

**FRONTERA CAPITAL GROUP B.V.**

Amsterdam, the Netherlands

**ANNUAL REPORT FOR THE YEAR 2020**

**mazars**

Mazars N.V.  
Initialed for  
identification purposes only  
LZ | 15-04-2021

**FRONTERA CAPITAL GROUP B.V.**

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**FRONTERA CAPITAL GROUP B.V.**

**BALANCE SHEET AS PER DECEMBER 31, 2020**

(expressed in USD and before appropriation of results)

	Notes	December 31, 2020 USD	December 31, 2019 USD
<b>Assets</b>			
<b>Financial fixed assets</b>			
Amounts due from third parties	1	54.793.840	40.690.065
<i>Total financial fixed assets</i>		54.793.840	40.690.065
<b>Current assets</b>			
Amounts due from third parties	2	10.499.269	1.919.806,00
Receivables	3	21.959	8.557
Prepayment and accrued income	4	6.029.154	2.637.664
Cash and cash equivalents	5	42.250.207	17.372.460
<i>Total current assets</i>		58.800.589	21.938.487
<b>Total assets</b>		<u>113.594.429</u>	<u>62.628.552</u>
<b>Shareholder's equity and liabilities</b>			
<b>Shareholder's equity</b>	6		
Issued share capital		1	1
Other reserves		12.692	8.761,00
Unappropriated result		9.646	3.931
<i>Total shareholder's equity</i>		22.339	12.693
<b>Long term liabilities</b>			
Credit linked notes	7	96.116.347	40.690.065
Credit Default Swaps	8	818.020	1.937.984
<i>Total long term liabilities</i>		96.934.367	42.628.049
<b>Current Liabilities</b>			
Credit linked notes	9	10.499.269	-
Creditors	10	46.417	-
Amounts due to third parties	11	334.685	17.626.322
Babob Provision PA	12	874.136	-
Accruals and deferred income	13	4.883.216	2.361.488
<i>Total current liabilities</i>		16.637.723	19.987.810
<b>Total shareholder's equity and liabilities</b>		<u>113.594.429</u>	<u>62.628.552</u>

**FRONTERA CAPITAL GROUP B.V.**

**PROFIT AND LOSS**  
**for the financial year ended December 31, 2020**  
(in USD)

	Notes	<b>2020</b> <b>USD</b>	<b>2019</b> <b>USD</b>
<b>Financial income and expenses</b>			
Interest income	<b>14</b>	7.187.211	4.189.163
Interest expenses	<b>15</b>	(6.169.318)	(3.631.771)
CDS Premium	<b>16</b>	(634.262)	(557.392)
<i>Total financial income and expenses</i>		383.631	-
<b>Other net result on financial instruments</b>	<b>17</b>	961.679	(15.995)
		1.345.310	(15.995)
<b>Other operating income and expenses</b>	<b>18</b>	(1.747.496)	26.419
		(402.186)	10.424
<b>Other financial income and expenses</b>	<b>19</b>	414.017	(5.510)
<b>Net Result before Taxation</b>		11.831	4.914
<b>Taxation</b>	<b>20</b>	(2.185)	(983)
<b>NET RESULT AFTER TAXATION</b>		9.646	3.931

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### GENERAL

The company was incorporated as a limited liability company under the laws of the Netherlands on February 2, 2017. The company's registered address is Prins Hendriklaan 26 in Amsterdam, The Netherlands. Frontera Capital Group B.V. shares are held by a Dutch Foundation, respectively Stichting Frontera Capital group. The aim of a structure with a foundation holding the shares of an SPVs is to establish a so-called orphan structure, or remote structure, whereby there is no ultimate legal owner other than the foundation.

The company has its seat in Amsterdam and is registered at Chamber of Commerce with registry file number 67981712.

#### Activities

The Company issues Credit Linked Notes (CLN) to investors, with investments made in debt instruments issued by sovereign and corporate borrowers in emerging and frontier markets.

#### PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

##### General principles

The financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting as issued by the Dutch Accounting Standards Board, taking into account the exemptions offered by the Dutch Accounting Standards Board.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on into account if they have become known before preparation of the financial statements.

Assets and liabilities are stated at the amounts at which they were incurred or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred.

##### Going concern

The financial statements have been prepared on a going concern basis, which basis for valuation and determination of results assumes that the Company will be able to realize its assets and discharge its liabilities, contingent obligations and commitments will occur in the ordinary course of business.

##### Functional and reporting currency

Due to the fact that the majority of the operations consist of USD transactions, the Company has adopted the USD as its functional and reporting currency.

