INCOFIN CVSO
Micro-finance

Annual Report 2020

Mission

Incofin cvso strives for significant social added value. The fund aims to help enterprising people in emerging economies to improve their own living conditions. This impact is realised by investing in microfinance institutions (MFIs) that offer customised financial services to small local businesses.

INCOFIN CVSO
Micro-finance

2,492
shareholders

4.7 miljoen
micro-entrepreneurs

27
countries

26%
Share of the portfolio dedicated to agriculture

EUR 1,867
Average amount of credit per end client

EUR 75.2 million
of investments

81% female
entrepreneurs

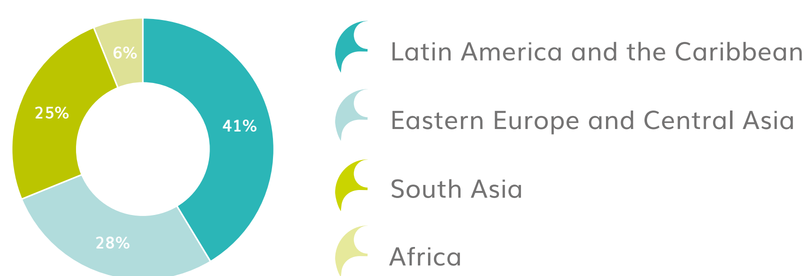
42
partner organisations

54%
Number of partner organisations offering training loans

25%
Number of partner organisations offering green loans

Overview MFI

Portfolio per region



Content table

Dear shareholders,

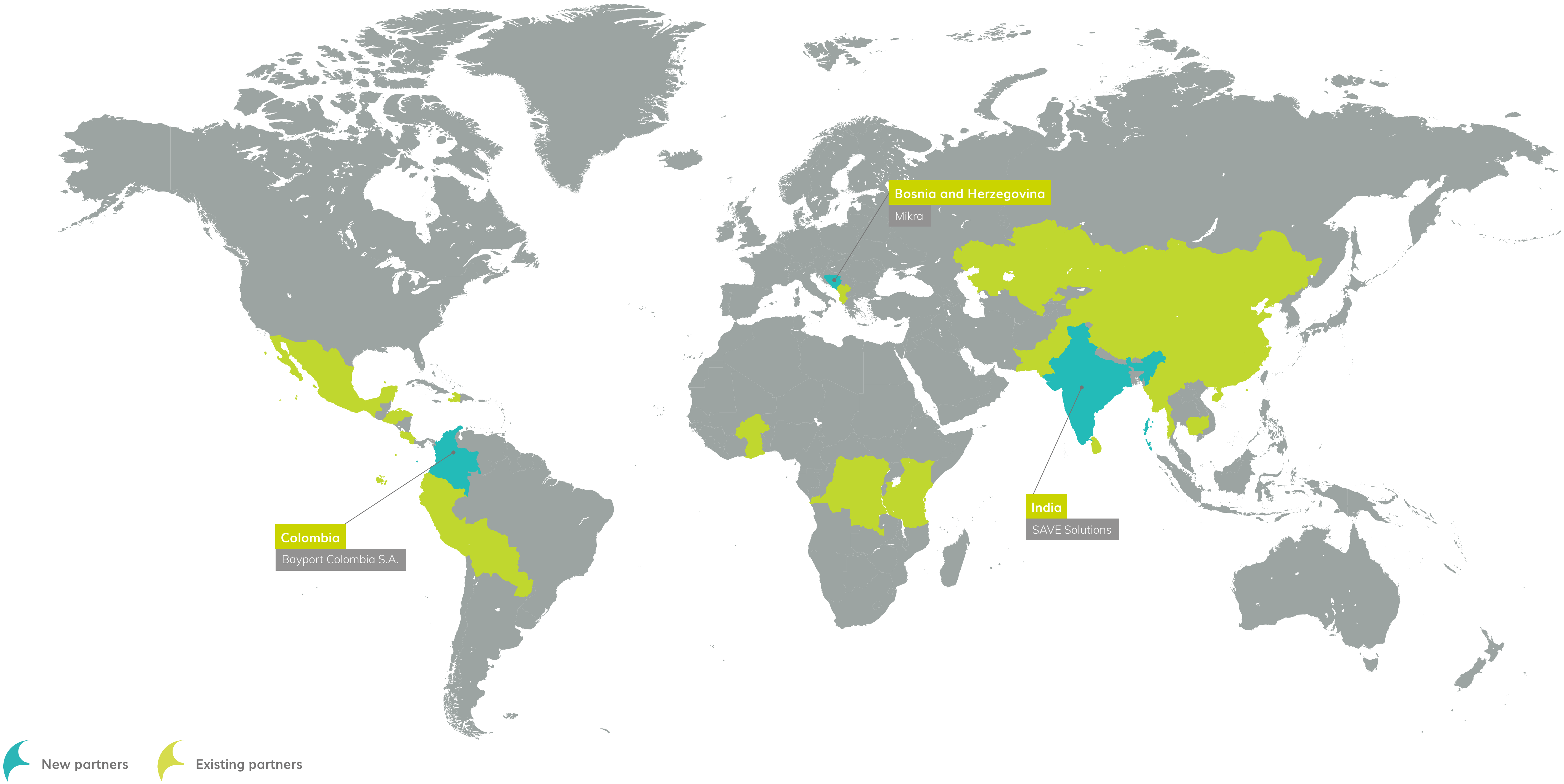
You will probably not be surprised to learn that the year has not been easy for Incofin cvso and its partner organisations. The COVID pandemic has severely destabilised the society and the economy of the countries where Incofin cvso invests. Those at the bottom of the economic pyramid (small entrepreneurs active in the informal economy) have been hit the hardest. Despite these challenges, most of our partner organisations have held on. Incofin cvso recorded a loss (a first in 17 years) during this year of the coronavirus. But thanks to the financial cushion accumulated in previous years, the balance sheet remains very solid.

At the same time, we have remained true to our mission of social impact. We are pleased to be able to welcome three partner organizations: Mikra in Bosnia and Herzegovina, Save Solutions in India and Bayport in Colombia. In this report, we devote more attention to the importance of digitalisation as a key to financial inclusion. The investment in Juhudi Kilimo in Kenya is a good example of this evolution.

Finally, I would like to thank all those who, last year, contributed to the realisation and monitoring of Incofin cvso projects: you as a shareholder, for your trust and loyalty, the members of the board of directors, the investment committee and the audit committee for their involvement and the fund manager Incofin Investment Management for the constitution, monitoring and risk management of the portfolio. We are especially grateful to Anita Dewispelaere for her chairmanship of the board over the past few years.

Michiel Geers,
President Incofin cvso

Incofin cvso around the world



Overview 2020

Additional investments in Cambodia

Cambodia was less affected by COVID-19 in terms of health figures, but the country was heavily impacted by the economic effects of the protective measures that were put in place. Incofin cvso stepped up to its role as an impact investor and introduced a series of loan agreements for its microfinance partners in Cambodia, LOLC and Amret.

The Sustainability Label

In November 2019, Febelfin awarded the first Towards Sustainability labels to financial products that complied with the quality standard for sustainable and socially responsible financial products.

A quality standard is not static and must adapt to changing expectations of consumers, the scientific research and the societal needs. That is why this standard is regularly revised.

The fact that Incofin cvso was awarded this label is a reaffirmation that anyone who invests in Incofin cvso supports sustainable impact.

Three new partner organisations

In 2020, Incofin cvso has added three new partner organizations to the portfolio. The investment in Mikra means that Incofin cvso invests again in Bosnia and Herzegovina, re-igniting the partnership with the region after many years. (see separate article).

With the investment in SAVE Solutions, Incofin cvso reaches the rural areas in India. In addition to microcredits, SAVE Solutions also offers many other financial services. Their product offering is diversified and since the COVID-19 outbreak, the organisation experiences an increase in day-to-day banking transactions, such as transfers, deposits and opening new bank accounts. In June 2020, Incofin cvso provided a loan of EUR 1 million. With this funding, SAVE intends to further expand its services.

Bayport Colombia targets government employees and pensioners with microcredits. These people typically cannot find solutions to their financial needs in traditional banks. Most customers of Bayport have an income that barely exceeds the minimum income (less than 400 euro). These are not consumption loans. The loan is intended to invest in productive activity to supplement the low income. Bayport has become one of the most important players in the sector.

International coordination as a response

Incofin Investment Management, together with amongst others Triodos, Oikocredit and BlueOrchard signed an important statement. The signatories aimed to coordinate efforts in the provision of ongoing refinancing in a responsible manner, thereby enabling partner organisations to adequately respond to the corona crisis. SMEs and micro-entrepreneurs will form a vital base foundation for social and economic recovery. Maintaining financial inclusion in regions and with SMEs where the foundations have been laid in recent years is crucial. This continued effort requires an enhanced cooperation within the impact sector.

50th birthday of Peruvian partner organisation Cooperativa Pacífico

In the same year that Pacífico is celebrating its 50 years of existence, Incofin cvso supports the cooperative with a loan of more than EUR 2.5 million. The lockdown in Peru did not stop the Investment Committee from reestablishing its trust in the bright future of Pacífico.

Rooted in the Japanese immigrant community in Peru, in a spirit of mutual aid, Pacífico started its journey in 1970 with less than 400 members. The mission was to provide financial services to micro and small businesses very often via group lending. Today, with an unchanged spirit Pacífico has grew into one of the largest financial cooperatives in South America and has over 500,000 members.

Incofin cvso becomes the new shareholder of Lovćen Banka in Montenegro

Incofin cvso enters as the new shareholder the Montenegrin bank Lovćen Banka. The recapitalisation of EUR 1.8 million means an important support for Lovćen and in particular a help for the future digital onboarding jounrey. For Incofin cvso who have acquired an ownership share of almost 9%, it is the first equity investment in the Balkan region.

Increased risk management

The main concern of Incofin cvso after the outbreak of COVID-19 was to assess the impact of the pandemic on the partner organisations and entrepreneurs in order to respond appropriately. Incofin cvso immediately adapted its investment policy, emphasizing the maintenance and strengthening of the current portfolio. The guidelines for approving a request for a new loan to a partner were tightened. Travel restrictions made it difficult to conduct an on-site due diligence. Therefore, agreements with new potential partner organisations were only granted when the organisation was already sufficiently well known.

The context in which the organisations operate today are now different, and the same goes for the impact on the partners of Incofin cvso: the virus is spreading more rapidly in some regions than in others, not all countries have taken the same measures and some sectors are more vulnerable than others to the economic downturn caused by corona measures.

Thanks, among other things, to increased direct contact with local microfinance institutions, Incofin cvso gathered all the relevant information to get a better idea of how and where it could provide support.

Incofin introduced nine COVID-related critical risk indicators (such as, for example, debt-to-equity ratio or customer payment arrears that persist for more than a month) to analyse the stability and risks of each institution of the portfolio. This method has proven to be very effective in identifying portfolio risks and limiting them as much as possible. It also served as the basis for carrying out regular stress tests. It is thanks to these efforts – along with the transparency and resilience of the partner organisations – that Incofin cvso's portfolio, as a whole, has weathered this past year well.

Bosnia and Herzegovina – new investment country

3.5 million
Inhabitants

convertible mark of Bosnia and Herzegovina (BAM)
National currency

Sarajevo
Capital city

5,115 €
GDP per capita (as comparison: EUR 40,000 in Belgium)

0.6% (2019)
Inflation

2.7% (2019)
Economic growth

Real GDP growth of more than 3% is not expected over the next two years.

Microfinance has a rich history in Bosnia and Herzegovina and played an important role in the recovery of the economy after the war ended in 1995. Unemployment skyrocketed to 85% and many people had turned to self-employment to survive. COVID-19 ended the country's uninterrupted economic growth. Microfinance institutions like Mikra are helping people forge their way to renewed economic stability.

