Frontier Clearing Corporation B.V.
Amsterdam
ANNUAL REPORT 2015

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ANNUAL REPORT

Report from the Supervisory Board

The Supervisory Board is pleased to present the first audited annual accounts of the Frontier Clearing Corporation B.V. (hereinafter "Frontclear" or "FCC").

Frontclear is a financial markets development company focused on catalysing more stable and inclusive financial markets in emerging and developing countries (EMDC). Frontclear facilitates access to interbank markets for local financial institutions in EMDCs through the provision of credit guarantees to cover a transacting institution's counterparty credit risk and through the establishment of financial market infrastructure.

High counterparty risk and a limited supply of high quality collateral in EMDCs contribute to high credit spreads, resulting in limited access to interbank financial markets for local institutions. Collateral is central to credit risk mitigation in modern financial markets, yet the market for local currency collateral is almost non-existent, or inaccessible. The result is that interbank markets remain segmented and local institutions have limited ability to manage liquidity and market risk positions needed to be able to responsibly support their clients, notably for trade finance and other SME lending. FCC supports local institutions by guaranteeing their exposures subject to posting of local currency collateral.

In its first year, FCC has made significant progress in establishing its operations and has delivered on the key milestones in line with its business plan communicated to its investors and stakeholders. With the first guarantee issued in February 2016 and a strong pipeline of transactions having been developed in 2015, FCC is well positioned to grow in 2016 and deliver on its investment and development impact mandate.

The Supervisory Board wishes to thank the Management Board and staff for their solid contribution in 2015.

Amsterdam, 30 May 2016,

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

Mr. Axel van Nederveen (Chairman)
Mr. Michael Bristow
Mr. Bokar Cherif
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 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 first audited annual accounts of FCC.

The year 2015 was the start-up year for FCC and we are proud of the milestones achieved since the Company's incorporation on 1 December 2014. FCC started operations effectively on 15 April 2015 with the issuance of USD 35.1 million in notes of the committed USD 80.1 million under the Profit Participating Notes Agreement executed with the Frontier Clearing Funds. FCC also executed a Counter-Guarantee Agreement with KfW on 18 December 2014. Under the agreement, KfW counter-guarantees the obligations of FCC towards eligible third parties, up to the level of notes issued (USD 35.1 million in 2015) and with a maximum of USD 100 million.

In the first year, the Manager has focused on establishing operations and building the footprint required to deliver on the Company's immediate business objectives. Primary activities were focused on initiating and executing framework agreements with preferred partner beneficiaries, development of a transaction pipeline, establishment of risk, operational and financial systems and establishing a performance driven company culture based on accountability, prudence and trust.

The roll-out efforts during the 8 months from April to December were rewarded with the development of a substantial pipeline of transactions covering multiple countries and regions by year-end, confirming the value proposition of Frontclear. FCC concluded its first Guarantee Framework Agreement with a partner beneficiary towards the end of 2015 and reached agreement on deal terms for FCC's first guarantee, which was issued after balance sheet date in February 2016. Establishment of the operational control framework was completed, culminating in the receipt of an unqualified ISAE 3402 Type I service organization control report in the second quarter of 2016. The Frontclear Technical Assistance Program or FTAP, which is a critical element of the Company's medium term implementation strategy, has been established successfully with the first projects implemented early 2016. We refer to Frontclear's first Impact Report for a more detailed overview of the impact achieved through the combination of the guarantee issued and the deployment of technical assistance funds.

FCC closed its first financial year with an operational loss of USD 3,827,870 in line with the expectations for the start-up year.

In conclusion, by financial year-end 2015, the Manager has established all the fundamental pillars required to implement FCC's business plan and has entered 2016 in a position of strength. We look forward to continuing our efforts to deliver on our development impact mandate, to executing new transactions and to raising additional funding to support our projected growth path.

We wish to thank our staff for their passion and commitment, our operational partners and Cardano Development B.V. for their operational and strategic support.

