD)	**DCF Value Committed Capital**	**Redemption Value at 31 December**	**Fair Value at 31 December**	**Business Case Valuation**
Callable Notes	-	-	-	-
Junior Notes	43,177	88,307	88,307	79,461
Subordinated Notes	11,866	-	11,866	11,866
Total	**55,043**	**88,307**	**100,173**	**91,327**

2020

(all amounts in thousands USD)	**DCF Value Committed Capital**	**Redemption Value at 31 December**	**Fair Value at 31 December**	**Business Case Valuation**
Callable Notes	-	-	-	-
Junior Notes	53,043	89,574	89,574	104,850
Subordinated Notes	12,560	-	12,560	12,560
Total	**65,604**	**89,574**	**102,135**	**117,410**

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

The discounted cashflow model discounts the distributions to the Junior Notes using the last observed risk premium for the notes. A reported fair value less than the nominal value of the Junior Notes therefore reflects a decline in expected return for the notes. At 31 December 2021, the projected IRR for the Junior Notes over the remaining life of the notes if invested in at their redemption value stands at 6.21% (2020: 8.20%). This IRR calculation excludes the valuation of the option for investors to extend the life of the notes with another ten years. The decline in the IRR is due to a delay in the performance of the Company as a result of the impact of COVID-19 on the issuance of new guarantee contracts and on EMDC credit spreads and USD interest rates.

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

In line with the above, at 31 December 2021 the Junior Notes are valued at USD 88,3 million (2020: USD 89,6 million) and the Subordinated Notes at USD 11,9 million (2020: USD 12,6 million).

Sensitivity analysis
The sensitivity analysis provides an overview of the uncertainty of each significant unobservable input and the impact on the PPN valuations of a reasonable change in levels applied. The uncertainty of each significant input refers to the measure of uncertainty that FCC faces in estimating each input (1 is less uncertain, 5 is most uncertain) over the projected horizon. At 31 December 2021, none of the reasonable changes in unobservable inputs leads to a reduction in payment of interest and principal on the Subordinated Notes, leaving the notes exposed to changes in USD interest rates only. The table also provides the sensitivity of the Notes to a parallel shift in interest rates as observable input, affecting both the interest income projected over the remaining life via implied forward rates and the discount rates applied to future distributions.

2021					**Change in DCF value** in USD 1,000	
	Uncertainty	**Inputs**	**Reasonable possible change**	**Impact**	**Junior Note**	**Subordinated Note**
Portfolio growth rate	3	25%	-15%	Linear	(2,441)	-
			+10%		371	-
Leverage	2	2.8	-0.25	Non-linear	(3,743)	-
Pricing	4	1.9%	-0.3%	Linear	(4,902)	(4,355)
			+0.3%		8,161	-
OPEX growth rate	2	5%	+5%	Linear	(4,487)	-
OPEX ceiling	3	175%	+25%	Non-linear	(1,272)	-
Interest rates	n/a	market	+10bps	Non-linear	232	(127)
			-10bps		(233)	129

2020

	Uncertainty	Inputs	Reasonable possible change	Impact	Change in DCF value in USD 1,000 Junior Note	Subordinated Note
Portfolio growth rate	3	25%	-15%	Linear	(2,152)	-
			+10%		442	-
Leverage	2	2.8	-0.25	Non-linear	(5,889)	-
Pricing	4	1.9%	-0.3%	Linear	(9,579)	-
			+0.3%		9,590	-
OPEX growth rate	2	5%	+5%	Linear	(6,074)	-
OPEX ceiling	3	175%	+25%	Non-linear	(149)	-

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

11. Tax position

(all amounts in thousands USD)	**2021**	**2020**
Cumulative result prior to revaluation of PPN	(15,414)	(13,796)
Cumulative difference to depreciation of intangible fixed asset	-	-
Cumulative fiscal result over the period 2015 to 2021	(15,414)	(13,796)
Deemed recoverable	(11,469)	(13,796)
(A) Resulting deferred tax asset	2,959	3,449
Temporary differences in carrying amounts		
Revaluation of PPN	(3,588)	(535)
(B) Resulting deferred tax liability	(920)	(134)
Total tax position (A+B, +asset, -/- liability)	**2,039**	**3,315**

The fiscal result of the Company is equal to the result prior to the revaluation of the PPN, corrected for the depreciation of intangible fixed assets over 5 years rather than 3 years for tax purposes.