The war in Bosnia and Herzegovina broke out in 1992 in the wake of the breakup of Yugoslavia. Shortly after that a majority of the population chose independence by a referendum. In addition to the effects on human lives, the war was a huge blow to the economy: GDP plunged by over 90% and unemployment peaked at 85%. The Dayton Peace Accords in 1995 put an end to this. It meant the start of a period of gradual economic recovery and the rise of the microfinance sector.

Until the outbreak of COVID-19, economic forecasts were promising for Bosnia and Herzegovina. The consequences of the pandemic have not been light for the country: the GDP is expected to contract by 3 to 5%. The unemployment rate, which was still around 16% in 2019, may continue to rise.

All eyes are on microcredit providers, such as MCF Mikra, among others, to usher in a new recovery.

Mikra was founded in 1997 by CRS (Catholic Relief Services), an American humanitarian association linked to the Catholic Church. The microfinance institution's mission is to provide responsible access to financial services to the part of the active population that experiences poverty, mainly women in rural areas. In Bosnia and Herzegovina, barely 27% of the female population officially takes part in economic life; it is one of the lowest participation rates in the Balkans.

Mikra tries turnaround this inequality by supporting women in the region. One of those women is Slobodanka Veselinović, a Mikra customer of over 12 years. She manages a small family business active in the cultivation of fruits and vegetables. Its products are mostly sold through the local agricultural association Kupuj domaće, jedi zdravo (buy at home, eat healthy). The pearl that Mrs Veselinović in the picture is holding in her hand symbolises the unique value that a (micro)entrepreneur attaches to his or her business. In the same way that the pearl is worn and protected, Mikra wants to support its customers.

Mikra leads the way in the field of digitalisation

Mikra was among the first to develop digital possibilities. They were pioneers in the Bosnian financial sector by introducing a mobile application for their loan officers, which allowed them to encode and consult all the relevant information to efficiently perform their activities, such as efficiently creating a credit analysis.

Today, Mikra uses social networks like Facebook not only to spread brand awareness, but also to communicate with customers. The microcredit institution has also taken the first steps in digitizing credit applications. Digitalisation is one of the top priorities for the coming years.

"The microfinance sector continues to play a pivotal role in Bosnia and Herzegovina for the further development of micro and small entrepreneurship. We are proud witnesses of how Mikra supports its clients in these challenging times. Incofin cvso provides Mikra with the necessary liquidity for economic recovery."

Elvina Garayeva, senior investment manager of Incofin IM.

"Mikra used all its capacities to support its clients throughout the pandemic: deferral of payment on loans, sharing information on how to deal with the economic impact and help with reorientation for microenterprises. We used Facebook as a tool to interact every day with current and potential customers. We have carried out various campaigns to promote domestic food production and smallholder agriculture as one of the sectors with potential for growth, even in times of a pandemic."

Belma Halimic, Chief Financial Officer of MCF Mikra

Loan granted by incofin cvso to Mikra: EUR 1 million (December 2020)

25 agencies | **154** employees | **17,746** customers

The digital transformation, an engine for financial inclusion

Kenya is one of the most innovative countries in Africa, in fact some people jokingly call it *Silicon Savannah*. New mobile money platforms and applications have exploded in an innovation-friendly environment. Even farmers with smallholdings who, until recently, had no bank accounts, now receive and transfer money easily via their mobile phones. Our Kenyan partner organisation, the microfinance institution Juhudi Kilimo, has been engaged in this evolution for a number of years, with the support of Incofin cvso.

Agriculture is critical to the Kenyan economy. 40% of all adult Kenyans work in agriculture and this figure rises to about 70% in rural areas of Kenya. Given the value of agriculture in the countryside, the importance of this sector in reducing poverty cannot be overemphasised. Even so, many farmers with smallholdings live below the poverty line: they often fail to produce more than they need to stay alive. Small-scale production, usually on plots smaller than two hectares, results in low yields and inferior quality products. They lack access to the capital and training required to make their farms more productive and profitable. We spoke to Bernard Kivava, CEO of Juhudi Kilimo since 2015, about Juhudi Kilimo's mission to bridge the funding gap and how digitisation can be a means to achieve this goal.

A difficult year behind us

He proudly tells us that Juhudi Kilimo has just opened its 40th office. When he became the head of Juhudi Kilimo in April 2015, it was still a loss-making organisation. He managed to turn it into a profitable company that, today, employs 320 people for more than 74,000 customers. The credit portfolio, with a value of 1.7 billion Kenyan shillings, is almost double that of when Bernard Kivava started working at the company. Even so, Juhudi Kilimo also had a difficult 2020 due to COVID-19.

"Many of our farmers saw their income shrink and some even had to cease activities because they could no longer export their products due to corona measures. This impact also affected our credit portfolio: whereas an average 5% of our outstanding loans encounter repayment difficulties in normal circumstances, this percentage saw peaks of 9% in the past year. Despite the challenging circumstances, we were still able to close the year with a modest profit.

We expect a recovery in the coming year, but for the time being we've noticed that many entrepreneurs are adopting a hesitant attitude. They are currently unable to predict how much they will be able to sell and what turnover they will generate with any accuracy, so they prefer to wait a bit before applying for financing."

The digital transformation train has left the station

Juhudi Kilimo's success in being able to end 2020 with a profit despite the difficult circumstances is due in no small part to the digital progress it has made in recent years.

When did you last go into a bank office? Do you know anyone by name in your local bank office? How often do you still pay with cash? Digitisation has drastically changed the way we conduct our financial affairs over the last two decades. Digitisation is also opening lots of doors in emerging countries. And Kenya is no exception: digitisation is seen here as an engine for financial inclusion. Above all, M-PESA, the incredibly popular mobile banking platform in Kenya, launched in 2007, allows financial institutions to offer their customers digital products. In 2006 only 25% of adult Kenyans had access to the formal financial circuit, but that figure is now more than 80%.

Juhudi Kilimo is aboard the digital train too. The results it has achieved in the field of digitisation have not gone unnoticed. The company recently won an important African award, where it was praised for its digital innovations. Bernard Kivava is delighted with the recognition: *"It was an important reward for us, a milestone, so to speak. A vote of confidence in what we do and a symbol of our success in using digital solutions to better serve our farmers."*

In Bernard Kivava's opinion, digitisation benefits both the institution and its customers. *"Especially in terms of efficiency and customer service. By digitising processes, we improve efficiency and reduce our operational costs. It also gives us the opportunity to provide our customers with even better service. An enormous amount of time is saved between applying for credit and receiving it. As soon as we at the head office can approve the loan requested by our customer, he will receive the money on his phone."*

Who is Bernard Kivava?
More than 18 years of experience in the microfinance sector
2015-present: CEO of Juhudi Kilimo
2012-2015: CEO of Letshego Rwanda
1999-2012: various roles at Faulu Kenya and Credit Africa
Studies: strategic management and business management

Juhudi Kilimo (Swahili for 'agricultural efforts') saw the light of day in 2004 and became an independent spin-off in 2009 from K-REP Development Agency, a former Kenyan microfinance incubator, an independent company.

Juhudi Kilimo provides smallholders with microcredits, allowing them to invest in agricultural assets that increase the yields from their land. In concrete terms, this mainly concerns loans for buying dairy cows and poultry and financing agricultural machinery for irrigation, milking parlours, pumps and solar-powered lighting systems.

Customers without previous experience of taking out credit through formal channels receive training in basic accounting, credit management and the benefits and risks of financing. Incofin cvso has been a Juhudi Kilimo shareholder since 2019.

A digital application accelerates the credit application process.

The customer data and the loan application are registered with a tablet.

Everything is automatically stored in the cloud.

The branch immediately receives the application. It is approved by the branch manager and regional manager.

The risk department reviews the approved loan and when it gives the green light, the loan can be paid out to the customer immediately.

The customer receives the loan on his mobile phone (via M-PESA). The customer can make repayments via M-PESA, a mobile application or cash.

90% of the loans issued by Juhudi Kilimo are paid out by mobile phone and about 60% of its customers also make repayments via their mobile phones.

With support from Incofin cvso, Juhudi Kilimo launched a mobile application in 2019: Juhudika. The app allowed farmers to apply for an emergency credit (which has been a real lifeline for many customers, especially in the context of COVID-19). Farmers suddenly finding themselves in financial need could apply for a loan at any time without having to travel to an office, to worry about travel restrictions.

Over the past year, the institution has continued the digital transformation and digitised the entire credit process: from the moment someone becomes a customer to the repayments. This step also received technical assistance from Incofin cvso. Bernard Kivava points out the importance of this cooperation: *"One of the conditions for implementing a successful digital transformation is finding the right partners able to cofinance the expensive platforms. That's why I really appreciate the support that Incofin cvso has been providing our digitisation project, especially since it came at the very time when we had limited financial resources."*

Juhudi Labs

Farmers with smallholdings in Kenya face many challenges: lack of information about effective farming techniques and market trends, poor access to markets, inefficient supply chains, soil degradation and the negative impact of climate change. *"That's why we created 'Juhudi Labs' for our farmers: a research and data centre"*, explains Bernard Kivava. *"It gives our customers access to a wealth of relevant agroeconomic data and other relevant information via their mobile phones. For example, they can monitor the market prices for tomatoes, bananas or other crops. Or which suppliers they can rely on. Or which local vet is best. It's also an innovation centre that's used for researching, innovating and testing new financial products."*

What about tomorrow?

Bernard Kivava is pleased with Juhudi Kilimo's progress down the digital road. *"Our ambitions go even further. By 2022, we want nearly all our offices to be paperless. This will require more training for our staff and we will continue to invest in guiding our customers to embrace the potential of digitisation. This doesn't affect our plans for geographic expansion at the same time. We would like to have 55 physical offices by 2025. The microcredit sector faces unique challenges. It's best not to leave everything to technology alone. Physical contact with our customers continues to be important."*

> *"One of the conditions for implementing a successful digital transformation is finding the right partners able to cofinance the expensive platforms."*
>
> **- Bernard Kivava**

Interview with the new chairman of incofin cvso

Michiel Geers has been the new chairman of Incofin cvso since December. Even though he has not been at the helm of the board of directors for very long, he is by no means a completely new face. As managing director of Volksvermogen (one of the first and largest investors in Incofin cvso), he has been a member of both the investment committee and the board of directors since 2009. He is therefore very familiar with how Incofin cvso operates and the people who work there.

It isn't an easy year to take the helm, given the epidemic of the coronavirus that has ravaged the world last year. How do you look back on the past year?

Michiel Geers: Obviously, 2020 wasn't what I was expecting. It hasn't been an easy year for either Incofin cvso or its partner organisations. Lots of entrepreneurs and companies had to cease trading because of quarantine measures. The income stream from numerous companies, both in Belgium and developing countries, were grounded to a halt. Repaying credit was suddenly no longer a certainty, which is why there has been a moratorium on debt repayment in many countries. Entrepreneurs in need were allowed to postpone repayment of their credit, both in Europe and most countries in which Incofin cvso is active. This was to protect entrepreneurs, but at the same time it threatened to have a negative impact on microfinance institutions (MFIs), which in turn could face difficulties. Initially, the question was therefore only whether the MFIs would be able to pay off their own credit to us and other international investors. A whole process was put into motion at our fund manager Incofin Investment Management (Incofin IM) to see which microfinance institutions needed additional support. Incofin IM has worked very hard on this, something it can rightly be proud of. The advantage enjoyed by Incofin IM, thanks to its local offices in the different continents, and the fact that they have very close contact with the local people really paid off.

I can imagine that the needs of some microfinance institutions were greater than others.