Amsterdam, 30 May 2016,

The Managing Board of Frontclear Management B.V.,

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

FINANCIAL STATEMENTS

Statement of Financial Position

(as at 31 December, before profit appropriation)

(all amounts in USD)	Notes	2015
Assets		
Non current assets		
Intangible fixed assets	6	206,017
Total non-current assets		206,017
Current assets		
Cash and equivalents	7	31,476,683
Other receivables		5,483
Total current assets		31,482,166
Total assets		**31,688,183**
Equity		
Shareholders' equity		
Issued share capital	8	1
Undistributed result for the period	9	224,113
Total shareholders' equity		224,114
Liabilities		
Long-term liabilities		
Senior Notes	10	-
Junior Notes	10	26,400,000
Subordinated Notes	10	4,564,156
Deferred tax liability	11	83,861
Total Long term liabilities		31,048,017
Short-term liabilities		
Accrued fees	12	100,570
Management fee payable	13	140,593
Other liabilities	14	174,889
Total short term liabilities		416,052
Total equity & liabilities		**31,688,183**

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

Statement of Comprehensive Income

(all amounts in USD)	Notes	**For the period 1 December 2014 through 31 December 2015**
Revenues	15	22,931
Finance costs		
Standby Fee Senior Notes	16	(171,986)
DTAF Fee Subordinated Notes	17	(123,945)
Counter Guarantee fee	18	(252,525)
Foreign exchange results		
Realized FX results		(862)
Unrealized FX results		(7,423)
Total operating income		**(533,810)**
Operating expenses		
Management fees	19	(1,371,922)
Legal fees		(227,356)
Third party service providers		(295,320)
Depreciation	6	(68,672)
Incorporation costs	21	(1,200,000)
Other operating expenses		(130,790)
Total operating expenses		**(3,294,060)**
Operating result		**(3,827,870)**
Revaluation of Subordinated Notes	10	4,135,844
Net income for the period before tax		**307,974**
Income tax expense	11	(83,861)
Comprehensive income for the period		**224,113**
Comprehensive income for the period attributable to the holder of the issued share of FCC		*224,113*

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

Statement of Cash Flows

(all amounts in USD)	Notes	**For the period 1 December 2014 through 31 December 2015**
Cash flow from operating activities		
Interest received		17,521
Management fees paid	19	(1,231,329)
Other operational expenses paid		(472,752)
Net cash flow used in operating activities		(1,686,560)
Cash flow from investing activities		
Investment in software		(274,689)
Net cash flow used in investing activities		(274,689)
Cash flow from financing activities		
Senior Notes – Standby Fee	16	(115,274)
Junior Notes	10	26,400,000
Subordinated Notes	10	7,500,000
Subordinated Notes (DTAF Fee)	17	(80,088)
Counter-guarantee fee	18	(254,483)
Net cash flow generated from (used in) financing activities		33,450,155
Net cash flow generated during (used in) the year		**31,488,906**
Cash and cash equivalents at beginning of the period		-
Foreign currency translation of cash positions		(12,223)
Cash and cash equivalents at the end of the period		**31,476,683**
Analysis of cash and cash equivalents		
Cash at banks		31,476,683
Total of cash and cash equivalents	7	**31,476,683**

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

Statement of Changes in Equity

(all amounts in USD)	Notes	Amounts For the period 1 December 2014 through 31 December 2015	Number of shares For the period 1 December 2014 through 31 December 2015
Equity at beginning of the period		-	-
Proceeds from shares issued		1	1
Net change from transactions with shareholders		1	1
Comprehensive income for the period		224,113	-
Equity at end of year	**8 and 9**	**224,114**	**1**

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

Notes to the financial statements

1. General information

Frontier Clearing Corporation B.V. ("FCC" or the "Company") 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 guarantees are made available under the condition that local currency collateral is posted by the institution that is guaranteed. FCC works in partnership with financial market infrastructure providers to build more stable and efficient market places.

FCC holds its offices at Mauritskade 63, 1017 WV, Amsterdam, The Netherlands and was incorporated on 1 December 2014.