The cumulative fiscal result over the period 2015 to 2021 is built up over annual fiscal results that can be carried forward as per the following table:

(all amounts in thousands USD)	**Carry forward to**	**2021**	**2020**
Fiscal result 2015	2024	(3,800)	(3,800)
Fiscal result 2016	2025	(2,690)	(2,690)
Fiscal result 2017	2026	(2,574)	(2,574)
Fiscal result 2018	2027	(2,290)	(2,290)
Fiscal result 2019	2025	(2,714)	(2,714)
Fiscal result 2020	n/a	272	272
Fiscal result 2021	2027	(1,618)	-
Cumulative fiscal result over the period 2016 to 2021		(15,414)	(13,796)

Based on the cashflow projections described in Note 10, of the cumulative fiscal results to date an amount of USD 11,469 thousand (2020: USD 13,796 thousand) is deemed recoverable and leads to a deferred tax asset. Non recoverable amount results in derecognition of the deferred tax asset at amount of USD 1,277 thousand, recognized in the statement of comprehensive income.

The revaluation of PPN is expected to be reversed over time and leads to a temporary difference between the accounting book base and the tax book base, resulting in a deferred tax liability. The deferred tax asset and deferred tax liability are determined at the corporate income tax rate of 25,8% (2020 25,0%) applicable as of 2022 for corporate income.

Tax position
FCC offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority, resulting in a net deferred tax asset at 31 December 2021 of USD 2,039 thousand (2020: a deferred tax asset of USD 3,315 thousand).

12. Financial guarantee contracts at FVTPL

FCC issues financial guarantees on repo, derivative and other money market transactions between EMDC-based regulated financial institutions and their local, regional or global counterparties. In some cases, transactions are structured using the wholly-owned subsidiary FCC Securities as a structuring vehicle. All risks of transactions structured through FCC Securities are guaranteed by FCC and all net income of such transactions is paid to FCC in lieu of an FCC guarantee issued to the counterparty or counterparties of FCC Securities, as the case may be. In consolidating the accounts of FCC and FCC Securities, the transactions between FCC and FCC Securities are eliminated. The consolidated annual accounts of FCC therefore only contains financial guarantee contracts for which FCC receives a remuneration from a third party.

The following FCC guarantees were outstanding at 31 December 2021:

2021

(all amounts in thousands USD)	**Gross notional exposure**	**Hedged**	**Net notional exposure**	**Fair Value**
Dominican Republic	20,000	(10,000)	10,000	33
Ecuador	17,500	-	17,500	20
Ghana	30,000	(15,000)	15,000	2
Jamaica	5,000	-	5,000	88
Subtotal Assets	**72,500**	**(25,000)**	**47,500**	**143**
Armenia	22,356	-	22,356	(97)
Egypt	60,000	(10,000)	50,000	(486)
Georgia	35,000	-	35,000	(154)
Nigeria	15,000	-	15,000	(68)
Turkey	15,000	-	15,000	(5)
Subtotal Liabilities	**147,356**	**(10,000)**	**137,356**	**(810)**
Subtotal of financial guarantee contracts at FVTPL	**219,856**	**(35,000)**	**184,856**	**(667)**

Issued to third parties and paid for by FCC Securities (see Note 13)

Armenia	5,000	-	5,000	4
Ghana	30,000	(10,000)	20,000	55
Mongolia	23,000	(6,100)	16,900	56
Subtotal	**58,000**	**(16,100)**	**41,900**	**115**
Total	**265,516**	**(51,00)**	**214,736**	**(552)**