Michiel Geers: You're right, and it often depends on a combination of factors. What's very clear is that the pandemic has struck harder in Latin America than in Asia and Africa, for example, and that our partners have therefore also found themselves facing stronger headwinds (certainly in the countries where Incofin cvso is active).

Incofin cvso has always pursued social impact in addition to financial results. How difficult was it, in 2020, to find the right balance between the social aspect and the financial aspect?

Michiel Geers: As far as the goal is concerned, we've always been on the same page with the entire board of directors: respect a proper balance between the social goal and the financial goal. That was clear from the start, although finding this balance itself was of course not always straightforward.

At Incofin cvso, we've shown a great deal of caution in our investment policy. But at the same time, we didn't want to withdraw loans just because of the increased risk. Incofin cvso's investment committee played a crucial role here. We were never going to demand early repayment from an MFI if that would cause it to run into trouble itself. We always wanted to keep thinking about the medium term and long term in partnership with our institutions. We also brought a number of new partner organisations on board. In 2020, we nevertheless paid out 22 million euros in loans over 15 transactions and we have 85 million euros outstanding, in about 40 countries.

What does the support received by these microfinance institutions from Incofin cvso look like in concrete terms?

Michiel Geers: We really did examine things on a case-by-case basis to estimate what the needs were. This concerns things like restructuring credit lines, providing revolving credit or extending the terms for example.

Most things went well in this respect. In fact, there have really only been two cases where we haven't yet been successful. There can be various causes for this: there's the case of Progresemos for example, local creditors in Mexico with a harder attitude than international creditors like us (managers of impact funds usually adopt a much more flexible attitude, based on conviction).

This also indicates the importance of cooperation between different investors.

Michiel Geers: Exactly. We carried out our restructuring in consultation with other investors according to agreed criteria. This method avoids creating a competitive advantage or disadvantage for one of the investors. Incofin Investment Management's excellent contacts played an important role here.

You've made it clear how much effort Incofin cvso has put in to be a partner for the institutions with which it cooperates, even in difficult times. However, what has been the impact of the coronavirus crisis on Incofin cvso itself? How healthy is its balance sheet?

Michiel Geers: We have provisions of 1.9 million euros, that we've built up per year anyway at a rate of 1% per year. In addition, we've created a one-off Covid provision of 2 million, which we want to use to deal with Progresemos and other cases with potentially more negative outcomes. This obviously impacts adversely on the result, which is why Incofin cvso has recorded a loss for 2020.

In addition to the provisions, we still have more than 5 million in earnings carried forward from previous years, for example profits from successful exits. Additionally, we had maintained strengthening our balance sheet, which now come in useful to keep the balance sheet solid.

Since these buffers are so strong, shareholders don't need to have any immediate concerns about Incofin cvso's balance sheet. And yet, as the board of directors, you're proposing no dividend pay-out this year.

Michiel Geers: I've stressed the importance of a solid balance sheet, and as a dividend would affect our reserves, we do indeed consider it prudent not to pay out a dividend for the 2020 fiscal year. This is in the interest of the stability of our organisation as well as of all our stakeholders.

It is an exceptional proposal. Although some caution must be exercised, we can expect a more normal result again in 2021, especially with the provisions we've made. Agreed, the impact of the coronavirus in 2021 is not yet fully clear, as moratoria are still being extended. In most countries, however, the postponement of repayments has come to an end and we've noticed that most companies are also able to repay their debts. So, if this scenario continues in 2021, we will be able to talk about a careful policy of progressive dividend accrual again.

What can we expect this year? What do you want to focus on as chairman?

Michiel Geers: I certainly don't envisage a break with the past. I would like to continue Incofin cvso's good work. I see 2021 as a year of transition: we have to continue to closely monitor the impact of the coronavirus and support our existing customers. In addition, we will also continue to expand the portfolio with new creditworthy partners.

In both the current portfolio and its expansion, we will focus on institutions that attach great importance to risk management and digitisation. We've not only seen that these types of institutions perform better financially, but we've also seen the numerous benefits that such choices provide the end customer.

Entrepreneurs can get loans more quickly for example and don't have to travel miles to process repayments in an office. Technical assistance will also continue to play an important role in 2021. We provide 100,000 euros per year for these projects, with which we help provide financial support for transformation projects of microfinance institutions (for example in the field of risk management or digitisation). That's something we already did in 2020. I think it's important that we continue to do this, even in difficult years.

Good luck and thank you very much for taking part in this interview.

Michiel Geers' career:

- **2020-present: Volksvermogen – managing director**
- **2007-2019: Volksvermogen – general secretary**
- **Voor 2007: various financial positions at Atlas Copco, Alcatel and Generale Bank.**
- **Studies: commercial engineer –KU Leuven**
- **Member of the board of directors of agRIF, vdk bank and SDG Frontier Fund, among others**

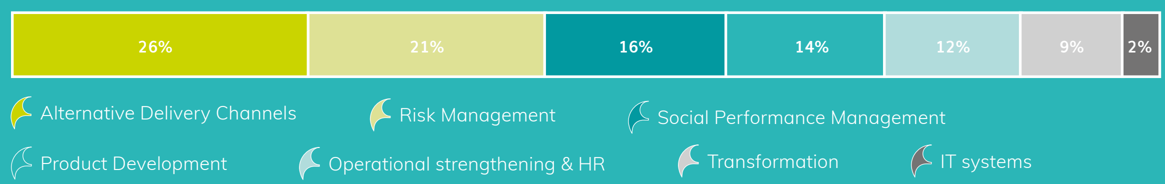
"The fact that I've been so involved in everything that goes on at Incofin cvso all this time meant I didn't need to think for long when I was offered the opportunity to become chairman of this great organisation. Incofin cvso's impact is still vital. 3 billion people live on an income of less than 2.5 dollars a day, so there's still plenty of work to be done. That's what drives me."

- Michiel Geers

Technical Assistance

Our so-called Capital Plus approach focuses on providing expert technical support to microfinance institutions. Incofin cvso complements funding by providing expert support to boost the capacity of these institutions. Incofin cvso has been implementing such support projects since 2011, resulting in a total of 24 projects.

Digital transformation has proved to be a necessity for many MFIs in order to remain competitive in the face of new fintech players which offer quick and easy access to financial services. The COVID pandemic has further aggravated this challenge calling for more digital interaction with clients and better efficiency. Through its TA, Incofin cvso could provide an adequate response to this challenge.



FINALIZED TECHNICAL ASSITANCE (TA) PROJECTS

New solar loan helps Haitians with power outages

Haiti | ACME | Product extension Loans for solar energy

ACME is one of the leading players in the Haitian microfinance market, but increasingly faced with aggressive competition. This is why the TA project for ACME focused on the diversification of its products range. A concrete result was the development of credits for solar energy. With these loans, entrepreneurs and homeowners can purchase solar kits, inverters, panels and light bulbs. It also helps ACME customers with regular power outages across the country. In addition, the institution carried out a market study of the possibilities of extending its offer of agricultural loans.

More than 2,300 new digital loans

Kenya | Juhudi Kilimo (JKL) | Digital transformation

In 2019, Incofin cvso helped JKL to develop a mobile application "Juhudika" that allows its clients to apply for emergency loans. In 2020, Incofin cvso continued to support the digitalization efforts of this agriculture focused MFI. The project helped JKL to further digitalize its loan application process, from client intake and loan origination to monitoring and repayment. Thanks to the fully integrated solution installed on tablets, the loan officers can collect data when visiting the clients. The solution is able to read fingerprints and also upload images of their farms. This helps Juhudi to perform deeper analysis of its clients and to continuously improve efficiency, cost-effectiveness and outreach of product delivery. JKL's commitment to digitalization is widely recognized in the industry. In November 2020, Juhudi won the Agritech Innovation prize at the Africa Digital Awards.

Lovćen becomes the first bank in Montenegro to attract new customers via a digital way

Montenegro | Lovćen Banka | Digital transformation

The project aimed to refine Lovćen's strategy for digital transformation that the Montenegrin bank was rolling out. Digital onboarding of SME clients was identified as the top priority and will be pursued in the course of 2021. This would be a first in Montenegro. In addition, Lovćen will gradually expend the range of its digital products and solutions.

NEW TA PROJECTS

New framework in the midst of a crisis

El Salvador | Optima | Budget: EUR 41,000

Operational and IT Risk Management

Optima Servicios Financieros is a leading microfinance institution in El Salvador targeting micro and small enterprises in urban and semi-urban areas. Originally the project aimed at business continuity. But then COVID-19 hit. The project was adapted and, rather than fine-tuning its risk management for potential future crisis situations, Optima had to refine its procedures in the midst of a very real crisis. The TA project targets the new operational risk management framework and IT risks.

Digital savings solutions

Burkina Faso | ACEP Burkina

Budget: EUR 50,700

Alternative channels : digital savings products

In Burkina Faso, recourse to the circulation of capital by electronic means and by cell phone is widespread. However, financial inclusion remains low: according to the IMF, less than 25% of the population has a bank account.

ACEP Burkina primarily offers loans, but to allow its clients to benefit from more security and higher liquidity, it works with the help of Incofin cvso on an offer of deposit and savings products. Access to and use of these savings solutions will be through various alternative delivery channels and thus without the customer having to travel to a physical branch.

Extension of a qualitative portfolio

Colombia | Sempli | Budget: EUR 13,600

Credit Risk Management

Sempli is a fintech company focused on serving Colombia's formal small business market. Incofin cvso hired an expert to help to develop an improved credit risk management framework. This will allow the company to improve its portfolio quality in the medium term and to scale up its operations responsibly.

Strengthening financial management in difficult times

Honduras | Credisol | Budget: EUR 39,200

Financieel beheer en operationele taken

Credisol is in turmoil. Because of COVID-19 and low coffee prices, its customers are facing repayment problems in numbers. In November, the impact of two hurricanes was added to this. Because Credisol has such an important impact on the rural population of Honduras, Incofin cvso decided, together with a series of other international donors (Triodos, Oikocredit and Cordaid), to hire a consultant who helps Credisol with a strategic turnaround plan and to validate revised financial projections.

Annual Financial Report 2020

All figures are presented in k€ unless stated otherwise.