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

2. Events after the reporting period

FCC issued its first guarantee in February 2016 for the amount of USD 25 million.

On 4 March 2016, the Supervisory Board of FCC has awarded FCM with a Performance Fee being the sum of USD 225,270 and EUR 149,440. FCC has been invoiced by FCM for the amount of EUR 149,440 relating to the variable compensation of FCM staff. The remainder of the Performance Fee is vested until FCC breaks even in accordance with the conditions set forth in the FCC Management Agreement.

3. Statement of compliance

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

The financial statements were authorized for issue by the Managing Board on 30 May 2016.

4. Summary of significant accounting policies

Basis for preparation
The 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.

FCC was incorporated on 1 December 2014. The year 2015 is the first year of operations of FCC and accordingly these are the first audited financial statements.

New standards, amendments and interpretations to existing standards which are relevant to the Company and not yet effective
IFRS 9 Financial Instruments – IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2018. The EU has not endorsed IFRS 9 yet. FCC is monitoring these developments closely and will assess the impact on the

Company's financial statements once all adjustments and new requirements are final.

In December 2014, the IASB issued amendments to IAS 1 which will be effective as per 1 January 2016 as part of the IASB's Disclosure Initiative and has been endorsed by the EU in December 2015. The amendments clarify the materiality guidance in IAS 1. FCC has not early adopted this standard for the current reporting period. No significant impact of the amendments to IAS 1 is expected for FCC. The adoption will not have a substantive effect on FCC's financial statements as the amendments only impact line items and non-significant notes.

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 to 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, 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 money market funds and term deposits are at fair value through profit or loss.

FCC classifies its Subordinated, Junior and Senior Notes (together the "Profit Participating Notes" or "PPN") as financial liabilities in accordance with the substance of the contractual arrangements, given that the total expected cash flows attributable to the instrument 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.

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.

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 liabilities 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
For all 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 Profit Participating Notes are 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 set equal to the consideration received for the guarantee at inception. 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 and the loss given default assumptions, with changes in their fair value recognized as gains or losses in the statement of comprehensive income.

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.

Intangible fixed assets
Intangible fixed assets are presented at cost less accumulated depreciation. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

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.

Statement of cash flows
The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the FCC's cash flows for the period divided into cash flows from operations and financing 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 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 is 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.

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

Depreciation and amortization
The calculation of depreciation of fixed assets is based on the purchase price or cost of manufacture. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. Realized capital gains and losses on the disposal of fixed assets are included under depreciation and amortization expenses.

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.

Events after the reporting period
The financial statements are adjusted to reflect material events that occurred between the end of the reporting period and the date when the 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 financial statements themselves.

Significant accounting estimates and judgment in applying accounting policies
Application of the accounting policies in the preparation of the 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.

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 financial statements. FCC determines the classification of positions in money market funds as disclosed in Note 7 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.

5. Risk Management

The Company'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 the operating risks are an inevitable consequence of being in business.

The Company's aim is therefore to achieve an appropriate balance between risks 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. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. FCM carries out risk management. Specific risk management measures related to the financial year include the monitoring of the limits of liquid investments.

Market price risk
Market price risk is the risk that value of the 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. As the Company has no assets or liabilities subject to significant market risk, the Company is not exposed to significant market price 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 majority of the Company's financial assets and liabilities are interest bearing. As a result, the Company is subject to significant risk due to fluctuations in the prevailing levels of market interest rates. FCC does not actively manage interest rate exposures.

Foreign currency exchange rate risk
The Company holds financial instruments denominated in currencies other than the USD, the functional currency. It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies fluctuates due to changes in exchange rates. During the financial year, the Company has not been exposed to significant foreign currency exposure.

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.

The following table shows the maximum credit risk exposure at December 31, 2015:

(all amounts in USD)	**Credit rating**	**Exposure 2015**
Term Deposits	AA-	11,451,886
Money market funds	AAA	20,000,000
Cash positions	AA-	24,797
Total		**31,476,683**

The Company's credit risk policy restricts cash balances (other than any collateral received in consideration for payment under a guarantee) to be invested only in instruments issued by counterparties with a rating higher than or equal to AA- at the time of investment (lowest of ratings published by rating agencies Standard & Poor's, Moody's or Fitch).