##### Foreign currencies

All assets and liabilities denominated in currencies other than USD have been translated at the rates of exchange on balance sheet date. All transactions in foreign currencies have been translated into USD at rates of exchange approximating those prevailing on the dates of the transaction. Unless otherwise indicated, any resulting exchange differences are included in the profit and loss accounts. Income and expenses are translated at the average rates of exchange during the year.

The year end closing exchange rates used for translation purposes are as follows, 1 USD equals:

		12.31.2020	12.31.2019
AZM	Azerbaijan Manat	1,7000	1,7000
EUR	Euro	0,8149	0,8734
GBP	British Pound	7,7364	0,7871
UZS	Uzbekistan Som	10.476,92	9.505,81
MWK	Malawian kwacha	778,468	743,6920
GEL	Georgian lari	3,2766	2,8677
KGS	Kyrgyzstan Som	82,6498	69,7939

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### Financial assets held to maturity

Financial assets held to maturity are recognized at fair value initially and subsequently measured at amortized cost using effective interest rate method. Any discount or premium arising on acquisition of a financial asset carried at amortized cost should be amortized using effective interest rate method. The Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### Credit Linked Notes

CLNs are initially recognised at fair value, normally being the amount received taking into account premium or discount less transaction costs. The notes are subsequently stated at amortised cost, being the amount received taking into account of any premium or discount less any adjustment for attribution of impairment to noteholders. The CLN's include credit linked events and reference entities, as such non-performing linked assets can affect the CLN value.

#### Credit Default Transactions

The Credit Default Transactions are recorded at face value upon initial recognition and subsequently revalued at the mark to market position, taking into consideration the economical development of the market and the currency involved.

#### Receivables

Unless differently stated the receivables are recorded at face value upon initial recognition and subsequently valued at the amortized cost. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assesment of the receivables.

#### Cash and cash equivalents

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account in the valuation.

#### Non-current liabilities

Liabilities are valued at face value, unless determined and disclosed differently.

### PRINCIPLES OF DETERMINATION OF RESULT

#### General

Income from transactions is recognised in the year in which it is realised. Losses are recognised when foreseen.

#### Revenue recognition

The result is determined based upon the difference between the net interest gain, other net gains from financial instruments and the costs and other expenses taking into account the aforementioned valuation principles.

#### Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the profit and loss accounts in the period that they arise. Exchange rate differences on long-term loans relating to the financing of foreign participations are recognised in the profit and loss accounts in the period they arise.

#### Financial income and expenses

Interest paid and received are time apportioned. Income arising on the financial assets, together with bank interest is recognised on an accrual basis. All income and expenditures from the financial assets, notes issued, swaps and other finance activities that have the character of interest payments received and/or paid are recognised as interest income or interest expenses respectively. Expenses are based on the historical cost conventions and attributed to the financial year to which they pertain.

#### Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year. Result is based on an arm's length remuneration for the limited risk finance function it performs in relation to the Debt Issuance Programme. An overall remuneration for the Company based on cost-plus 10% with a minimum taxable profit of EUR 2,500 is considered as an acceptable approach in determining an arm's length remuneration for the Company.

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Application of the accounting policies in the preparation of the financial statements requires the management of the Company to exercise judgement 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.

Those accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgement are described below.

In the opinion of the directors, the critical accounting judgements and key sources of estimation uncertainty are derived from the Company's indirect exposure to the valuation of the financial assets and financial liabilities (i.e. using valuation parameters that are not based on observable market data). The principal uncertainties concern the valuation of various types of structured credit derivatives. The values of unobservable parameters result from hypotheses and/or correlations that are not based on either transaction prices observable on the same instrument on the valuation date, or observable market data available on such date. Changes in the fair value of financial assets and/or financial liabilities resulting from such unobservable parameters would be matched by an equivalent change in the fair value of the CLN. Therefore, any such changes have no overall effect on either the profit or the financial position of the Company. Consequently, the Company bears no material risk in relation to any such estimation uncertainties.

#### Financial instruments, risk management and hedging

The Company's principal financial instruments during the year comprised of investments financed with CLN. The main purpose of these financial instruments is to finance the Company's operations, to manage the interest rate risk arising from the financial assets and to minimise the impact of fluctuations in the exchange rates on future cash flows. The Company has other financial instruments such as short term debtors and creditors which arise directly from its operations.

The Company is exposed to a variety of financial risks: credit and counterparty risk, market risk (including interest rate risk and currency risk), and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

All financial risks are passed onto the noteholders as the notes are limited recourse obligations of the Company.

The amount payable for each CLN is limited to the amounts of principal and interest received by or on behalf of the Company from the respective financial assets which are used to secure the relevant CLN. The net proceeds of the realisation financial assets should be sufficient to pay all amounts due to the noteholders.

The key financial instrument risks are classified as credit and counterparty risk, market risk and liquidity risk.