1. Key figures in €k

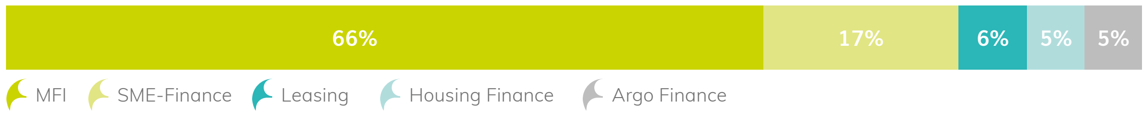
	2020	2019
Balance sheet total	84,927	96,326
Portfolio	**75,227**	**81,536**
Participations	15,391	12,859
Subordinated loans	13,039	11,711
Loans	46,796	56,965
Average amount invested in MFIs	1,120	995
Average loan amounted to MFIs	1,300	1,506
Equity	**53,226**	**55,814**
Capital	47,896	48,935
Debt financing	**28,185**	**33,185**
Available (uncalled)	1,250	8,815
Funding level	53%	60%
General provision	**4,072**	**1,195**
% of (subordinated) loan portfolio	6.80%	1.74%
PAR 30	5.83%	0.00%
PAR 30 + Restr	15.26%	5.64%

Return	2020	2019
Return on subordinated loan portfolio (IRR)	6.46%	6.22%
Return on loan portfolio (IRR)	5.25%	5.36%
Weighted average financing cost	1.91%	2.37%
Dividend	0%	2%

MFI performance	2020	2019
MFI portfolio (M EUR)	8,779	9,437
Average loan amount (EUR)	1,867	2,036
Total number of customers reached	4,703,202	4,635,786
% women	81%	79%
# MFIs	42	44
# countries	27	30

MFI portfolio by product

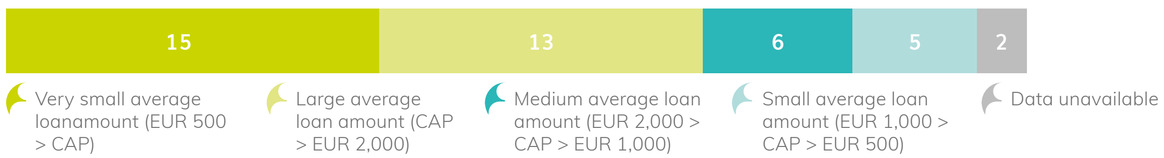
MFI portfolio by segment



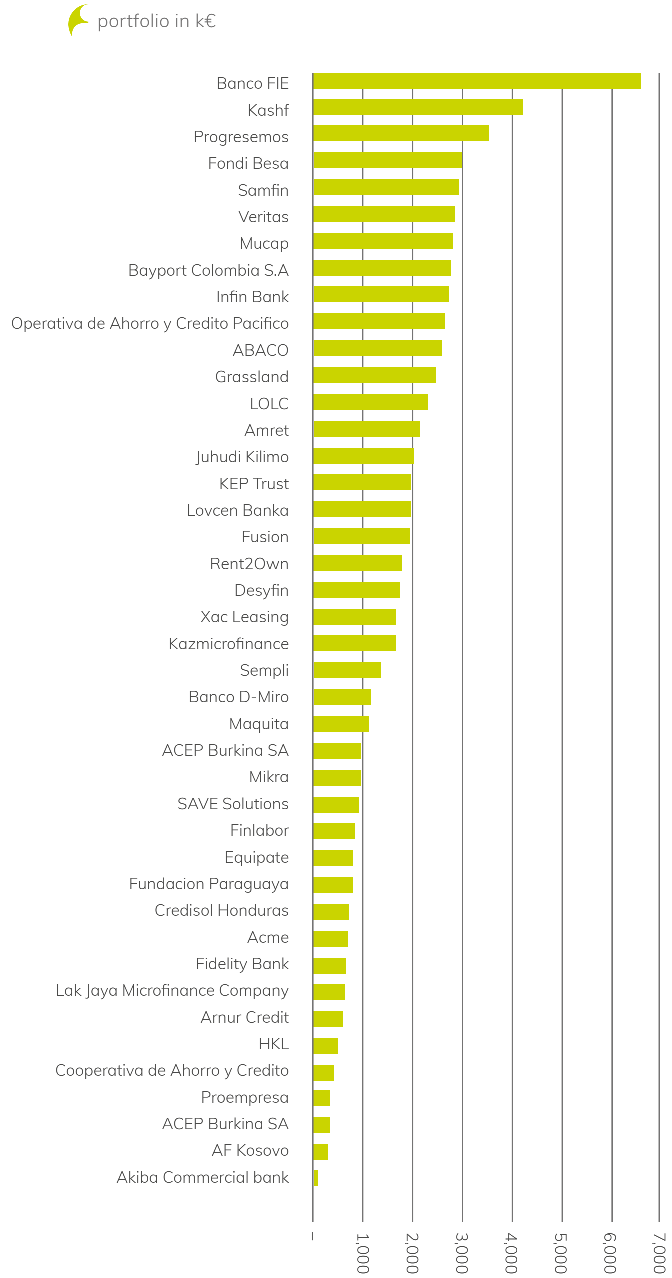
Portfolio by MFI size

Portfolio according to number of MFI customers

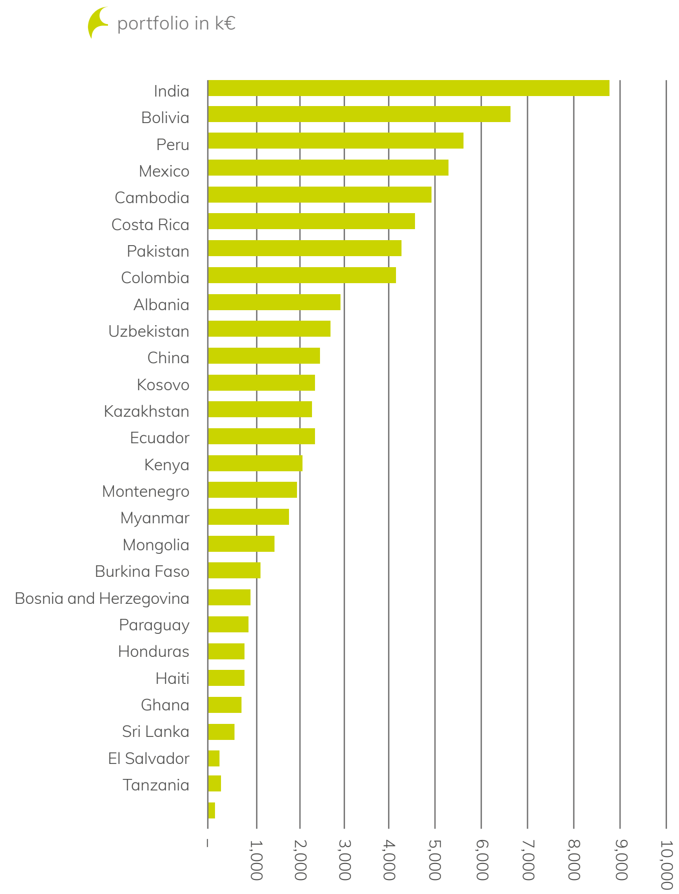
Portfolio according to average MFI loan amount



Portfolio by MFI

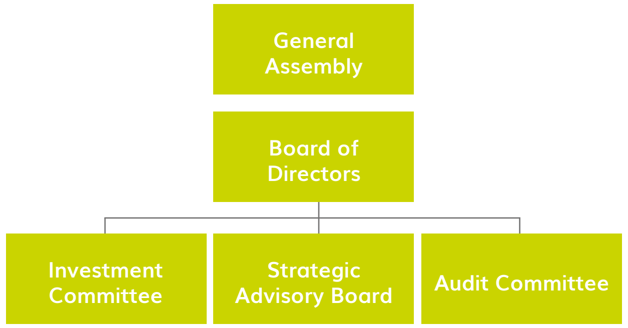


MFI portfolio by country



2. Corporate governance

The general management structure of Incofin cvso is as follows:



The members of the **Board of Directors** are appointed by the General Meeting. The duration of the term of office is six years. Members shall be eligible for re-election. The Board of Directors usually meets three times per year. The Board of Directors has the most extensive powers to carry out all acts of management and administration that fall within the scope of the corporate objective. The Board of Directors is responsible in particular for the following matters:

- approval of the annual budget;
- preparation of the annual accounts and the annual report for the General Meeting;
- defining the general policy and strategy of the company, in light of the evolution of the microfinance market.

The members of the Board of Directors do not receive any remuneration or benefits of any nature whatsoever, unless the General Meeting decides to grant remuneration for carrying out the mandate, in accordance with Article 20 of the Articles of Association, the Board of Directors has established an **Investment Committee**, a **Strategic Advisory Board** and an **Audit Committee**. The committees operate on the basis of a delegation, which is given to them by the Board of Directors. The composition, operation, powers and reporting of the Board of Directors and of the committees have been laid down in an amended internal Regulation which was approved by the Board of Directors at its meeting of 5 December 2017.

The mandates of the Committee are not remunerated unless the General Meeting decides to award remuneration for carrying out the mandate.

General Assembly

The General Assembly of Shareholders meets annually on the last Wednesday of April. In 2020, this was on 29 April 2020.

Board of Directors

The Board of Directors met six times in 2020. During these meetings, the financial figures, the annual budget and the general operation of Incofin cvso were discussed.

The members of the Board of Directors do not receive any remuneration or benefits in kind in return for their mandate. The composition of the Board of Directors at the end of 2019 was as follows:

Leen Van den Neste, Eric Delecluyse, Michiel Geers, Justin Daerden, Vic Van de Moortel, Luc Versele, Frank De Leenheer, Peter van den Brock, Guy Pourveur, Willy Bosmans, Anne van Autreve, Frans Samyn, Pieter Verhelst

Ms Anita Dewispelaere resigned in 2020.

Furthermore, the following members were included as honorary directors:
Frans Verheeke, Johan De Schamphelaere, Yvan Dupon, Ann Van Impe, Frank Vereecken, Ignace Schatteman, Henri Vansweevelt, Dirk Vyncke, Tony Janssen, Rein De Tremerie, Marc Timbremont, Jan Bevernage, Erik Bruyland, Frank Lambert, Guido Lamote, Paul Steppe, Walter Vandepitte, Roland Van der Elst, Jos Daniëls

Strategic Advisory Board

The main objective of the **Strategic Advisory Board** is to provide input, advice and recommendations to the Board of Directors from the shareholder base on:

- The mission, current and long-term strategies, objectives and plans, and the positioning of the Company; and
- Governance related issues, and more specifically with regard to:
  - The creation, operation and composition of the committees within the Board of Directors; and
  - The appointment and/or resignation of directors in accordance with the internal Regulations

The Strategic Advisory Board is composed as follows:
Frans Verheeke, Leen Van den Neste, Eric Delecluyse, Michiel Geers, Justin Daerden, Vic Van de Moortel, Luc Versele, Frank De Leenheer, Peter van den Brock, Guy Pourveur, Willy Bosmans, Anne van Autreve, Frans Samyn, Pieter Verhelst, Johan De Schamphelaere, Yvan Dupon, Ann Van Impe, Frank Vereecken, Ignace Schatteman, Henri Vansweevelt , Francis Deknudt, Dirk Vyncke, Benoît Braekman, Frank Degraeve, Tony Janssen, Greet Moerman, Jan Verheeke, Rein De Tremerie, Marc Timbremont, Mark Leysen

Investment Committee

The **Investment Committee is responsible for implementing the company's investment policy**, as defined in the Investment Policy. The Investment Committee is composed of **at least 5 members appointed by the Board of Directors**, who specialize in financial affairs and development. The Committee meets regularly, at least once every quarter. **Incofin Investment Management acts as advisor to the entire investment portfolio of Incofin cvso. The committee met eleven times in 2020**.

The members of the Investment Committee are:

- Johan De Schamphelaere
- Tony Janssen
- Michiel Geers (President)
- Peter van den Brock
- Ignace Schatteman
- Pieter Verhelst
- Frank Degraeve

The mandate of the Investment Committee is not remunerated.

Audit Comittee

The **Audit Committee supervises the procedures and processes of the company, as well as all aspects relating to risks and their management**. The Audit Committee is composed **of a minimum of three members appointed by the Board of Directors**, who cannot sit on any other committee established by the Board of Directors. The Audit Committee met three times in 2020.

- Frans Samyn (President)
- Marc Timbremont
- Henri Vansweevelt

The mandate of the Audit Committee is not remunerated.

Auditor

Deloitte Bedrijfsrevisoren, represented by Maurice Vrolix, was appointed as auditor of Incofin cvso for 3 years at the General Assembly of Shareholders of 29 April 2020.