Liquidity risk
Liquidity risk is defined as the risk that an entity encounters difficulty in meeting obligations associated with financial liabilities and off-balance sheet instruments. During the year, the Company has not been exposed to significant liquidity risk due to the startup phase of operations.

6. Intangible fixed assets

(all amounts in USD)

	Software
Balance as at 1 December 2014	-
Movements	
Investments	274,689
Depreciation	(68,672)
Balance movements during the period	206,017
Balance as at 31 December 2015	274,689
Accumulated depreciation	(68,672)
Book value as at 31 December 2015	**206,017**
Annual depreciation percentage	33%

7. Cash and equivalents

(all amounts in USD)

	2015
Term deposits	11,451,886
Money market funds	20,000,000
USD cash account	23,296
EUR cash account	1,501
Total cash and equivalents	**31,476,683**

No restrictions to the usage of cash and cash equivalents exists at year end.

8. Issued share capital

The authorized and issued share capital consists of 1 ordinary share of € 1 and has been fully paid. Frontclear Management B.V. holds the share of FCC.

9. Undistributed result for the period

(all amounts in USD)	For the period 1 December 2014 through 31 December 2015
Balance as at beginning of period	-
Comprehensive income for the period	224,113
Balance as at 31 December	**224,113**

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 are detailed as follows:

(all amounts in USD)	Junior Notes	Subordinated Notes	Total
Total position at beginning of period	**-**	**-**	**-**
Notes issued during the period	26,400,000	8,700,000	35,100,000
Revaluation during the period	-	(4,135,844)	(4,135,844)
Total position at 31 December 2015	**26,400,000**	**4,564,156**	**30,964,156**

Senior Notes
Subject to the terms and conditions of the PPN Agreement between FCC and Frontier Clearing Fund Senior ("FCF Senior") dated 27 March 2015, FCF Senior is committed to invest in Senior Notes to be issued by FCC for a maximum of USD 45 million. As per 31 December 2015, no Senior Notes were issued.

Junior Notes

Status
The Junior Notes of USD 26,400,000 are issued to Frontier Clearing Fund Junior ("FCF Junior") on 15 April 2015 and 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 all of its Available Cash remaining after FCC has paid all accrued Standby Fee, Commitment Fees, Liquidity Fees and DTAF Fees (if applicable) and (ii) reduced by the total amount of any outstanding Senior Funds (as per 31 December 2015 USD nil), Junior Funds (as per 31 December 2015 USD 26.4 million) and Subordinated Funds (as per 31 December 2015 USD 8.7 million) as interest on the Junior Notes. During the period, no interest has been paid.

The Junior Note shall be repaid in full on 15 April 2030. However, FCF Junior has the option during the period 15 April 2028 through 15 April 2029 to postpone the repayment date to 15 April 2040. Repayment of Junior Notes is subject to Available Cash and ranks junior to repayment of the Senior Notes and senior to repayment of the Subordinated Notes.

Fair value information
The fair value of the Junior Notes at 31 December 2015 is the higher of the redemption value of the notes based on the PPN Agreement and the value derived from a discounted cash flow model (Level 3). The amount by which the redemption value exceeds the modeled value reflects the value of the collective right of the investors in the Frontier Clearing Funds to liquidate the funds and consequently FCC.

The investors in the Frontier Clearing Funds have the right to liquidate the Frontier Clearing Funds at any time subject to Investor Special Consent, i.e. with more than 80% of votes or the consent of all investors minus one. Furthermore, the Joint Investor Meeting will vote to continue the Frontier Clearing Funds within 30 days of 15 April 2018 subject to majority of votes of 75% or more.

At 31 December 2015, the fair value of the Junior Notes is set to the redemption value in line with the above.

<u>Redemption value</u>
The redemption value of the PPN is determined by the level of Available Cash as defined in the PPN Agreement. The Available Cash is attributed to the PPN in line with their ranking in accordance with the PPN Agreement.