2020

(all amounts in thousands USD)	Gross notional exposure	Hedged	Net notional exposure	Fair Value
Jamaica	8,000	-	8,000	18
Georgia	30,000	-	30,000	12
Nigeria	20,000	-	20,000	59
Subtotal Assets	**58,000**	**-**	**58,000**	**89**
Armenia	16,306	-	16,306	(59)
Azerbaijan	5,000	-	5,000	(2)
Ecuador	53,210	(17,280)	35,930	(92)
Egypt	60,000	(10,000)	50,000	(155)
Subtotal Liabilities	**134,516**	**(27,280)**	**107,236**	**(308)**
Subtotal of financial guarantee contracts at FVTPL	**192,516**	**(27,280)**	**165,236**	**(219)**
Issued to third parties and paid for by FCC Securities (see Note 13)				
Mongolia	73,000	(23,500)	49,500	198
Subtotal	**73,000**	**(23,500)**	**49,500**	**198**
Total	**265,516**	**(50,780)**	**214,736**	**(21)**

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

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

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

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

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

The probability of default is derived from observable spread of CDS contracts or USD denominated government securities of the country of the obligor bank. The resulting probability of default of the country is multiplied with a correlation scaling factor. The correlation between an obligor bank and country event is determined based on the rating of the country and the ranking of the obligor bank within the country.

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

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

Unobservable inputs

The level 3 model uses the following significant unobservable inputs for determining the fair value:

Description	*Definition*
FX jump factor	The expected exchange rate for conversion of local currency cash to USD following the default of the obligor. Set between 30% to 50% by decision of the Investment Committee.
Interest rate differential	Change in the difference between interest rate for the domestic currency and the USD interest rate following the default of the obligor.
Recovery rate	The expected price obtained for converting collateral instruments to local currency cash following the default of the obligor.
Volatility of collateral	The volatility of the value of the collateral provided at inception of the trade, leading to an assumption on variation margin paid during the trade. The default volatility used is 8% reflecting both exchange and interest rate movements.
Correlation scaling factor	The factor by which the probability of default of a risk country is multiplied to reflect the probability of a simultaneous occurrence of a country event and default of the obligor bank

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

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

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

2021

(all amounts in thousands USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(373)	373
Interest rate differential	4	(61)	60
Recovery rate	2	(382)	(411)
Volatility of collateral	3	23	(23)
Correlation scaling factor	4	(47)	47
Probability of default	2	(47)	47

2020

(all amounts in thousands USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(0)	0
Recovery rate	2	(80)	99
Volatility of collateral	3	(4)	4
Correlation scaling factor	4	(27)	27
Probability of default	2	(27)	27

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

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

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

(all amounts in thousands USD)	**2021**	**2020**
Realized fee cashflows plus changes in guarantee fair value	3,860	4,911
Guarantee income on accrual basis	(4,214)	(4,899)
Accelerated (+) or postponed (-) income recognition	(354)	12

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

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

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

Financial instruments - Fair value information
Absent any credit risk mitigation, the lender, through the transaction with pass-through vehicle FCC Securities, would have the same exposure to FCC Securities as FCC Securities has to the EMDC-based obligor. This would lead to a debt value adjustment (DVA) on the transaction between FCC Securities and the lender. The financial guarantee issued by FCC to the lender however absorbs a significant part of this exposure. The value of the risk absorbed by FCC is calculated based on the credit value adjustment (the Guarantee CVA) model described in the Note 12.

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

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

The following financial instruments were outstanding in back-to-back transactions at 31 December 2021 (each line representing two contracts in total – one between FCC Securities and the obligor and one offsetting transaction between FCC Securities and the lender):

2021

(all amounts in thousands USD)	**Type**	**Maturity**	**Notional exposure**	**Fair value**
Armenia	CC-IRS	26-10-2022	5,000	4
Dominican Republic	Repo	29-04-2022	20,000	-
Georgia	CC-IRS	12-12-2022	30,000	-
Georgia	CC-IRS	22-12-2024	5,000	-
Ghana	Repo	04-10-2022	40,000	-
Ghana	Repo	05-12-2022	30,000	55
Mongolia	Repo	26-07-2021	23,000	56
Total financial instruments at FVTPL			**153,000**	**115**