3. Financial statements as of 31/12/2020 in €k

Balance sheet

Assets	12/2020	12/2019
Investment portfolio	**15,391**	**12,859**
Acquisition cost	10,744	8,781
Stock dividends	5,440	4,721
Impairments	-792	-642
Subordinated loan portfolio	**13,039**	**11,711**
Subordinated loan portfolio > 1 year	11,701	10,374
Subordinated loan portfolio < 1 year	1,338	3,110
Impairments		-1,772
Loan portfolio	**46,796**	**56,965**
Loan portfolio > 1 year	16,746	31,728
Loan portfolio < 1 year	30,050	25,492
Impairments		-256
Available provision	-4,072	-1,195
Current assets	**3,007**	**5,854**
Other receivables	2,418	5,808
Deferred charges and accrued income	589	46
Cash and cash equivalents	**12,493**	**10,131**
Assets	**86,655**	**96,326**

Liabilities	12/2020	12/2019
Equity	**53.226**	**55.814**
Capital	47.896	48.935
Reserves	1.481	1.481
Result carried forward	3.848	5.398
Debt capital	**28.185**	**33.185**
Debt financing > 1 year	14.500	28.185
Debt financing < 1 year	13.685	5.000
Current liabilities	**5.244**	**7.327**
Other payables	2.978	5.732
Dividends	45	994
Provision for technical assistance	134	160
Deferred income and accrued charges	2.087	440
Liabilities	**86.655**	**96.326**

Income statement

Income statement	12/2020	12/2019
Operating income	**4,257**	**3,080**
Investment portfolio	**915**	**48**
Cash dividends	226	117
Stock dividends	719	622
Gain/(loss) on sale	121	-49
Impairments	-150	-642
Subordinated loan portfolio	**900**	**-950**
Interest	760	800
Upfront fees	22	22
Impairments	118	-1,772
Loan portfolio	**2,339**	**3,657**
Interest	2,261	3,420
Upfront fees	186	227
Impariment	-108	10
Other income	**102**	**325**
Operational costs	**-4,447**	**-1,073**
Incofin IM management fee	-1,306	-1,691
Portfolio insurance		
General provision	-708	983
Specific provision	-2,169	
Provision for Technical Assistance (TA)	-100	-100
Additional TA provision	-100	-100
Reversal TA provision	126	76
TA expenses	-126	-76
Communication	-126	-146
Other goods and services	-142	-120
Netto operating result	**-190**	**2,007**
Financial results	**-986**	**-1,006**
Interest	-606	-759
Miscellaneous	-381	-247
Profit (loss) before tax	**-1,177**	**1,001**
Corporate tax	-136	
Withholding tax on interest	-238	-276
Result (loss) after tax	**-1,550**	**725**

Cash flow

Cash flow	12/2020
Cash flow operations	
EBIT	190
Other cash results	-754
Non-cash results	**2,273**
Investment portfolio	**-569**
Impairments	150
Stock dividends	-719
Subordinated loan portfolio	**-118**
General provision	
Impairments	-118
Loan portfolio	**108**
General provision	
Revision of general provision	
Impairments	108
General provision	**669**
Specific provision	**2,169**
Revision of general provision	**10**
Technical assistance (TA)	**-26**
Corporate tax due	**136**
Increase/decrease in current assets/liabilities	1,614
Cash flow based on results	**3,078**
Investment cash flow	
Increase/decrease in investment portfolio	-1,963
Increase/decrease in subordinated loan portfolio	-1,328
Increase/decrease in loan portfolio	10,169
Available cash flow	**9,955**
Financial cash flow	
Increase/decrease in capital	-1,039
Dividends paid in respect of previous financial year	-949
Increase/decrease in debt financing	-5,000
Interest paid on debt financing	-584
Increase/decrease in interest payable	-22
Net cash flow	**2,362**
Cash and cash equivalents previous period	10,131
Cash and cash equivalents current period	**12,493**

4. Explanatory notes

Financing structure

Capital

In 2020, the share capital decreased by EUR 1,039,000 to EUR 47,896,000. A decrease of 2% compared to 2019. The capital is represented by 2,492 shareholders.

Shareholders with more than 1% of the capital	31/12/2020	
Wereld-Missiehulp vzw	1,562	3.3%
Volksvermogen	1,510	3.2%
ACV Metea	1,263	2.6%
vdk bank	1,146	2.4%
LINTRUST Comm. V.	1,042	2.2%
Abdij der Norbertijnen van Averbode	1,003	2.1%
Congrégation Hospitalière des Soeurs de la Charité de J.M.	1,003	2.1%
Omnivale Gcv	1,003	2.1%
Vlaamse overheid - Departement Internationaal Vlaanderen	1,000	2.1%
Sociaal Fonds Bedienden Voedingsnijverheid	727	1.5%
de Kade vzw	633	1.3%
BRS Microfinance Coop CVBA	560	1.2%
ACV Voeding en Diensten	521	1.1%
ACV bouw - industrie & energie	521	1.1%
Crelan NV	521	1.1%
Gimv	521	1.1%
Other shareholders	**33,364**	**69.6%**
Total	**47,896**	**100%**

Evolution of the capital

Debt financing

	> 1 year			< 1 year			Book value	
	12/2019	+/-	12/2020	12/2019	+/-	12/2020	12/2019	12/2020
ACV-CSC Metea	3,500		3,500				3,500	3,500
Belfius*	6,750	-3,750	3,000		3,750	3,750	6,750	6,750
Bank fur Kirche und Caritas	5,000		5,000	2,000	-2,000		7,000	5,000
KBC Bank	6,935	-6,935		3,000	3,935	6,935	9,935	6,935
vdk bank	6,000	-3,000	3,000		3,000	3,000	6,000	6,000
	28,185	**-13,685**	**14,500**	**5,000**	**8,685**	**13,685**	**33,185**	**28,815**

*EUR 1,250,000 available credit line

Funding level

	12/2020
Equity	53,226
Debt financing	28,185
Funding level (max 100%)	**53.0%**
Max increase in debt financing	**23,791**
Available appropriations	1,250

Portfolio overview

Investment portfolio in €k

				Purchase value			Stock dividends			Impairments			Book value	
MFI	Date	Currencies	Country	12/2019	+/-	12/2020	12/2019	+/-	12/2020	12/2019	+/-		12/2019	12/2020
ACEP Burkina SA	25/09/2009	XOF	Burkina Faso	351		351							351	351
Acme	14/07/2009	HTG	Haiti	1,053		1,053				-224	-102	-326	829	727
Akiba Commercial Bank	30/04/2008	TZS	Tanzania	530		530	60	-1	59	-419	-48	-467	172	123
Banco FIE	28/08/2008	BOB	Bolivia	1,356		1,356	4,562	720	5,283				5,918	6,639
Proempresa	25/08/2010	PEN	Peru	284		284	98		98				382	382
Juhudi Kilimo	07/05/2019	KES	Kenya	2,023		2,023							2,023	2,023
Sempli	23/09/2019	USD	Colombia	1,367		1,367							1,367	1,367
Lovcen Banka	19/11/2020	EUR	Montenegro		2,000	2,000								2,000
MFI portfolio				**6,963**	**2,000**	**8,963**	**4,721**	**719**	**5,440**	**-642**	**-150**	**-792**	**11,042**	**13,610**
Impulse	16/11/2005	EUR	Belgium	49									49	13
Incofin IM	23/07/2009	EUR	Belgium	751									751	751
Fair Trade Fund	03/09/2012	USD	Luxembourg	583									583	583
MFX LLC	25/06/2009	USD	United States	355									355	355
FPM SA	07/10/2014	USD	Congo, DRC	79									79	79
non MFI portfolio				**1,817**	**-37**								**1,817**	**1,781**
Participation portfolio				**8,781**	**1,963**	**10,744**	**4,721**	**719**	**5,440**	**-642**	**-150**	**-792**	**12,859**	**15,391**

Subordinated loan portfolio in €k

				> 1 year			< 1 year			Impairments			Book value	
MFI	Date	Currencies	Country	12/2019	+/-	12/2020	12/2019	+/-	12/2020	12/2019	+/-	12/2020	12/2019	12/2020
Existing subordinated loans				**8,222**	**-1,338**	**9,036**	**800**	**-1,772**	**1,338**	**-1,772**	**1,772**		**11,711**	**10,374**
Finca Nicaragua	26/08/2015	USD	Nicaragua				1,772	-1,772		-1,772	1,772			
HKL	07/07/2016	USD	Cambodia	538	-269	269	269		269				806	538
LOLC	15/04/2016	USD	Cambodia	531	-531		531		531				1,062	531
Mucap	20/12/2016	USD	Costa Rica	2,825		2,825							2,825	2,825
ABACO	10/08/2018	USD	Peru	2,586		2,586							2,586	2,586
Desyfin	21/12/2018	USD	Costa Rica	1,742		1,742							1,742	1,742
Amret	25/04/2019	USD	Cambodia	2,152	-538	1,614	538		538				2,689	2,152
New subordinated loans					**2,665**	**2,665**							**2,689**	**2,665**
Cooperativa de Ahorro y Credito Pacifico	29/06/2020	USD	Peru		2,665	2,665							2,689	2,665
Total subordinated loans				**8,222**	**1,328**	**11,701**	**800**	**1,772**	**1,338**	**-1,772**	**1,772**		**11,711**	**13,039**