#### Credit and counterparty risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises predominantly with respect to the charged assets. Credit losses may arise from deterioration in credit worthiness of an obligor, including ultimately its failure to meet payment obligations (repayment of principal and interest).

Some assets or derivatives will expose the Company to risk of counterparty default. With regards to swap counterparty exposure the Company uses International Swaps and Derivatives Association agreements to govern derivative contracts to mitigate counterparty credit risk.

Adverse changes in the financial condition of obligors or in general economic conditions, or both, may impair the ability of the obligator, as the case may be, to make payments of principal or interest. This may ultimately impair the ability of the relevant obligator, as the case may be, to make payments of principal or interest. The company does not use any form of external credit enhancement. The issued notes are credit linked notes, which means credit risk incurred on assets (reference entity / country) is passed on to the noteholders.

## **FRONTERA CAPITAL GROUP B.V.**

### **Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020**

#### **Market risk (continued)**

The Company is exposed to the risk of reductions in earnings and/or value, arising from unexpected changes in interest rates and exchange rates. Also, the COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on our business and results is limited. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible.

##### **a) Currency risk**

The financial assets and the CLN's are denominated in USD. Therefore, the Company has a very limited exposure to the currency risk, only due to the holding of a bank account, denominated in EUR. This bank account has a low balance and mostly used for the payment of the operating expenses.

#### **Market risk**

##### **b) Interest rate risk**

The financial assets may bear interest either on basis of the same rates or a lower interest rate for the CLN. Under the programme documentation the interest collected from the financial assets is equal or higher then the interest payable to the Noteholders, such due on or around the same payment dates. Therefore, the Company does not have interest rate risk exposure.

##### **c) Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the Noteholders as they become due. The financial assets will be subjected to additional liquidity risk and are not generally traded in organized exchange markets nor traded by banks and other institutional investors. The liquidity risk is minimised by matching the cash flows and the maturity dates of a asset or group of assets with a specific CLN.



# FRONTERA CAPITAL GROUP B.V.

## Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

	<u>12.31.2020</u>	<u>12.31.2019</u>
	USD	USD
<b>1 Amounts due from third parties, non - current</b>		
Frontera Capital B.V. Serie 1	-	17.546.324
Baobab Securities Ltd	28.575.847	23.143.741
Frontier Market Advisory FZE	26.217.993	-
	<u>54.793.840</u>	<u>40.690.065</u>

### Baobab Securities Ltd

Serie 2	10.499.269
Serie 4	9.381.431
Serie 5	8.695.147
	<u>28.575.847</u>

### Frontier Market Advisory FZE

Serie 6	13.181.865
Serie 7	13.036.128
	<u>26.217.993</u>

The amount of USD 25,649,546 is to be received between 2-5 years as a scheduled repayment of the principal. The amount of USD 31,881,187.41 has a repayment schedule longer than 5 years.

The investment held to maturity represents acquisition of financial assets matched with CLN's and can be specified as follows:

### Serie 1

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of AZN 29.828.750 on May 10, 2017. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of AZN 29.828.750. Interest is paid semi-annually in arrears at the annual rate of 14%. The Principal amounts is repaid in full at maturity date, on March 30, 2020.

The movement can be specified as follows:

Opening balance	17.546.324
Redemption	(16.828.157)
FX revaluation 2020	(718.166)
Ending balance	<u>-</u>

### Serie 2

The Company entered into a Payment agreement with Baobab Securities Limited for an amount of UZS 220.000.000.000 on July 10, 2019. Baobab Securitit Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of UZS 220.000.000.000. Interest is paid semi-annually in arrears at the annual rate of 12.5%. The Principal amount is repayable in four instalments on January 18, 2021, July 18, 2021, January 18, 2022 and July 18, 2022.

The movement can be specified as follows:

Opening balance	23.143.741
FX revaluation 2020	(2.145.203)
Reclass to current assets in 2021 to Note 2	(10.499.269)
Ending balance	<u>10.499.269</u>

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## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### 1 Amounts due from third parties, non - current (continued)

##### Serie 4

The Company entered into a Payment agreement with Baobab Securities Limited for an amount of MWK 7,888,846,515 on August 27, 2020. Baobab Securitised Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of MWK 7,888,846,515. Interest is paid semi-annually in arrears at the annual rate of 13.5%. The Principal amounts are repayable in full at maturity date, June 18, 2027.

The movement can be specified as follows:

Opening balance	-
Issued note	9.800.000
Amortization	36.137
FX revaluation 2020	(454.706)
Ending balance	<u>9.381.431</u>

##### Serie 5

The Company entered into a Payment agreement with Baobab Securities Limited for an amount of MWK 7,693,971,768 on August 27, 2020. Baobab Securitised Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of MWK 7,693,971,768. Interest is paid semi-annually in arrears at the annual rate of 13.5%. The Principal amounts are repayable in full at maturity date, September 03, 2027.