2020

(all amounts in thousands USD)	**Type**	**Maturity**	**Notional exposure**	**Fair value**
Azerbaijan	CC-IRS	15-01-2021	5,000	-
Georgia	CC_IRS	12-12-2022	30,000	-
Mongolia	Repo	26-07-2021	23,000	139
Mongolia	CC-IRS	21-06-2021	50,000	59
Total financial instruments at FVPTL			**108,000**	**198**

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

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

2021

(all amounts in USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	(60)	90
Interest rate differential	4	(36)	65
Recovery rate	2	89	(59)
Volatility of collateral	3	25	5
Correlation scaling factor	4	1	29
Probability of default	2	1	29

2020

(all amounts in USD)	**Uncertainty (1-5)**	**Change in FV +10%**	**Change in FV -10%**
FX jump factor	4	-	-
Recovery rate	2	26	(26)
Volatility of collateral	3	1	(1)
Correlation scaling factor	4	(5)	5
Probability of default	2	(5)	5

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

(all amounts in thousands USD)

2021	**Assets**	**Liabilities**
Opening balance	739	(541)
Unrealized gains and (losses) for the year 2021	518	(601)
Balance at 31 December 2021	**1,257**	**(1,142)**

2020	**Assets**	**Liabilities**
Opening balance	876	(784)
Unrealized gains and (losses) for the year 2020	(137)	243
Balance at 31 December 2020	**739**	**(541)**

Collateral balance
Any collateral posted to FCC Securities by the obligor or vice versa is offset by an equal collateral posting by FCC Securities to the lender of vice versa. The net collateral balance held by FCC Securities at 31 December 2021 is USD 1,3 million (2020: USD 2,1 million).

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

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

(all amounts in thousands USD)

Bonds 2021	Counterparty	Maturity date	Fair Value
US045167DX85	ADB	16-02-2022	10,098
US459058GU15	IBRD	01-07-2022	5,045
US11070TAB44	Province of British Columbia	23-10-2022	5,082
US459056LD78	IBRD	19-01-2023	5,545
XS2156607884	BNG	17-04-2023	2,007
US50046PBR55	Kommuinvest I Sverige	19-06-2024	5,779
US748148PD96	Province of Quebec	09-02-2024	2,467
XS2031976678	L-Bank	23-07-2024	5,177
XS2035038731	NRW.Bank	31-07-2024	2,495
USC69798AC73	OTFT	12-09-2024	5,100
USC69798AC73	OTFT	12-09-2024	5,100
Total			**53,895**

(all amounts in thousands USD)

Bonds 2020	Counterparty	Maturity date	Fair Value
US459058GU15	IBRD	01-07-2020	5,147
FR0013323755	AFD	22-03-2021	5,135
US4581X0DB14	IADB	19-04-2021	5,064
XS1061386642	BNG	28-04-2021	1,012
E2020101600123	KfW	12-04-2021	5,064
US459058GH04	IBRD	23-07-2021	5,133
AV2019080700142	AfDB	26-07-2021	1,619
E2020091500134	AfDB	23-09-2021	5,114
E2020060200130	EIB	15-12-2021	5,136
US045167DX85	ADB	16-02-2022	10,282
US11070TAB44	British Columbia	23-10-2022	5,181
US459056LD78	IBRD	19-01-2023	5,930
XS2156607884	BNG	17-04-2023	2,027
Total			**61,844**

The movement of the securities is as follows:

(all amounts in thousands USD)	2021	2020
Opening balance	61,844	55,331
Purchases	26,336	78,722
Sales/maturities	(32,600)	(71,221)
Fair value changes on financial instruments at FVTPL	(1,685)	(988)
Position as per 31 December	**53,895**	**61,844**

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

(all amounts in thousands USD)	2021	2020
Realized interest income	1,509	1,883
Change in fair value	(1,685)	(988)
Result for the period	**(176)**	**895**
Result at amortized cost	320	621
Acceleration (+) or postponed (-) income recognition	**496**	**274**

15. Accrued fees

(all amounts in thousands USD)	2021	2020
Accrued Subordinated Notes fees	67	67
Accrued SG Liquidity Facility	8	-
Total Accrued fees	**75**	**67**

16. Management fee receivable / (payable)

At 31 December 2021, a final amount due from the Manager for management fee charged in excess of costs incurred by the Manager of EUR 82,510 (2020: management fee payable of EUR 218,746) has been recorded as an accrual.