Loan portfolio in k€

					> 1 year			< 1 year			Depreciation			Book value	
MFI	Segment	Date of investering	Currencies	Country	12/2019	+/-	12/2020	12/2019	+/-	12/2020	12/2019	+/-	12/2020	12/2019	12/2020
MFI portfolio					**31,728**	**-14,983**	**16,746**	**5,131**	**4,558**	**30,050**	**-256**	**256**		**57,715**	**46,796**
Existing loans					**16,746**	**-23,237**	**5,131**	**13,516**	**12,130**	**25,646**				**41,884**	**30,776**
Banco D-Miro	MFI	07/12/2015	USD	Ecuador	1,167	-1,167			1,167	1,167				1,167	1,167
Fidelity Bank	SME-Finance	31/03/2017	USD	Ghana	690	-690		690		690				1,381	690
Fundacion Paraguaya	MFI	31/03/2017	PYG	Paraguay	845	-845		845		845				1,690	845
AF Kosovo	MFI	11/01/2018	EUR	Kosovo	333	-333		333		333				667	333
Kazmicrofinance	MFI	28/03/2018	USD	Kazakhstan	489	-489		978	-489	489				1,466	489
Veritas	SME-Finance	26/03/2018	INR	India	2,867	-2,867			2,867	2,867				2,867	2,867
Lak Jaya Microfinance Company Limited	MFI	03/04/2018	EUR	Sri Lanka	333	-111	222	333	111	444				667	667
Xac Leasing	MFI	16/05/2018	USD	Mongolia	1,687	-1,687			1,687	1,687				1,687	1,687
Equipate	MFI	23/08/2018	USD	Mexico	434	-434		434	417	852				868	852
Credisol Honduras	MFI	04/09/2018	HNL	Honduras	377	-377		754	-377	377				1,131	377
Samfin	Agro Finance	31/08/2018	INR	India	2,955	-2,955			2,955	2,955				2,955	2,955
Fusion	MFI	27/09/2018	INR	India	1,964	-1,964			1,964	1,964				1,964	1,964
Progresemos	MFI	04/12/2018	MXN	Mexico	882	-882		882	842	1,724				1,765	1,724
Kashf	MFI	08/01/2019	USD	Pakistan	2,184	-2,184		2,184		2,184				4,369	2,184
R2O	Leasing	02/04/2019	USD	Myanmar	1,779	-1,779		889	889	1,779				2,668	1,779
Finlabor	MFI	10/04/2019	MXN	Mexico	893	-893		893		893				1,786	893
Fondi Besa	MFI	23/05/2019	EUR	Albania	2,000	-1,000	1,000	1,000		1,000				3,000	2,000
Infin Bank	SME-Finance	02/05/2019	EUR	Uzbekistan	750	-750		750		750				1,500	750
Kazmicrofinance	MFI	02/05/2019	USD	Kazakhstan	1,794	-1,395	399		797	797				1,794	1,196
Grassland	SME-Finance	21/06/2019	CNH	China	1,250	-35	1,215	1,250		1,250				2,500	2,465
Progresemos	MFI	31/07/2019	USD	Mexico	1,594	-399	1,196	199	399	598				1,794	1,794
Maquita	MFI	27/02/2019	USD	Ecuador	1,099		1,099	1,099	1,099					2,199	1,099
New loans						**10,153**	**10,153**		**2,278**	**2,278**					**12,431**
Bayport Colombia S.A.	MFI	17/04/2020	COP	Colombia		1,853	1,853		912	912					2,765
SAVE Solutions	MFI	02/06/2020	INR	India		977	977								977
LOLC	MFI	08/06/2020	USD	Cambodia		1,768	1,768								1,768
ACEP Burkina Faso	MFI	21/09/2020	XOF	Burkina Faso		500	500								500
Fondi Besa	MFI	25/09/2020	EUR	Albania		500	500		500	500					1,000
Kashf	MFI	08/12/2020	USD	Pakistan		2,055	2,055								2,055
Mikra	MFI	21/12/2020	EUR	Bosnia and Herzegovina		1,000	1,000								1,000
Infin Bank	MFI	18/12/2020	EUR	Uzbekistan		1,500	1,500		500	500					2,000
Credisol Honduras	MFI	04/09/2020	USD	Honduras					366	366					366
Renewals					**1,000**	**463**	**1,463**	**3,163**	**-1,037**	**2,126**				**4,913**	**3,589**
Optima Servicios Financieros	MFI	29/04/2018	USD	El Salvador				413	-413					413	
Optima Servicios Financieros	MFI	29/04/2020	USD	El Salvador		463	463								463
KEP Trust	MFI	29/05/2018	EUR	Kosovo	1,000	-1,000		1,000		1,000				2,000	1,000
KEP Trust	MFI	29/05/2020	EUR	Kosovo		500	500		500	500					1,000
ACEP Burkina Faso	#N/B	26/10/2018	XOF	Burkina Faso				1,000	-1,000					1,000	
ACEP Burkina Faso	New	26/10/2020	XOF	Burkina Faso		500	500								500
Arnur Credit	#N/B	09/11/2018	KZT	Kazakhstan				750	-750					750	
Arnur Credit	New	09/11/2020	KZT	Kazakhstan					626	626				750	626
Loans repaid					**2,361**	**-2,361**		**8,814**	**-8,814**		**-256**	**256**		**10,918**	
Credisol Honduras	MFI	14/03/2017	HNL	Honduras				156	-156					156	
XacBank	MFI	17/02/2017	USD	Mongolia				947	-947					947	
Credisol Honduras	MFI	05/09/2017	HNL	Honduras				132	-132					132	
Microcred Senegal S.A.	MFI	19/04/2018	XOF	Senegal				1,000	-1,000					1,000	
First Finance	MFI	02/05/2016	USD	Cambodia				442	-442					442	
Cooperativa de Ahorro y Credito Pacifico	MFI	30/06/2017	USD	Peru				661	-661					661	
Kazmicrofinance	MFI	10/07/2017	KZT	Kazakhstan				1,473	-1,473					1,473	
Fusion	MFI	07/07/2017	INR	India				2,687	-2,687					2,687	
Fundeser	MFI	01/07/2016	USD	Nicaragua	361	-361								361	
NPFC	MFI	07/12/2016	EUR	The Philippines				256	-256		-256	256			
Equipate	MFI	02/10/2017	USD	Mexico				423	-423					423	
LOLC	MFI	20/12/2017	USD	Cambodia				635	-635					635	
Lovcen Banka	MFI	28/03/2019	EUR	Montenegro	2,000	2,000								2,000	
Total loan portfolio					**31,728**	**-14,983**	**16,746**	**25,492**	**4,558**	**30,050**	**-256**	**256**		**57,715**	**46,796**

5. Compliance

Fund guidelines

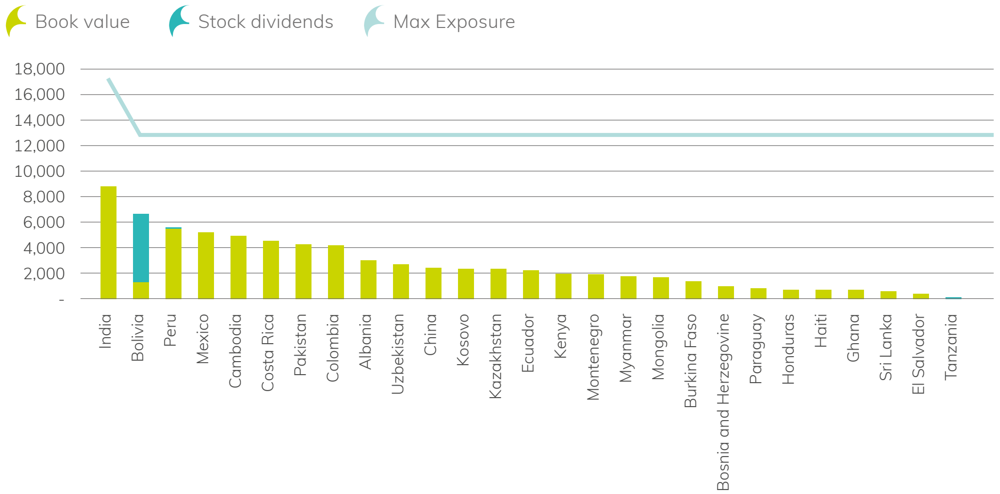
Fund guidelines

- ccording to the fund's guidelines, the following risk spread was determined: the book value by country and MFI may not exceed 15% (20% for India) and 10% of the total assets of Incofin cvso respectively.
- Incofin limits its participatoins (via participations & subordinated loans) in MFIs and other funds to a maximum of 75% of its equity

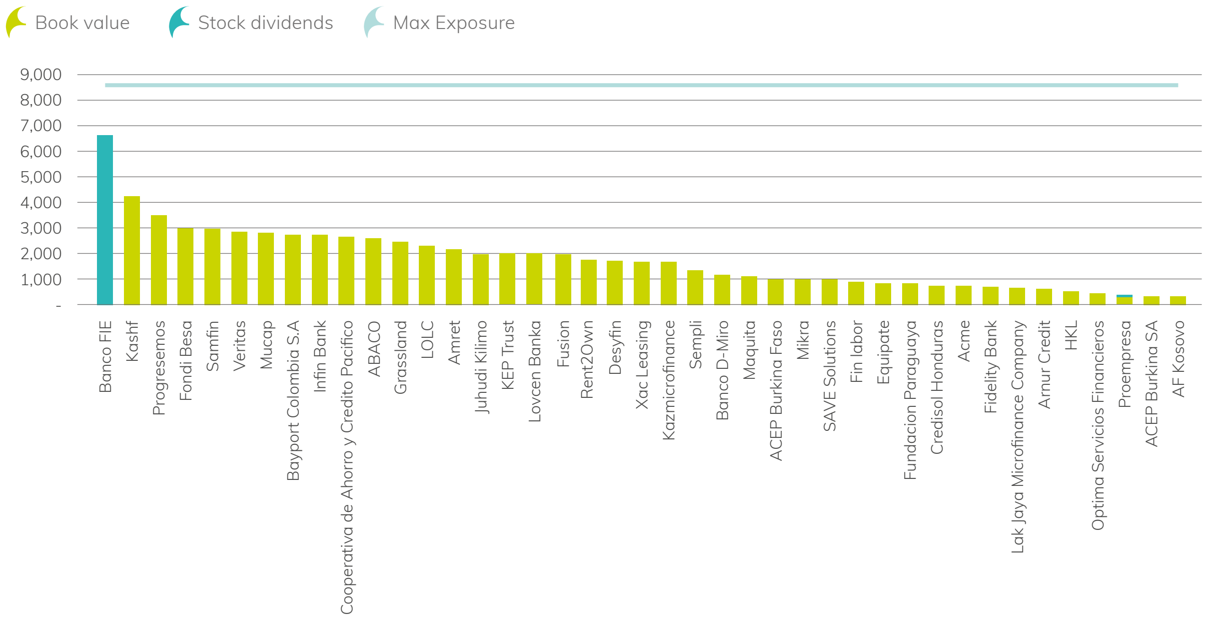
Compliance

Risk diversification in the portfolio

Exposition by country



Exposure by MFI



Book value of participating interest portfolio

	12/2020
Equity	53,226
Max book value (75%)	39,919
Investment portfolio (via shareholdings and subordinated loans)	28,430
Current book value	53%

6. Valuation rules

Without prejudice to the specific valuation rules mentioned below, the valuation rules as they are determined in accordance with the provisions of the Royal Decree of 29 April 2019 in implementation of the Companies Code with regard to the valuation rules, apply. Unless otherwise stated, the article numbers refer to the relevant articles of the aforementioned Royal Decree of 29 April 2019.

Assets

Without prejudice to the specific valuation rules mentioned below, each individual asset is valued separately at acquisition value and included in the balance sheet for that amount, after deduction of the depreciation and amounts written down on the individual asset concerned (art. 3 :13, first paragraph).

Intangible fixed assets

Intangible fixed assets are booked at acquisition value, excluding additional costs. They are depreciated over the useful life of the assets, i.e. 5 years for software.

Tangible fixed assets

Tangible fixed assets are booked at acquisition value, excluding additional costs. They are depreciated over the useful life of the assets, specifically:

- Office equipment 5 years
- Computer 3 years
- Furniture 10 years

Participations and shares

Participations and shares are valued at acquisition price, excluding the additional costs (art. 3 :19, §2). An impairment is made in the event of a lasting loss of value or a devaluation, justified by the situation, profitability or prospects of the company in which the participations or shares are held (art. 3 :44, §2). The participations and shares that appear under financial fixed assets are not revaluated (art. 3 :35, §1). Once an impairment has been made, the value of the participation concerned will be increased again up to a maximum of the level of the original acquisition price if the situation, profitability or prospects of the company (to be assessed by the Board of Directors) justify this.

Fixed-income securities

Fixed-income securities are valued at acquisition cost. The difference between the acquisition cost and the redemption value is recognized in the income statement on a straight-line basis over time.

Amounts receivable within and after one year

Without prejudice to the provisions of articles 3 :45, §2, 3 :46 and 3 :51, receivables are recorded at their nominal value (art. 3 :45, §1) on the closing date of the financial year.

In accordance with article 3 :46, impairments are recorded if there is uncertainty about the payment of all or part of the receivable on the due date.

In order to take into account the particular credit and currency risk arising from granting credit to high-risk countries with unstable economic and political conditions, an overall impairment of 1% of the outstanding investment portfolio in the form of receivables, weighted on the basis of the ECA risk scores published for each country, is recorded annually. In 2018, the Board of Directors took the decision to also hedge the present country risk through the overall valuation decrease and consequently to increase it to 1.31% of the outstanding investment portfolio in the form of receivables, weighted according to the ECA risk scores published by country. These global impairments are set up in accordance with article 3:25 of the Royal Decree on companies, since these are receivables with the same technical and legal qualities.

The level of this impairment can be adjusted based on historical loss data.

Investments and cash and cash equivalents

They are recorded at their acquisition value or the realization value at the closing date, if this is lower (art. 3 :52).

Liabilities

Provisions for risks and charges

Provisions are set up to cover clearly defined losses or charges that are probable or certain by their nature at the balance sheet date, but the amount of which is not fixed (art. 3 :28).

Amounts payable within and after one year

Without prejudice to the other provisions of articles 3 :55, 3 :45, §2 et 3 :51, debts are booked at their nominal value (art. 3 :45, §1).

Conversion of foreign currency (Art. 3 :12)

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.