The movement can be specified as follows:

Opening balance	-
Issued note	9.083.575
Amortization	33.025
FX revaluation 2020	(421.453)
Ending balance	<u>8.695.147</u>

##### Serie 6

The Company entered into a Payment agreement with Frontier Markets Advisory FZE ("FMA") for an amount of KGS 1,252,167,400 on August 28, 2020. FMA is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of KGS 1,252,167,400. Interest is paid semi-annually in arrears at the annual rate of 6%. The Principal amount is repayable in full on the maturity date, September 19, 2025.

The movement can be specified as follows:

Opening balance	-
Issued note	14.000.000
Amortization	103.620
FX revaluation 2020	(921.755)
Ending balance	<u>13.181.865</u>

##### Serie 7

The Company entered into a Payment agreement with Frontier Markets Advisory FZE ("FMA") for an amount of KGS 980,548,900 on August 28, 2020. FMA is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of KGS 980,548,900. Interest is paid semi-annually in arrears at the annual rate of 12%. The Principal amount is repayable in full on the maturity date, February 07, 2028.

##### Serie 7 (continued)

The movement can be specified as follows:

Opening balance	-
Issued note	14.000.000
Amortization	(43.590)
FX revaluation 2020	(920.283)
Ending balance	<u>13.036.128</u>

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

<b>2 Amounts due from third parties, current</b>	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
Baobab Securities Ltd	10.499.269	-
Frontera Capital Market Opportunities Limited (FCFMO)	-	1.919.806,00
	<u>10.499.269</u>	<u>1.919.806</u>

#### Baobab Securities Ltd

##### Serie 2

The Company entered into a Payment agreement with Baobab Securities Limited for an amount of UZS 220.000.000.000 on July 10, 2019 as disclosed under the Note 1. The Balance represents the principal payments receivable during 2021.

The movement can be specified as follows:

Opening balance	-
Reclass of receivable in 2021 from Note 1	10.499.269
Ending balance	<u>10.499.269</u>

#### Frontera Capital Market Opportunities Limited (FCFMO)

The Company entered into a Credit Derivative Transaction with Frontera Capital Frontier Market Opportunities Limited. Frontera Capital Frontier Market Opportunities Limited acquired the mark to market risk from the Company associated with the difference between the receivable from assets/securities and respective obligations related to a number of Series. In exchange, the Company will transfer Fixed Payment Amounts on the relevant Fixed Payment Dates, disclosed in the agreement. The Company will have its CLN liabilities fully and exactly matched creating a neutral cash flow situation for the Company.

<b>3 Receivables</b>	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
VAT receivable	21.958	8.556
C/A Stichting Frontera Capital Group B.V.	1	1
	<u>21.959</u>	<u>8.557</u>

#### VAT receivable

The Company is considered to be an entrepreneur for value added tax purposes.

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

4 Prepayment and accrued income	12.31.2020	12.31.2019
	USD	USD
Interest receivable from third parties	4.131.256	2.347.204
Receivable FCGL	559.492	290.460
Prepaid structuring fee	1.338.406	-
	<u>6.029.154</u>	<u>2.637.664</u>

#### Interest receivable from third parties

Baobab Securities Ltd	3.305.501
Frontier Market Advisory FZE	825.755
	<u>4.131.256</u>

These balances represent accrued coupon interest as calculated from the last coupon receipt dates till year end.  
The balances are due within one year.

The movement can be specified as follows:

Opening balance	-
Prepaid structuring fee	1.919.806
Release of prepayment	(581.400)
Ending balance	<u>1.338.406</u>

The Company made a prepayment of the arrangement fees based on FCGL Arrangement fee. The prepayment is amortised over the life time of the Serie.

5 Cash and cash equivalents	12.31.2020	12.31.2019
	USD	USD
<u>Banks</u>		
	<u>Amount in</u>	
	<u>Currency</u>	
	<u>foreign currency</u>	
ING Bank N.V.	USD	42.197.373
ING Bank N.V.	GBP	17.370.576
ING Bank N.V. (966)	EUR	-
ING Bank N.V. (951)	EUR	1.096
	EUR 0,00	1.564
	EUR 42.078	1.198
	EUR 976	(776)
	<u>42.250.207</u>	<u>17.372.460</u>

All cash and cash equivalents are at the Company's free disposal.

## 6 Shareholder's equity

The Company's authorised share capital amounts to EUR 1 and consists of 1 ordinary share with a nominal value of EUR1 each.