17. Other receivables

(all amounts in thousands USD)	2021	2020
Prepaid counter-guarantee fees	176	176
Guarantee and interest income due	25	2
Total Accrued fees	**201**	**178**

18. Other liabilities

(all amounts in thousands USD)	2021	2020
Third party service provider fees payable	1	1
Accrued performance fees	131	116
Accrued Supervisory Board Fees	40	10
Accrued Portfolio Insurance Fees	127	130
Collateral balance and distributions due	250	2,140
Other liabilities	8	21
Total other liabilities	**557**	**2,418**

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

Deferred performance fee
On 28 March 2022, the Supervisory Board of FCC has awarded the Manager with a Performance Fee being the sum of USD 191,869 and EUR 194,451 in relation to its performance as Manager in 2021. The amount of USD 191,869 is added to the deferred Fixed Performance Fee Component, resulting in a contingent liability of USD 1,554,780 (2020: USD 1,362,911).

In accordance with Note 34, a reservation of USD 0 has been made in 2021 for payment of the Fixed Performance Fee Component. The remaining deferred Fixed Performance Fee Component is USD 1,554,780 (2020: USD 1,362,911).

20. Realized fees on contracts at FVTPL

(all amounts in thousands USD)	2021	2020
Realized fees on financial guarantee contracts at FVTPL	3,230	3,244
Realized fees of financial instruments at FVTPL	1,161	1,160
Total realized and accrued fees	**4,391**	**4,404**

21. Changes in fair value on contracts at FVTPL

(all amounts in thousands USD)	2021	2020
Fair value of financial guarantee contracts at beginning of the period	219	620
Fair value of financial instruments at FVTPL at beginning of the period	(198)	(92)
Fair value of financial guarantee contracts at end of the period	(667)	(219)
Fair value of financial instruments at FVTPL at end of the period	115	198
Total change in fair value	**(531)**	**507**

Please refer to Notes 12 and 13 for further detail.

22. Guarantee expenses

(all amounts in thousands USD)	2021	2020
Hedging costs	717	984
Total guarantee expenses	**717**	**984**

The guarantee expenses exclusively relate to fees on insurance contracts.

23. Subordinated Notes - FTAP Fee

The Subordinated Notes FTAP Fee is a fee calculated based on 2% per annum based on the Subordinated Notes outstanding. The fees are paid to FCF Subordinated.

24. Counter Guarantee fee

The Counter Guarantee fee is a fee calculated based on the counter guarantee agreement between FCC and KfW. The agreement guarantees the financial obligations of FCC towards third parties under financial guarantee contracts, in case FCC is unable to meet such obligations. The guaranteed amount is the sum of the aggregate of the nominal amounts of the Profit Participating Notes and the portfolio insurance as per the Amended & Restated PPN Agreement up to a maximum of USD 100 million. On 2 December 2019, the duration of the KfW Counter Guarantee has been extended from 31 December 2021 to 31 December 2023 and the pricing has been amended in favor of FCC.

Depending on FCC's (implied) credit rating a counter-guarantee fee is charged between 0.35% and 0.50 % as of 1 January 2021 (2020: 0.35% and 0.50%) of the guaranteed amount. At 31 December 2021, the available guaranteed amount under the counter guarantee equals USD 100 million (2020: USD 100 million).

(all amounts in thousands USD)	2021	2020
Counter guarantee fee	(355)	(356)
Total counter guarantee fee	**(355)**	**(356)**

25. Portfolio Insurance Fee

(all amounts in thousands USD)	2021	2020
Portfolio insurance fees	301	306
Total portfolio insurance fee	**301**	**306**

The Portfolio insurance fees are determined monthly based on the ratio of the outstanding portfolio and Available Cash, with a minimum of 0.40% per annum. The Portfolio Insurance policy is effective from 2 December 2019, the fees relating to the period until 31 December 2021 have been recognized in 2021.