All foreign currency receivables and payables are hedged against possible exchange rate differences through cross-currency or forward contracts. Such receivables or payables are valued at the contractually agreed hedging rate.

Other monetary assets and liabilities denominated in foreign currencies are converted at the closing rate on the balance sheet date. Profit and losses resulting from transactions in foreign currencies and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items valued at acquisition cost in a foreign currency are converted at the exchange rate in force on the date on which the acquisition cost is determined.

The financial results reflect the positive and negative exchange rate differences on a net basis.

7. Report of the Board of Directors

We hereby present you with our report for the fiscal year 2020 and request you to approve the annual accounts as closed on 31 December 2020. The board of directors supervised the activities of the company with due regard for its specific social purpose.

2020: an exceptional year

It is appropriate that this report focuses in the first place on the exceptional circumstances of the year 2020, marked by the dramatic COVID-19 pandemic. 114 million people have been infected worldwide and so far, the disease has killed more than 2.5 million people[1]. This crisis has not spared the poorest countries, of course. Latin America has been disproportionately affected, with 21 million infections and 680,000 deaths. In Asia, 16 million people have been infected and 256,000 people have died. Africa, with its young population, suffered less by comparison, with 3.9 million infections and 103,000 deaths.

Behind each and every one of these infections and deaths is a human tragedy. First and foremost, we would like to express our condolences to all those concerned and their families.

The pandemic has seriously disrupted the society and economy of the countries where Incofin invests. The governments in these countries have taken public health protection measures which have prevented the business model of microenterprises and SMEs from functioning properly. For example, markets where microentrepreneurs are active have been closed or it has become more difficult to transport agricultural products to sales markets. As a result, a higher than normal percentage of these small companies, often customers of microfinance institutions, has been facing repayment problems. This has, in turn, had a detrimental effect on the portfolio quality of the microfinance institutions which Incofin invests in. This pattern has had a particularly adverse effect on Incofin's portfolio in Latin America.

Approach of the board of directors

The board of directors took special measures in 2020 to control and manage the impact of the COVID crisis. Efforts were first directed at carefully monitoring the existing portfolio. All the microfinance institutions in the portfolio were assessed using a specially designed system of COVID-19-related critical risk indicators. These indicators were systematically monitored by the investment committee. Possible renewals of credits were carefully analysed. New credits were only awarded very selectively, and exclusively to highly performing institutions. Incofin concluded an agreement with other investment funds to support, together and in a coordinated manner, microfinance institutions that came under pressure as a result of the crisis and to give them breathing space: agreements were made on joint credit rearrangements, for example. This method turned out to be highly effective. Repayment arrears by microfinance institutions to Incofin represented 5.8% of the portfolio at the end of 2020. Together with the restructured loans, the aforementioned percentage amounts to 15.2%.

Prudence principle

For years, Incofin has been building up a provision of 1% of the portfolio to compensate possible defaults. At the end of 2020, the cumulative general provision amounts to 3.2% of the portfolio. In 2020, the board of directors decided (out of prudence) to set aside a specific provision of 2.1 million euros (3.6% of the portfolio) on top of the annual general provision. As a result, Incofin's provisions rise to 6.8% of the portfolio at the end of 2020. The specific provision was created after a thorough review of all the microfinance institutions in Incofin's portfolio. The possible magnitude of the default for more risky positions was calculated. This amount was booked as a specific provision to cover future failures. The analysis revealed that two Latin American institutions were at serious risk of default. As mentioned earlier, the effects of the coronavirus crisis are mainly being felt in Latin America.

The board of directors believes that this high level of provisions is sufficient to cope with the consequences of the crisis.

No dividend payment

The specific provision of 2.1 million euros adversely impacts Incofin's result in 2020. As a result, it will record a loss for the first time in 17 years (of -1.6 million euros). Admittedly, Incofin has been able to present continuous positive results over the past 17 years and over the years, considerable reserves have been built up for an amount of 5.3 million euros. Thanks to this accumulated buffer, the loss of 2020 has a limited impact on the financial solidity and Incofin's intrinsic value is still well above the nominal capital. In line with the recommendations of the European Central Bank for the financial sector, the board of directors proposes to the general meeting, out of prudence and in order to maintain Incofin's equity, to pay no dividend for the 2020 fiscal year, after having paid out dividends every year continuously since 2007. The proposal to the GM highlights the importance the board of directors attaches to Incofin's solvency.

Social performance

Incofin cvso is an investment company with a social purpose. The board of directors ensured that the company (despite the crisis) continued to fully realise its social mission, thereby providing the end customers of the microfinance institutions with the best possible support. The impact of Incofin cvso's investments in the field is considerable. Incofin cvso invests in 42 microfinance institutions and other financial institutions active in the field of financial inclusion to support small entrepreneurs in developing countries. These institutions are spread over 27 countries, often in difficult regions. The involvement of these local financial institutions provides a very large leverage effect for the investments of Incofin cvso. Together, these financial institutions reach 4.7 million customers, 81% of which are women. The average loan amount per customer is EUR 1,867.

In order to achieve more impact with adapted financial services, Incofin cvso has broadened its investment universe beyond traditional microfinance. In addition to microfinance institutions (66%), Incofin cvso's investment portfolio includes investments in financial institutions active in financing housing (5%), SMEs (17%) and agriculture (5%) as well as in leasing (6%).

Incofin cvso ensures that the financial institutions put the well-being and progress of their customers first. This is monitored by a standardised measuring method. This method was recently refined by using an internationally accepted standard (SPI4-Alinus).

The financial institutions in the Incofin cvso portfolio are predominantly healthy and well-performing institutions: they have a good-quality credit portfolio (with limited arrears), they keep their general costs under control and they are profitable.

Incofin cvso provides a budget for technical assistance each year. This budget ensures that Incofin cvso's financial partners in developing countries can call on technical assistance. This support is used to engage experts who can share their knowledge with the institutions in question. This significantly improves the functioning of the financial institutions in various areas (risk management, product development, etc.). In view of the major leverage effect this technical assistance provides, the board of directors of Incofin cvso decided to maintain the available annual budget at EUR 100,000 in 2021. In 2020, 6 microfinance institutions were supported; EUR 126,000 from the available total budget. Incofin cvso believes giving support in the form of technical assistance is an important additional method to achieve its social mission.

To enable investments in high-quality, socially engaged customers, a specific 'social' envelope of EUR 50,000 per year was created to permit loans at a lower interest rate than the predetermined minimum return. Two loans were approved in the context of this envelope in 2020.

Explanatory notes on Incofin cvso's balance sheet for the 2020 fiscal year

Incofin cvso's equity at the end of the 2020 fiscal year was EUR 53,226,000 compared to € 55,814,000 at the end of the 2019 fiscal year. The number of shareholders increased from 2,454 to 2,546 during 2020. So the decrease in issued capital could remain limited, despite the exit of one large shareholder. This capital decreased slightly by EUR 1,039,000 to € 47,896,000. The finally limited decline in capital shows that Incofin cvso's shareholders are very loyal.

Debts in the form of short-term and long-term loans decreased by EUR 5,000,000 during 2020. At the end of 2020, Incofin cvso has effectively drawn up EUR 28,185,000 in debts, this being 53% of the equity. In addition, the fund has undrawn credit lines for a total amount of EUR 1,250,000. These credit lines can be exploited to a maximum of 100% of the volume of the equity, as determined in the guidelines established by the board of directors. The available credit lines are in line with the proposed liquidity plan for 2021. However, the search for potential new or additional lenders is already underway.

The investment portfolio amounts to EUR 75,227,000 at year-end and consists of participations of EUR 15,391,000 and loans of EUR 59,835,000, including seven subordinated loans for an amount of EUR 13,039,000. The loan portfolio in 2020 consists of 43 loans to 34 financing bodies (and microfinance institutions), spread over 22 countries. Incofin cvso also participates in syndicated loans, worth EUR 3,127,000.

[1] *https://www.bbc.com/news/world-latin-america-52711458. Figures on 4 March 2021..*

The participation portfolio increased slightly, by the end of 2020, by EUR 2,532,000. This is mainly due to the planned conversion of a loan (Lovćen Banka in Montenegro), of EUR 2,000,000, and the stock dividends of EUR 720,000 received from Banco FIE. In addition, (i) a write-down, of EUR 102,000, was booked on the participation in ACME, as a result of a further depreciation of the Haitian gourde and (ii) a write-down, of EUR 48,000, was booked on the participation in Akiba, as a result of an adjusted exit value where the prudence principle was applied.

The total available provisions amount to EUR 4,072,000 at the end of the fiscal year, which represents 6.8% (1.7% at the end of 2019) of the outstanding portfolio. These provisions consist of a general provision of EUR 1,903,000 and an additional specific provision of EUR 2,169,000, related to 2 loans, in Latin America, where credit quality deteriorated following the coronavirus crisis.

At the end of the fiscal year, the available cash amounts to EUR 12,493,000, of which EUR 1,140,000 relate to collateral for exchange rate risk hedging products, an increase of EUR 2,362,000 compared to the end of 2019. The availability of these liquid assets ensures that Incofin cvso has sufficient space for the planned investments in 2021. The other balance sheet items mainly concern syndicated loans of EUR 3,127,000, anticipated interests on the loan portfolio of EUR 589,000 and other receivables of EUR 192,000 (recoverable VAT and customers).

As off-balance-sheet liabilities, we mention the contracts with KBC Bank and MFX Solutions, in the form of cross-currency interest rate swaps and forward transactions to hedge the exchange rate risks for outstanding loans to financial institutions. All capital flows and non-euro interests, for loans issued by Incofin cvso in local currency, were hedged with a cross-currency interest rate swap. At the end of 2020, Incofin cvso has a total notional amount of EUR 50,445,000 of hedging products open at the hedged rate, representing 84% of the outstanding loan portfolio. The remaining 16% of this portfolio consist of loans in West African 'CFA franc' (ISO code XOF) and in EUR. XOF is a currency pinned to the EUR. The volume of hedged loans in exotic currencies to financial institutions in 2020 represents 37% of the hedged loans. The other 63% consist of USD loans to financial institutions.

Explanatory notes on Incofin cvso's income statement for the 2020 fiscal year

Incofin cvso closes the fiscal year with a negative result after tax of € 1,550,000, which is lower than the previous year (2019: EUR 725,000). This decrease is mainly explained by the aforementioned specific provision (EUR 2,169,000), established in the 2020 fiscal year.

The recurring financial results for the past fiscal year amount to EUR 3,289,000 and mainly consist of: (i) interests received on loans EUR dividends received (EUR 719,000), (iii) cash dividends received (EUR 226,000), (iv) fee income (EUR 310,000), (v) financing costs (EUR 610,000), (vi) negative FX impact (EUR 296,000) and (vii) other costs (EUR 81,000).

The depreciations on receivables amount to EUR 2,867,000 at the end of 2020 (an increase of EUR 2,089,000 compared to the previous fiscal year) and consist entirely of the movements concerning the general provision (EUR 699,000) and the additional specific provision (EUR 2,169,000).

After deduction of corporation tax and withholding tax withheld on interests received from abroad, the loss for the fiscal year amounts to EUR 1,550,000.

May we request you to approve the annual accounts as closed on 31 December 2020? After approval, we propose that you use the loss for the fiscal year and the profit carried forward from the previous fiscal year as follows:

Profit to be appropriated	**3,848,377 euros**
Loss for the fiscal year to be appropriated	(1550,029 euros)
Profit carried forward from the previous fiscal year	5,398,406 euros
Appropriation to the equity	**0 euro**
Appropriation to the legal reserve	**0 euro**
Appropriation to unavailable reserves	0 euro
Appropriation to the capital and share premium	0 euro
Result to be carried forward	**3,848,277 euros**
Profit to be distributed Capital remuneration	**0 euro**

Risks and uncertainties

Incofin cvso's activities expose it to a series of risks, such as credit risks, country risks, exchange rate risks and liquidity risks. The board of directors monitors these risks with due care and is of the opinion that they are limited and sufficiently covered.