	Issued share capital	Other reserves	Unappropriated result	Total
Balance as per January 1, 2019	1	-	8.761	8.762
Transfer	-	8.761	(8.761)	-
Result for the year	-	-	3.931	3.931
Balance as per December 31, 2019	1	8.761	3.931	12.693
Transfer	-	3.931	(3.931)	-
Result for the year	-	-	9.646	9.646
Balance as per December 31, 2020	1	12.692	9.646	22.339

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## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### **Appropriation of result**

The Board of Managing Directors proposes to add the net result for the year to the other reserves. This proposed allocation of result has been incorporated in the financial statements, and is subject to the approval of the General Meeting of Shareholders.

<b>7 Credit linked notes, non-current</b>	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
Serie 1	-	17.546.324
Serie 2	10.499.269	23.143.741
Serie 4	9.381.431	-
Serie 5	8.695.147	-
Serie 6	13.181.865	-
Serie 7	13.036.128	-
Serie 8	14.460.357	-
Serie 9	4.786.809	-
Serie 10	4.757.466	-
Serie 11	17.317.875	-
	<u>96.116.347</u>	<u>40.690.065</u>

#### **7 Credit linked notes, non-current (continued)**

The Company issued the following Credit Linked Notes (CLN) under a combined Regulation S offering outside the United States and Rule 144A offering inside the United States. The CLN can be specified as follows:

##### Serie 1

The Company issued Credit-Linked Notes ("Notes") under the limited recourse debt insurance programme to professional investors for a total aggregate notional amount ("Principal amount") of AZN 29.828.750. Interest is paid semi-annually in arrears at the annual rate of 14%. The Principal amounts are repaid in full at maturity date, on March 30, 2020.

The movement can be specified as follows:

Opening balance	17.546.324
Redemption	(16.828.157)
FX revaluation 2020	<u>(718.166)</u>
Ending balance	<u>-</u>

##### Serie 2

The Company issued Credit-Linked Notes ("Notes") under the limited recourse debt insurance programme to professional investors for a total aggregate notional amount ("Principal amount") of UZS 220,000,000,000. Interest is paid semi-annually in arrears at the annual rate of 12.5%. The Principal amount is repayable in four instalments on February 10, 2021, August 10, 2021, February 10, 2022 and August 10, 2022.

The movement can be specified as follows:

Opening balance	23.143.741
FX revaluation 2020	(2.145.203)
Reclass to current liabilities in 2021 to Note 9	<u>(10.499.269)</u>
Ending balance	<u>10.499.269</u>

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### Serie 4 (continued)

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of MWK 7,888,846,515 in August 27, 2020. Interest is paid semi-annually at the annual rate of 13.5%. The Principal amount is repayable in full on the maturity date, June 18, 2027.

The movement can be specified as follows:

Opening balance	-
Issued note	9.800.000
Amortization	36.137
FX revaluation 2020	(454.706)
Ending balance	<u>9.381.431</u>

#### Serie 5

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of MWK 7,693,971,768 in August 27, 2020. Interest is paid semi-annually at the annual rate of 13.5%. The Principal amount is repayable in full on the maturity date, September 03, 2027.

The movement can be specified as follows:

Opening balance	-
Issued note	9.083.575
Amortization	33.025
FX revaluation 2020	(421.453)
Ending balance	<u>8.695.147</u>

#### Serie 6

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of KGS 1,252,167,400 in August 28, 2020. Interest is paid semi-annually at the annual rate of 6%. The Principal amount is repayable in full on the maturity date, September 19, 2025.

The movement can be specified as follows:

Opening balance	-
Issued note	14.000.000
Amortization	103.620
FX revaluation 2020	(921.755)
Ending balance	<u>13.181.865</u>

## 7 Credit linked notes, non-current

#### Serie 7

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of KGS 980,548,900 in August 28, 2020. Interest is paid semi-annually at the annual rate of 12%. The Principal amount is repayable in full on the maturity date, February 07, 2028.

The movement can be specified as follows:

Opening balance	-
Issued note	14.000.000
Amortization	(43.590)
FX revaluation 2020	(920.283)
Ending balance	<u>13.036.128</u>

#### Serie 8

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of UZS 151,500,000,000 in August 28, 2020. Interest is paid semi-annually at the annual rate of 12%. The Principal amount is repayable in two instalments on March 21, 2022 and September 21, 2022.

The movement can be specified as follows:

Opening balance	-
Issued note	15.000.000
FX revaluation 2020	(539.643)
Ending balance	<u>14.460.357</u>

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### Serie 9 (continued)

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of MWK 4,222,120,201 in November 26, 2020. Interest is paid semi-annually at the annual rate of 12%. The Principal amount is repayable in full on the maturity date, May 21, 2025.