26. Liquidity Facility Fee

The fees relating to the USD 25m liquidity facility over 2021 relate to the commitment fee payable of 0.40% per annum over the available amount. The facility was first entered into on 12 may 2021.

(all amounts in thousands USD)	2021	2020
Liquidity facility fees	65	-
Total liquidity facility fee	**65**	**-**

27. Interest income

(all amounts in thousands USD)	2021	2020
Interest income on bank accounts	12	164
Interest income on securities	1,509	1,883
Total interest income	**1,521**	**2,047**

28. Management fee

FCM is the manager of FCC. The fee for the management of FCC is based on the FCC Management Agreement between FCC and FCM and covers all operational expenses of FCC as approved in the annual budget. For the year 2021, the management fee amounts to USD 2,5 million (2020: USD 2,3 million).

The management fee has been charged in equal monthly installments of EUR 208,667(2020: EUR 201,492) in accordance with the budget approved by the Supervisory Board. The monthly installments for October, November and December 2021 have reduced to 50% of the monthly installments, reflecting expected savings against the approved budget. A final amount due from the Manager for management fee charged in excess of costs incurred by the Manager of EUR 82,510 (2020: management fee payable of EUR 218,746) has been recorded as an accrual in FCC at year-end (see Note 16).

The management fee over 2021 covers commercial legal fees incurred by FCM of EUR 50,279 (2020: EUR 102,837). The audit fees paid by FCC are disclosed in Note 33. The legal fees include the costs related to the second financial close.

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

	2021	2020
Salaries & Remuneration	63%	63%
Business Development, Travel & Sundry	4%	6%
Third Party Service Providers	12%	11%
Insurance Costs	4%	5%
Subscription & License Fees	6%	9%
Information Technology	1%	2%
Office Expense	2%	4%
Other	8%	0%
Total management fee	**100%**	**100%**

29. Performance fee

(all amounts in thousands USD)	2021	2020
Performance fee 2019	-	143
Performance fee 2020	139	117
Performance fee 2021	131	-
Total Performance fee	**270**	**260**

On 28 March 2022, the Supervisory Board of FCC awarded FCM with a Performance Fee being the sum of USD 191,869 (2020: USD 203,756) and EUR 194,451 (2020: EUR 210,983) in relation to its performance as Manager in 2021. Of the amount of EUR 194,451 in relation to the variable compensation of the staff of the Manager, an amount of EUR 115,230 related to non-discretionary performance targets is recognized in 2021 (2020: EUR 94,942). The remaining amount related to discretionary portion of the 2021 Performance Fee will be recognized in 2022.

In accordance with clause 5 of Schedule 2 of the FCC Management Agreement, the Fixed Performance Fee Component fee is payable conditional on FCC achieving a positive operational result. The FCC Management Agreement defines a positive operational result as the lower of the reported net operating income and the result of FCC with some revenue components adjusted to reflect linear recognition of income over the life of the transaction, with the difference between the two carried forward to the next financial year. The amount of USD 203,756 is added to the deferred Fixed Performance Fee Component. At 31 December 2021, the deferred Fixed Performance Fee Component is USD 1,554,780 (2020: USD 1,362,911) (see Note 34 for further detail).

30. Legal fees

All legal fees for 2021 and 2020 relates to commercial activities of structuring financial contracts.

31. Third party service providers

(all amounts in thousands USD)	2021	2020
Back office services	201	115
Total third party service providers	**201**	**115**

32. Related party transactions

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

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

Supervisory Board
The Supervisory Board members are entitled to receive fixed annual fees of USD 25,000 (2020: USD 25,000) for the Chairman and USD 20,000 (2020: USD 20,000) for each other member. The amount expensed each year depends inter alia on the VAT treatment of the fees, the timing of actual payments and Supervisory Board appointments.

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

Under the terms of the FCC Management Agreement, the Manager receives a Management Fee to cover operational expenses made in relation to the management of FCC and Performance Fees and Long-Term Incentive Fees as remuneration for its services. The fees awarded to FCM in 2021 is disclosed under note 0, 29 and 34.