In addition, there is a risk that the COVID-19 situation will slow down Incofin cvso's activities. The restrictions imposed in some parts of the world to prevent the spread of the virus can have a range of consequences, including: obstructing the business activities of the end customers of the financial institutions in the portfolio, reducing the repayment capacity of the latter and limiting the possibilities regarding new investments for Incofin cvso.

Information about important events that occurred after the end of the fiscal year

No significant events that could impact on Incofin cvso's figures as of 31 December 2020 occurred after the end of the fiscal year. All the known implications of the coronavirus crisis have been included in the 2020 figures, but obviously, all the effects of the crisis are not yet fully understood.

The board of directors also confirms that no circumstances arose after the end of the fiscal year which could significantly influence the development of Incofin cvso.
Incofin cvso did not carry out any research and development activities during the fiscal year. It has no branch offices.

Directors

We also request you to pronounce on the discharge to be granted to the board of directors and all directors individually in connection with the exercise of their mandate during the past fiscal year.

Statutory auditor

We also request you to pronounce on the discharge to be granted to the statutory auditor in connection with the exercise of his/her mandate during the past fiscal year.

Reappointments and co-optation

The following directorship expires on the day of the general meeting on 28 April 2021. It is proposed to renew this mandate for the statutory period of six years, until the 2027 general meeting:

- Mr heer Willy Bosmans.

Mr Pieter Verhelst resigned from his mandate in the board of directors in 2020. It is proposed to co-opt the following director to replace Mr Pieter Verhelst for the statutory period of six years, until the 2026 general meeting:

- Mr heer Patrik Haesen.

Ratification of the reappointment of directors

Due to problems at the commercial tribunal in Ghent (Belgium), the reappointments of Mr Pieter Verhelst and Mr Vic Van de Moortel, which were approved during the general meeting on 29 April 2020, were never published in the Belgian Official Gazette. In order to comply with the legal publication formalities, it is proposed to ratify the following directorships for the statutory period of six years, until the 2026 general meeting:

- Mr heer Pieter Verhelst;
- Mr heer Vic Van de Moortel.

Acceptance and ratification of the reappointment of the statutory auditor in 2020

Due to problems at the commercial tribunal in Ghent (Belgium), the renewal of the mandate of Deloitte, represented by Mr Maurice Vrolix, which was approved during the general meeting on 29 April 2020, was never published in the Belgian Official Gazette. In order to comply with the legal publication formalities, it is proposed to ratify the renewal of this mandate for the legal period of three years, until the 2023 general meeting.

Acceptance and ratification of resignations of directors

The following directors resigned from their mandate in the board of directors in the past year. It is proposed to accept the following directorship resignations:

- Ms Anita Dewispelaere (resignation in 2020);
- Mr Pieter Verhelst (resignation in 2020).

The following director resigned from his mandate in the board of directors in 2019. In order to comply with the legal publication formalities, it is proposed to ratify the resignation of the following directorship:

- Mr Koenraad Verhaegen (resignation in 2019).

8. Auditor’s report

The auditor Deloitte Bedrijfsrevisoren SCCRL, represented by Maurice Vrolix, has issued an unequalified opinion on the statutory annual accounts.

The financial statements for the year ended 31 December 2020 give a true and fair view of the company’s assets, liabilities, financial position and results in accordance with the financial reporting framework applicable in Belgium.

9. Risk factors

The objectives formulated in the Articles of Association and the nature of the activities that ensue from this entail a number of risks. Incofin cvso's policy is aimed at managing these risks as well as possible without those risks being completely eliminated.

By definition, there are risks associated with any investment in securities. Incofin cvso make a distinction between risk factors specific to Incofin cvso's activities and risk factors specific to the ownership of shares. Incofin cvso is primarily exposed to the following risk factors (the description below is not an exhaustive representation of all the risks associated with Incofin cvso shares).

Risk factors specific to the offering and ownership of shares

Risks associated with investing in shares/shares of a cooperative society

As with any investment in shares, an investment in Incofin cvso shares involves economic risks: when considering an investment decision, investors must take into account the fact that they may lose their entire investment in shares. The shares are registered and may not be transferred. The withdrawal of partners is only permitted in the first six months of each financial year, following approval by the Board of Directors. The Board of Directors cannot refuse the withdrawal of a partner for speculative reasons.

Return is limited to dividend payments

The return on an investment in Incofin cvso shares is limited to any dividends paid out, since upon withdrawal, exclusion or dissolution, the maximum amount that is paid to an investor is equal to the nominal value of the shares. There is therefore no potential for capital gains on the shares themselves, while the risk of a loss on the shares of Incofin cvso is not excluded. An investor can thus lose all or part of their investment. On withdrawal, a partner is entitled to a payment in accordance with Article 14 of the Articles of Association and in particular the lower of (i) the nominal value of the share; or (ii) the book value of the share, calculated by dividing the shareholders' equity, as shown in the most recently approved financial statements prior to withdrawal, less the reserves, by the number of existing shares. If applicable, this benefit will be reduced by the outstanding full payment obligation. Consequently, upon withdrawal, the maximum amount that is paid out to a partner equals the nominal value of the shares. The financial return of Incofin cvso shares consists of a dividend payment to the extent proposed by the Board of Directors and approved by the General Assembly of partners. The maximum amount of a dividend is currently set at 6% of the nominal value of a share.

Risk associated with the limited liquidity of Incofin cvso shares

There is no secondary market on which Incofin cvso shares are traded. As it is only possible for a shareholder to withdraw in accordance with the procedure provided for in the articles of association, there is therefore limited liquidity. According to the articles of association (article 10), shareholders can only withdraw or request a partial withdrawal of their shares during the first six months of the financial year, subject to the approval of the Board of Directors. Finally, the shares may only be transferred with the prior approval of the Board of Directors. The funds that shareholders entrust to Incofin are invested by Incofin cvso as efficiently as possible in the core activities. These funds are, according to various contracts with the MFIs, used for a certain period as working capital to finance micro-entrepreneurs and are therefore not immediately available for withdrawal.

Risks related to future changes in dividends

Past returns are no guarantee for the future and no guarantee is given as to future returns. The dividend may decrease or increase today by a maximum of 6% of the nominal value of a share as defined in the Law of 20/7/1955 for cooperatives recognized by the Dutch National Council for Cooperatives. Incofin cvso does not make any forecasts or estimates about the development of the dividend yield.

No capital protection, no deposit protection scheme

An investment in Incofin cvso shares does not have capital protection or capital guarantee: because there is no protection against future market performance or credit risk, an investor may lose all or part of their investment.

Incofin cvso shares do not qualify for the guarantee of the Protection Fund for deposits and financial instruments. An investor may therefore lose all or part of their investment in the event of total loss of the assets of Incofin cvso or in the event of an impairment in the value of Incofin cvso shares.

Potential changes to the legal and fiscal framework in which Incofin cvso operates

Incofin cvso is aware that changes in laws and regulations can be made or that new obligations can arise. Changes in the legal and/or fiscal framework within which Incofin cvso operates may adversely affect the business activities, financial situation, business results and prospects of Incofin cvso. Such unfavourable developments may reduce the value of the Incofin cvso shares, as a result of which the investor may lose all or part of their investments. Incofin cvso strictly monitors potential changes in the applicable legal and fiscal framework in order to manage such risks

Risk factors that are specific to Incofin cvso’s activities

Credit risks

On the one hand, Incofin cvso invest in microfinance institutions (MFIs) and investment funds that in turn grant loans to persons who often are unable to offer real guarantees. It cannot, therefore, be ruled out that the MFIs and the investment funds in which Incofin cvso invest could at any point become insolvent, whereby Incofin cvso's investment in these entities would be lost. Incofin cvso mitigate this risk by:

- performing rigorous financial analysis;
- assessing business planning;
- evaluating management and governance;
- regularly reporting on the development of activities;
- regular on-site follow-up.

Country risks

Incofin cvso invest in developing countries that are subject to significant country risks. These risks include political risk (e.g. war or civil war) and transfer risk (the inability to recover invested resources from the country due to a scarcity of foreign currency or other government measures). Incofin cvso mitigate the country risk through reserves (which will be created from October 2018) and through diversification in its investment portfolio.

Market risks

Investments by Incofin cvso are also exposed to market and environmental risks that cannot covered under insurance terms.

These risks include economic environmental factors, legal certainty and the quality of local regulations on microfinance institutions. Incofin cvso analyze these issues closely and moreover adopts a healthy geographic distribution in the composition of the portfolio in order to minimize this risk.

Despite the experience of Incofin Investment Management, Incofin cvso's fund advisor in the microfinance industry, there is no guarantee of identifying sufficiently attractive investments and achieving optimal diversification in the portfolio. Each contract is the result of a negotiation and agreement from both the investment committee and the MFI in question, and is required in order to complete the transaction.

Exchange risks

Investments by Incofin cvso are subject to the risk whereby the fair value or future cash flows from these investments will fluctuate due to changes in exchange rates.

- Loans in foreign currency: Incofin cvso actively manage the exchange risk on the loans they award by using hedging techniques (such as cross currency swaps, forwards etc.). If an issued loan is not repaid according to the agreed agreement (credit risk), Incofin cvso must still fulfil their obligation to the hedging partner. In this scenario, Incofin cvso run an exchange and a potential liquidity risk, given that on the spot market, foreign currency must be purchased at the prevailing price with liquid assets available at that time.
- Shareholdings in foreign currency: The exchange risk on shareholdings in local currency is not actively hedged. In those cases, the return on the investment is expected to compensate for the potential depreciation of the currency in question.

Interest risk

On the one hand, Incofin cvsooperate debt financing and, on the other hand, they place foreign currency loans with MFIs. The interest on these operations over the course of time is subject to market influences. Incofin cvso will always ensure that the margin between the debit and credit interest remains great enough to enable continued growth within Incofin cvso. Incofin Investment Management, Incofin cvso's fund advisor, manage this risk by (i) using fixed interest rates for both incoming and outgoing transactions and (ii) by setting a "minimum" return on all lending transactions.

Liquidity risk

Liquidity risk is the risk arising from Incofin cvso's ability to anticipate its liquidity needs in an appropriate and timely manner, taking into account the available funding sources, in order to be able to meet its financial commitments.

- Liquidity risk in debt financing: Incofin cvso's liquidity risk is limited in view of the maturity of its loan portfolio (i.e. loans granted by Incofin cvso) as well as the availability of liquid assets. The available liquid assets, the available credit lines that Incofin cvso can use and the outstanding loans maturing in the coming year are always amply sufficient to meet the necessary financing obligations and to cover any loan defaults.
- Liquidity risk due to the withdrawal of partners: withdrawals and exclusions result in an outgoing cash flow. The number of applications for withdrawals can be subject to strong fluctuations, which may have negative repercussions on Incofin cvso’s liquidity position. The Board of Directors can refuse the withdrawal of a partner, but not for speculative reasons. If the number of withdrawals and/or exclusions of partners cannot be controlled from Incofin’s cvso liquidity position, this could lead to partners not receiving the full nominal value of their shares.

COVID-19

There is a risk that the situation regarding the Covid-19 virus may have a delaying effect on the activities of Incofin cvso. The restrictions imposed in certain regions of the world to guard against the spread of the virus can have various consequences, such as: hindering the business activities of the end customers of the financial institutions in the portfolio, their reduced repayment capacity and limited possibilities in this regard which includes new investments for Incofin cvso.

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