The movement can be specified as follows:

Opening balance	-
Issued note	4.952.096
Amortization	10.763
FX revaluation 2020	<u>(176.050)</u>
Ending balance	<u><u>4.786.809</u></u>

#### Serie 10

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of MWK 4,054,282,200 in November 26, 2020. Interest is paid semi-annually at the annual rate of 13,5%. The Principal amount is repayable in full on the maturity date, September 03, 2027.

The movement can be specified as follows:

Opening balance	-
Issued note	4.926.672
Amortization	5.940
FX revaluation 2020	<u>(175.146)</u>
Ending balance	<u><u>4.757.466</u></u>

#### Serie 11

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of GEL 56,743,750 in December 30, 2020. Interest is paid semi-annually at the annual rate of 8,4%. The Principal amount is repayable in three instalments on November 29, 2023, December 06, 2023 and January 25, 2024.

The movement can be specified as follows:

Opening balance	-
Issued note	17.500.000
FX revaluation 2020	<u>(182.125)</u>
Ending balance	<u><u>17.317.875</u></u>

## 8 Credit Default Swaps

	<u>12.31.2020</u>	<u>12.31.2019</u>
	<u>USD</u>	<u>USD</u>
CDS Series UZS 20 A	818.020	1.937.984,00
	<u>818.020</u>	<u>1.937.984</u>

#### CDS Series UZS 20 A

The Company entered into a Credit Derivative Transaction with Frontera Capital Frontier Market Opportunities Limited on December 13, 2019 for a total amount of USD 1,919,806, equivalent to UZS 18,270,059,436, with a maturity date on July 18, 2022. Frontera Capital Frontier Market Opportunities Limited acquired the mark to market risk from the Company associated with the difference between the receivable from assets/securities and respective obligations related to Series 2. In exchange, the Company will transfer Fixed Payment Amounts on the relevant Fixed Payment Dates, disclosed in the agreement

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
<b>9 Credit linked notes, current</b>		
Serie 2	10.499.269	-
	<u>10.499.269</u>	<u>-</u>

The Company issued Credit-Linked Notes ("Notes") under the limited recourse debt insurance programme to professional investors for a total aggregate notional amount ("Principal amount") of UZS 220,000,000,000 as disclosed under the Note 7. The Balance represents the principal amount payable during 2021.

The movement can be specified as follows:

Opening balance	-
Reclass of payable in 2021 from Note 7	10.499.269
Ending balance	<u>10.499.269</u>

	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
<b>10 Creditors</b>		
Mazars	24.718	-
ING Fiscal Agent	11.329	-
Trustmoore Nethlerlands B.V.	10.370	-
	<u>46.417</u>	<u>-</u>

	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
<b>11 Amounts due to third parties</b>		
C/A Frontera Capital Group Limited	-	115.159
C/A Frontera Markets Advisory	9.727	8.760
C/A Frontera Capital BV	235.085	17.502.403
C/A Baobab	89.873	-
	<u>334.685</u>	<u>17.626.322</u>

	<b>12.31.2020</b>	<b>12.31.2019</b>
	<b>USD</b>	<b>USD</b>
<b>12 Baobob Payment Agreement (PA) provision</b>		
Baobob Payment Agreement (PA) provision	874.136	-
	<u>874.136</u>	<u>-</u>

#### C/A Baobab

#### Serie 8

Investment PA serie 8	15.000.000
FX revaluation 2020	(539.643)
Baobob liability as per PA serie 8	(15.000.000)
	<u>(539.643)</u>



## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### Serie 9 (continued)

Investment PA serie 9	4.952.096
FX revaluation 2020	(176.050)
Amortization	10.763
Baobab liability as per PA serie 9	(4.952.096)
	<u>(165.287)</u>

#### Serie 10

Investment PA serie 10	4.926.672
FX revaluation 2020	(175.146)
Amortization	5.940
Baobab liability as per PA serie 9	(4.926.672)
	<u>(169.207)</u>

The Company has a total of 3 Payment Agreements (PA's) with Baobab Securities Limited for the total amount of USD 24,878,768 that have not been paid yet per 31-12-2020. In effect the company has an asset and a liability with Baobab that require to be netted. Since the Company already has the obligation to make these payments per the PA transaction date however, the assets require to be revalued and amortized. A devaluation of the assets was applicable in 2020 resulting in the need for a provision. The Company made the actual payments under the terms of the PA's per: S8 USD 15.000.000 on 01-02-2021, S9 USD 4.592.096 on 26-01-2021 and S10 4.926.672 on 27-01-2021. For more specifications on the terms of the relevant PA's, we refer to note 20: Contingent Obligations.