33. Other operating expenses

(all amounts in thousands USD)	2021	2020
Supervisory Board	85	85
Audit & Financial Reporting	95	99
Bank costs	113	147
VAT Costs	4	-
Other expenses	60	44
Total other operating expenses	**357**	**375**

34. Deferred Performance fee and LTI

On 28 March 2022, the Supervisory Board of FCC has awarded the Manager with a Performance Fee being the sum of USD 191,869 and EUR 194,451 in relation to its performance as Manager in 2021. The amount of USD 191,869 is added to the deferred Fixed Performance Fee Component, resulting in a contingent liability of USD 1,554,780 (2020: USD 1,362,911).

In accordance with Schedule 1 of the FCC Management Agreement, the FCC Supervisory Board has awarded the Manager with a Long-Term Incentive fee of USD 850,000 for breaking even in 2020.

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

(all amounts in thousands USD)	**2021**	**2020**
Net operating income	(1,617)	773
Postponed income recognition guarantee revenue (Note 12)	354	(12)
Postponed income recognition instruments at FVTPL (Note 0)	496	(274)
Income for Fixed Performance Fee Component and LTI payable	**(767)**	**487**

The breakdown of accrual recognized for the Fixed Performance Fee Component and Long-Term Incentive is given below.

(all amounts in thousands USD)	**2021**	**2020**
Fixed Performance Fee Component	-	195
Long-Term Incentive	-	292
Total Performance fee and LTI payable	**-**	**487**

The remaining deferred Fixed Performance Fee Component at 31 December 2021 is USD 1,554,780 (2020: USD 1,362,911) and the deferred Long-Term Incentive fee is USD 557,508 (2020: USD 557,508).

35. Proposal appropriation of result

Based on the results over the year ended 31 December 2021, the Board of Directors proposes to deduct the result of USD 932,872 from the other reserves.

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

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

Company Only Statement of Financial Position

(as at 31 December, before profit appropriation)

(all amounts in thousands USD)	Notes	2021	2020
Assets			
Non-current assets			
Subsidiary FCC Securities B.V.	44	(156)	(107)
Intergroup receivable		92	89
Deferred tax asset	11	2,039	3,315
Total non-current assets		1,975	3,297
Current assets			
Cash and cash equivalents	39	35,048	28,480
Financial guarantee contracts at FVTPL	12	258	286
Financial instruments at FVTPL - Securities	14	53,895	61,844
Prepaid guarantee expenses		206	40
Management fee receivable	16	-	267
Other receivables		201	178
Total current assets		89,608	91,095
Total assets		**91,583**	**94,392**
Equity			
Shareholders' equity			
Issued share capital	0	-	-
General reserve	8	(8,874)	(8,695)
Undistributed result for the period	9	(933)	(179)
Total shareholders' equity		(9,807)	(8,874)
Liabilities			
Long-term liabilities			
Junior Notes	10	88,307	89,574
Subordinated Notes	10	11,866	12,560
Total long term liabilities		100,173	102,134
Short-term liabilities			
Financial guarantee contracts at FVTPL	12	810	307
Accrued fees	15	75	67
Management fee payable	16	25	-
Deferred Performance fee and LTI	34	-	487
Other liabilities	40	307	271
Total short term liabilities		1,217	1,132
Total equity & liabilities		**91,583**	**94,392**