The level of Available Cash is equal to the fair value of cash and cash equivalents taking into account the accruals at each reporting date, minus a loss provision and minus the reasonable remuneration to the shareholder of FCC, defined in the PPN Agreement as 5% of the Approved Budget.

The Approved Budget is the budget of operational expenses relating to the financial year, as approved by the FCC Supervisory Board.

The Loss Provision is calculated as the sum of:

- A percentage of the loan equivalent exposure (the Loss Provision Percentage), to be determined by the Investment Committee from time to time and to be reviewed quarterly; and
- The sum of impairments on guarantees, determined by the Investment Committee and based on the annual or intermediate review of individual exposures.

The Loss Provisioning Percentage is determined by the Investment Committee based on all the information it possesses in relation to outstanding exposures, including but not limited to the latest risk report and outcomes of the Stochastic Capital Model (Monte Carlo model). Amendments to the Loss Provision Percentage in excess of 3% require ratification by the Supervisory Board.

Discounted cash flow model
The discounted cash flow model projects the cash flows of the Company over the full contractual term of the PPN. For the purpose of fair value measurement, the model does not take into account any issuance of PPN beyond the level of confirmed commitments. The model discounts the distributions and redemptions on the Junior Notes at the USD swap rate for the remaining tenor plus the risk premium implied from the latest transactions in Junior Notes.

The implied risk premium from the latest transactions in the Notes is assumed to be the best indication for the return required in relation to the risk profile of the Company by investors in the most advantageous market for the Junior Notes, i.e. development finance institutions and other impact investors.

Sensitivity analysis
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. For the year end 2015 no guarantees were issued. For 2015, the Loss Provision Percentage, providing an estimate of future obligations under guarantees issued by FCC or the expected loss on investments made by FCC is set to 0%.

The projection of cash flows of the Company in the discounted cash flow model is predominantly dependent on the ability of the Company to raise additional funding, on the amount of guarantees that can be issued against the level of cash and cash equivalents it maintains at any point in time (leverage), the level of diversification achieved by means of number of countries of operation and the average fee assumption for guarantees issued.

The fair value of the PPN is equal to their redemption value as at 31 December 2015. Adjustment of the single discretionary input in the determination of the redemption value, the Loss Provision Percentage, would not affect the redemption value as no guarantees are outstanding at year-end.

Subordinated Notes

Status
The Subordinated Notes are issued to Frontier Clearing Fund Subordinated ("FCF Subordinated") on 15 April 2015 with a total commitment of USD 8,700,000 and have been fully paid.

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

The Subordinated Notes shall be repaid in full on 15 April 2030. However, FCF Subordinated has the option during the period 15 April 2028 through 15 April 2029 to postpone the repayment date to 15 April 2040. The repayment of the Subordinated Notes is subject to Available Cash and ranks junior to the repayment of Senior Notes and Junior Notes.

Fair value information
The fair value of the Subordinated Notes at 31 December 2015 is the higher of the redemption value of the notes based on the PPN Agreement and the value derived from a discounted cash flow model (Level 3). The amount by which the redemption value exceeds the modeled value reflects the value of the collective right of the investors in the Frontier Clearing Funds to liquidate the funds and consequently FCC.

The investors in the Frontier Clearing Funds have the right to liquidate the Frontier Clearing Funds at any time subject to Investor Special Consent, i.e. with more than 80% of votes or the consent of all investors minus one. Furthermore, the Joint Investor Meeting will vote to continue the Frontier Clearing Funds within 30 days of 15 April 2018 subject to majority of votes of 75% or more.

At 31 December 2015, the fair value of the Subordinated Notes is set to the redemption value in line with the above.

<u>Redemption value</u>
The redemption value of the PPN is determined by the level of Available Cash as defined in the PPN Agreement. The Available Cash is attributed to the PPN in line with their ranking in accordance with the PPN Agreement.