### **13 Accruals and deferred income**

Interest payable for CLN	3.747.907	1.789.812
CDS Premium payable Series UZS 20 A	1.121.131	557.392
Accrued audit and ING fee	11.289	7.976
Corporate Income Tax	2.889	3.172
	<u>4.883.216</u>	<u>2.361.488</u>

#### Interest payable for CLN

Serie 2	1.019.970
Serie 4	732.892
Serie 5	445.509
Serie 6	279.870
Serie 7	545.885
Serie 8	529.037
Serie 9	66.856
Serie 10	127.888
	<u>3.747.907</u>

These balances represent accrued coupon interest as calculated from the last coupon receipt dates till year end. The balances are due within one year.

# FRONTERA CAPITAL GROUP B.V.

## Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

	2020 USD	2019 USD
<b>14 Interest income</b>		
Series 1	605.709	2.456.485
Series 2	3.691.877	1.732.678
Series 4	774.362	-
Series 5	478.534	-
Series 6	386.321	-
Series 7	507.817	-
Series 8	531.145	-
Series 9	77.619	-
Series 10	133.827	-
<i>Total interest income</i>	<u>7.187.211</u>	<u>4.189.163</u>
<b>15 Interest expense</b>		
Series 1	(608.522)	(2.456.485)
Series 2	(2.671.171)	(1.175.286)
Series 4	(774.362)	-
Series 5	(478.534)	-
Series 6	(386.321)	-
Series 7	(507.817)	-
Series 8	(531.145)	-
Series 9	(77.619)	-
Series 10	(133.827)	-
<i>Total interest expenses</i>	<u>(6.169.318)</u>	<u>(3.631.771)</u>
<b>Series 1</b>		
Interest expense	(605.709)	
Penalties	(2.813)	
	<u>(608.522)</u>	
<b>16 CDS Premium</b>		
CDS Premium Series UZS 20 A	(634.262)	(557.392)
<i>Total CDS Premiums</i>	<u>(634.262)</u>	<u>- 557.392</u>
<b>17 Other net result on financial instruments</b>		
CDS Fair Value UZS 20 A	961.679	(15.995)
	<u>961.679</u>	<u>(15.995)</u>

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### 18 Other operating income and expenses

Audit fee	(31.082)	(15.744)
Legal fee	(13.534)	(2.427)
Paying and fiscal agent fee	(58.234)	(19.097)
Professional Fee	(115.520)	(49.133)
Arranger fee	(2.031.400)	-
Listing fees	(5.304)	-
Post/courier fees	(76)	
Accrual FCGL	507.654	112.820
	<u>(1.747.496)</u>	<u>26.419</u>

#### 19 Other financial income and expenses

Bank charges	(4.801)	(4.202)
Other interest expense	(189)	(163)
Foreign exchange differences	419.007	(1.145)
	<u>414.017</u>	<u>(5.510)</u>

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### 20 Income tax expense

The effective interest rate of the corporate income tax of 16.5% is equal to the prevailing tax rates for 2020 in the Netherlands (25% over profits up to and including Eur 200,0000).

#### 21 Contingent Obligations

On July 31, 2019, the Company has issued Series 3 for a total amount of USD 466,000,000 due in 2026 and took a short position. On the same date Aurora Australis B.V. has issued Series 2 for a total amount of USD 466,000,000 due in 2026, and took a long position. These 2 Series form a so-called "Exotic Basket" – Currency basket: The main reason for the currency basket is to give investors the opportunity to go long or short on a basket for currencies rather than single currency exposure. This issuance creates a contingent obligation of a Company towards Aurora Australis B.V., once an investor decides to take an opportunity to invest in the basket of currencies.

##### Serie 8

The Company entered into a Payment Agreement (PA) with Baobab Securities Limited for an amount of UZS 151,500,000,000 on August 28, 2020. Baobab Securities Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of UZS 151,500,000,000. Interest is paid semi-annually in arrears at the annual rate of 12%. The Principal amount is repayable in two instalments on March 21, 2022 and September 21, 2022. Payment of USD 15,000,000 as per the Serie 8 PA has not yet been made by the Company to Baobab Securities Limited. As such the serie 8 CLN proceeds are held as a cash asset in the Company. Payment to Baobab Securities Limited under the terms of the PA are expected to be made in January 2021.

##### Serie 9

The Company entered into a Payment Agreement (PA) with Baobab Securities Limited for an amount of MWK 4,222,120,201 on November 26, 2020. Baobab Securities Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of MWK 4,222,120,201. Interest is paid semi-annually in arrears at the annual rate of 12.5%. The Principal amounts are repayable in full at maturity date, on May 21, 2025. Payment of USD 4,952,096 as per the Serie 9 PA has not yet been made by the Company to Baobab Securities Limited. As such the serie 9 CLN proceeds are held as a cash asset in the Company. Payment to Baobab Securities Limited under the terms of the PA is expected to be made in January 2021.