Company Only Statement of Comprehensive income

(all amounts in thousands USD)	Notes	2021	2020
Revenues			
Realized fees on contracts at FVTPL	20	4,391	4,404
Change in fair value of financial guarantee contracts at FVTPL	41	(531)	507
Guarantee expenses	22	(717)	(984)
Total revenues		**3,143**	**3,927**
Finance costs			
Subordinated Notes - FTAP Fee	23	(264)	(265)
Counter Guarantee Fee	24	(355)	(356)
SG Liquidity Facility Fee		(65)	-
Portfolio Insurance Fee	25	(301)	(306)
Total finance costs		**(985)**	**(927)**
Other results			
Interest income	42	1,521	2,046
Fair value changes in liquidity investments	14	(1,685)	(988)
FX results		(3)	16
Other income		-	4
Total other results		**(167)**	**1,078**
Total operating income		**1,991**	**4,078**
Operating expenses			
Management Fees	0	(2,511)	(2,346)
Performance Fees	29	(270)	(260)
Legal Fees	30	(261)	(201)
Third party service providers	31	(201)	(115)
Other operating expenses	43	(316)	(300)
Total operating expenses		**(3,559)**	**(3,222)**
Operating result		**(1,568)**	**856**
Deferred Performance fee and LTI	34	-	(487)
Net result for the period before revaluation		**(1,568)**	**369**
Revaluation of Subordinated Notes	10	694	(1,273)
Revaluation of Junior Notes	10	1,267	196
Net result FCC Securities B.V.	44	(49)	(83)
Net loss for the period before tax		**344**	**(791)**
Income tax	11	(1,277)	612
Comprehensive loss for the period		**(933)**	**(179)**
Comprehensive loss for the period attributable to the holder of the issued share of FCC	35	*(933)*	*(179)*

37. General information

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

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

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

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

38. Summary of significant accounting policies

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

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

A reference is made to Note 0 Summary of significant accounting policies of the consolidated financial statements for the description of the accounting policies applied.

39. Cash and cash equivalents

(all amounts in thousands USD)	**2021**	**2020**
Money market funds	20,000	20,000
Term deposits Rabobank	5,800	9,400
Cash positions Rabobank	9,176	(926)
Cash positions CACEIS Bank, Netherlands Branch	72	6
Total cash and cash equivalents	**35,048**	**28,480**

No restrictions to the usage of cash and cash equivalents exists at year end. Interest income related to cash and cash equivalents amounted to USD 12,056 (2020: USD 163,098).

40. Other liabilities

(all amounts in thousands USD)	2021	2020
Third party service provider fees payable	1	1
Accrued performance fees	131	116
Accrued Supervisory Board Fees	40	10
Accrued portfolio insurance fees	127	130
Other liabilities	8	14
Total other liabilities	**307**	**271**

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

(all amounts in thousands USD)	2021	2020
Fair value of financial guarantee contracts at beginning of the period	21	528
Fair value of financial guarantee contracts at end of the period	(552)	(21)
Total change in fair value	**(531)**	**507**

42. Interest income

(all amounts in thousands USD)	2021	2020
Interest income bank accounts	12	163
Interest income on fixed bonds	1,509	1,883
Total interest income	**1,521**	**2,046**

43. Other operating expenses

(all amounts in thousands USD)	2021	2020
Supervisory Board	85	85
Audit & Financial Reporting	95	99
Bank costs	56	44
VAT costs	3	-
Credit rating fees	60	44
Subscriptions and license fees	17	28
Total other operating expenses	**316**	**300**

44. Subsidiary FCC Securities B.V.

(all amounts in thousands USD)	2021	2020
Opening balance	(107)	(24)
Net result for the year	(49)	(83)
Total at year end	**(156)**	**(107)**

OTHER INFORMATION

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

Article 24. PROFITS AND RESERVES

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

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

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

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

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

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

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

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

Auditor’s report of the independent accountant

The auditor’s report is included on the next page of this annual report.

Independent auditor's report

To: the shareholder and supervisory board of Frontier Clearing Corporation B.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 Frontier Clearing Corporation B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Frontier Clearing Corporation B.V. 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) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Frontier Clearing Corporation B.V. as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2021
- The following statements for 2021: the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company only statement of financial position as at 31 December 2021
- The company only statement of comprehensive income for 2021
- The notes comprising a summary of the 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 Frontier Clearing Corporation B.V. (the company) 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:
- Report from the Supervisory Board, Report from the Managing Board, Overview of the company and services and corporate governance
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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 Part 9 of Book 2 of the Dutch Civil Code and 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.

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

Description of responsibilities for the financial statements

Responsibilities of the managing board for the financial statements

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

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

The supervisory board is responsible for overseeing the company’s financial reporting process.

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 company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board
- Concluding on the appropriateness of the managing board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company 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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board and the managing board 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.

The Hague, 31 May 2022

Ernst & Young Accountants LLP

signed by C.R.L. Lokai