The level of Available Cash is equal to the fair value of cash and cash equivalents taking into account the accruals at each reporting date, minus a loss provision and minus the reasonable remuneration to the shareholder of FCC, defined in the PPN Agreement as 5% of the Approved Budget.

The Approved Budget is the budget of operational expenses relating to the financial year, as approved by the FCC Supervisory Board.

The Loss Provision is calculated as the sum of:
- A percentage of the loan equivalent exposure (the Loss Provision Percentage), to be determined by the Investment Committee from time to time and to be reviewed quarterly; and
- The sum of impairments on guarantees, determined by the Investment Committee and based on the annual or intermediate review of individual exposures.

The Loss Provisioning Percentage is determined by the Investment Committee based on all the information it possesses in relation to outstanding exposures, including but not limited to the latest risk report and outcomes of the Stochastic Capital Model (Monte Carlo model). Amendments to the Loss Provision Percentage in excess of 3% require ratification by the Supervisory Board.

<u>Discounted cash flow model</u>
The discounted cash flow model projects the cash flows of the Company over the full contractual term of the PPN. For the purpose of fair value measurement, the model does not take into account any issuance of PPN beyond the level of confirmed commitments. The model discounts the distributions and redemptions on the Subordinated Notes at the USD swap rate for the remaining tenor plus the risk premium implied from the latest transactions in Junior Notes.

The implied risk premium from the latest transactions in the Notes is assumed to be the best indication for the return required in relation to the risk profile of the Company by investors in the most advantageous market for the Notes, i.e. governments and other donors extending repayable grants.

Sensitivity analysis
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. For the year end 2015 no guarantees were issued. For 2015, the Loss Provision Percentage, providing an estimate of future obligations under guarantees issued by FCC or the expected loss on investments made by FCC is set to 0%.

The projection of cash flows of the Company in the discounted cash flow model is predominantly dependent on the ability of the Company to raise additional funding, on the amount of guarantees that can be issued against the level of cash and cash equivalents it maintains at any point in time (leverage), the level of diversification achieved by means of number of countries of operation and the average fee assumption for guarantees issued.

The fair value of the PPN is equal to their redemption value as at 31 December 2015. Adjustment of the single discretionary input in the determination of the redemption value, the Loss Provision Percentage, would not affect the redemption value as no guarantees are outstanding at year-end.

11. Tax position

The movement of the tax position is as follows:

(all amounts in USD)	**2015**
Opening balance	-
Recognition of a deferred tax asset	(950,100)
Recognition of a deferred tax liability	1,033,961
Deferred tax liability end of year	**83,861**

Deferred tax asset
The deferred tax asset relates to the net operating loss for tax purposes. The revaluation of the PPN for accounting purposes has been deferred and the depreciation of Intangible fixed asset is adjusted from 3 to 5 years for tax purposes, resulting in a taxable loss for 2015 of USD 3,800,402. The resulting deferred tax asset has been recognized as it is probable that sufficient taxable profit will be available to use the net operating loss.

Deferred tax liability
The revaluation of the PPN for accounting purposes has been deferred for tax purposes, resulting in a temporary difference between the accounting book base and the tax book base. The temporary difference amounts to USD 4,135,844 which results in a deferred tax liability of USD 1,033,961.

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. The deferred tax asset and liability relate to income taxes levied by the same tax authority and have been offset, resulting in a net deferred tax liability of USD 83,861.

12. Accrued fees

(all amounts in USD)	**2015**
Accrued Senior Notes fees	56,712
Accrued Junior Notes fees	43,858
Total Accrued fees	**100,570**

13. Management fee payable

Management fee payable	140,593
Total management fee payable	**140,593**

14. Other liabilities

(all amounts in USD)	2015
Other liabilities	174,889
Total other liabilities	**174,889**

15. Revenues

(all amounts in USD)	For the period 1 December 2014 through 31 December 2015
Guarantee income	-
Interest income	21,045
Change in fair value of investments	1,886
Total revenues	**22,931**

For the year end 2015 no guarantees were issued.