##### Serie 10

The Company entered into a Payment agreement with Baobab Securities Limited for an amount of MWK 4,054,282,200 on November 26, 2020. Baobab Securities Limited is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of MWK 4,054,282,200. Interest is paid semi-annually in arrears at the annual rate of 13.5%. The Principal amounts are repayable in full at maturity date, on September 03, 2027. Payment of USD 4,926,672 as per the Serie 10 PA has not yet been made by the Company to Baobab Securities Limited. As such the serie 10 CLN proceeds are held as a cash asset in the Company. Payment to Baobab Securities Limited under the terms of the PA is expected to be made in January 2021.

##### Serie 11

The Company entered into a Payment agreement with Frontera Capital B.V. for an amount of GEL 56,743,750 on December 30, 2020. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of GEL 56,743,750. Interest is paid semi-annually in arrears at the annual rate of 14%. The Principal amount is repayable in three instalments on November 29, 2023, December 06, 2023 and January 25, 2024. Under Serie 11 the Company has payable to Frontera Capital BV for USD 17,500,000.

#### 22 Board of Management

During the year under the review, the Company had 2 Managing Directors (2019: 2), who received no remuneration during the current financial year.

#### 23 Number of employees

The Company has not employed any employees during the current financial year.

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### 24 Subsequent Event

The Company issued the following Credit Linked Notes (CLN) under a combined Regulation S offering outside the United States and Rule 144A offering inside the United States. The CLN can be specified as follows:

##### Serie 12

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of USD 40,832,417 on February 25, 2021 as part of Frontera Capital BV Series 29 restructuring. The Credit Linked Notes does not bear interest. The Principal amount is repayable every month-end until maturity date, July 31, 2025.

##### Serie 13

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of PYG 61,650,000,000 on February 15, 2021. Interest is paid annually at the rate of 9%. The Principal amount is repayable in full on the maturity date, February 13, 2026.

##### Serie 14

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of PYG 64,000,000,000 on February 15, 2021. Interest is paid annually at the rate of 9.50%. The Principal amount is repayable in full on the maturity date, February 13, 2029.

##### Serie 15

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of PYG 100,000,000,000 on February 15, 2021. Interest is paid annually at the rate of 9.85%. The Principal amount is repayable in full on the maturity date, February 14, 2031.

##### Serie 16

The Company issued Credit Linked Notes for a total aggregate notional amount ("Principal amount") of KGS 394,558,200 on March 19, 2021. Interest is paid semi-annually at the annual rate of 7%. The Principal amount is repayable in full on the maturity date, March 29, 2023.

The Company entered into the following Swap Agreements. The Swap Agreements can be specified as follows:

##### Serie 12

The Company entered into a Swap Payment agreement with Frontera Capital B.V. for an amount of USD 40,832,417 on February 25, 2021. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of USD 40,832,417. The Credit Linked Notes does not bear interest. The Principal amount is repayable every month-end until maturity date, July 31, 2025.

##### Serie 13

The Company entered into a Swap Payment agreement with Frontera Capital B.V. for an amount of USD 9,024,372 on February 11, 2021. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of PYG 61,650,000,000. Interest is paid annually in arrears at the annual rate of 9%. The Principal amount is repaid in full on the Final Exchange Date, February 11, 2026.

##### Serie 14

The Company entered into a Swap Payment agreement with Frontera Capital B.V. for an amount of USD 9,368,367 on February 11, 2021. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of PYG 64,000,000,000. Interest is paid annually in arrears at the annual rate of 9.50%. The Principal amount is repaid in full on the Final Exchange Date, February 09, 2029.

##### Serie 15

The Company entered into a Swap Payment agreement with Frontera Capital B.V. for an amount of USD 14,638,074 on February 11, 2021. Frontera Capital B.V. is held to the issuing terms of the CLN under the limited recourse debt insurance programme as issued by the Company for a total aggregate notional amount ("Principal amount") of PYG 100,000,000,000. Interest is paid annually in arrears at the annual rate of 9.85%. The Principal amount is repaid in full on the Final Exchange Date, February 12, 2031.

## FRONTERA CAPITAL GROUP B.V.

### Notes to the Balance Sheet and Profit and Loss Account as at December 31, 2020

#### 25 Statutory rules concerning appropriation of the reserves

According to Article of the Company's Articles of Association, the net reserve for the year shall be at disposal of the General meeting of Shareholders.



Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the Shareholder's Equity exceeds the amount of the issued capital and the legal reserves.

Amsterdam,

April 15, 2021

Managing Director,



I. Beekmeijer

F. Kettner

Trustmoore Netherlands B.V.

Managing Director,



Steven Melkman

## **FRONTERA CAPITAL GROUP B.V.**

### **Independent auditor's report**

The independent auditor's report is included on the next pages.