16. Standby fees Senior Notes

The Standby fees Senior Notes are fees calculated based on 0.50% per annum based on the Standby Senior Commitment. The Standby Senior Commitment equals the Senior Commitment (as per 31 December 2015: USD 45 million) reduced by the Effectuated Senior Commitment (as per 31 December 2015: USD nil). The fees are paid to FCF Senior.

17. DTAF Fee Subordinated Notes

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

18. Counter Guarantee fee

The Counter Guarantee fee is a fee calculated based on the counter guarantee agreement between FCC and KfW. Depending on FCC's credit rating a fee is charged between 1.00 % and 1.25% of the sum of the aggregate of the nominal amounts of the Subordinated Notes, Junior Notes and the paid-in Senior Notes as per the PPN Agreement, with a maximum of USD 100 million. At 31 December 2015 the nominal amounts of the outstanding notes amounts to USD 35.1 million.

19. Management fee

FCM is the manager of FCC. The fee for this service is based on the FCC Management Agreement between FCC and FCM. For the period ended 2015 the management fee amounts to USD 1,371,922 (EUR 1,250,192) and is in accordance with the budget approved by the Supervisory Board.

The management fee has been invoiced to FCC by FCM in EUR and is recorded in FCC at month-end exchange rates. The following table provides the breakdown of the management fee invoiced:

(all amounts in EUR)	For the period 1 December 2014 through 31 December 2015
Activated expenses	17,538
Salaries & Remuneration	863,270
Business Development, Travel & Sundry	151,884
Third Party Service Providers	98,501
Insurance Costs	19,183
Subscription & License Fees	43,426
Information Technology	3,718
Office Expenses	51,701
Other	971
Total management fee in EUR	**1,250,192**

The balance for Third Party Service Providers includes commercial legal fees of EUR 26,845.

20. 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 for the Chairman and 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. In relation to 2015, an accrual of USD 70,000 has been included under Other operating expenses for remuneration due to the Supervisory Board members.

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 management and operational guidelines, 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 the FCC's products.

Management and performance fee
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 a Performance Fee as remuneration for its services. The Management Fee paid to FCM in 2015 is disclosed under Note 18. The Performance Fee over 2015 is entirely based on discretionary elements subject to the approval of the FCC Supervisory Board in 2016 and subsequently no accrual has been included as per 31 December 2015.

21. Incorporation costs

The origination costs of USD 1.2 million reflect the incorporation costs incurred to set up the business of FCC, to obtain legal and fiscal advice and to obtain tools for operating the business. The costs have been incurred by the technical assistance fund of The Currency Exchange Fund N.V. prior to first financial close, in return for which a subscription of USD 1.2 million in FCF Subordinated has been granted to The Currency Exchange Fund N.V. and for which FCC has subsequently issued Subordinated Notes to FCF Subordinated at first financial close. The cash proceeds of the issuance of Subordinated Notes amount to USD 7,500,000 as a result.

OTHER INFORMATION

Processing of results for the year

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.

Proposal appropriation of results

Based on the results over the year ended December 31, 2015, the Board of Directors proposes to add the result of € 224,113 to the other reserves.

Events after the reporting period

FCC has issued its first guarantee in February 2016 for the amount of USD 25 million.

On 4 March 2016, the Supervisory Board of FCC has awarded FCM with a Performance Fee being the sum of USD 225,270 and EUR 149,440. FCC has been invoiced by FCM for the amount of EUR 149,440 relating to the variable compensation of FCM staff. The remainder of the Performance Fee is vested until FCC breaks even in accordance with the conditions set forth in the FCC Management Agreement.

Independent auditor's report

To: the Supervisory Board and the Managing Board of Frontier Clearing Corporation B.V.

Report on the financial statements

We have audited the financial statements 2015 of Frontier Clearing Corporation B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Frontier Clearing Corporation B.V. as at 31 December 2015, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under section 2:393 sub 5 at e of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the information as required under section 2:392 sub 1 at b-h has been annexed.

The Hague, 30 May 2016

Ernst & Young Accountants LLP

signed by R.J. Bleijs