

ANNUAL REPORT 2021



COLOPHON

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Brazil nut harvester, Eximacruz, Cobija, Bolivia
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Cashew nut producer, CACC, Preah Vihear, Cambodia

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1 FOREWORD

Dear readers,

A second year with COVID-19 has come to an end, and it has become clear that any “return to normality” when it comes to managing our operations will be long and difficult. Our teams’ presence in the field and in the office was entirely dependent on the various restrictions put in place throughout 2021.

The success of the vaccination campaigns is a cause for hope in terms of a potential end to the pandemic in 2022-2023, but we must not forget that access to the vaccines remains limited in the countries in which we operate. Only 11% of the population in Africa is fully vaccinated, compared to 64% in Europe.¹

In the **microfinance** sector, we have worked hard with our partners to help them manage the situation. This has involved offering additional grace periods for the repayment of loan instalments, establishing restructuring plans and providing technical assistance where necessary. In many cases, **Alterfin** has played a key role in protecting our partners’ interests in response to other organizations’ rather less honorable intentions.

In the **sustainable smallholder agriculture** sector, our partners have struggled because of the logistical difficulties of transporting agricultural products, but the sustained demand for their products has been a clear illustration of the importance of **sustainable agriculture** built on smallholder producer organizations.

As I invite you to read this 2021 Annual Report, I would like to highlight three important points:

1. Firstly, individual and collective action to ensure the sustainability of social, environmental and economic development is fundamental to our society’s future. This has been **Alterfin**’s focus since 1994.
2. Secondly, I would like to thank the entire team at **Alterfin** for the results in 2021. Maintaining the emphasis on our social and environmental mission while ensuring an increased level of profitability in comparison to 2020 is an excellent result, which has been achieved in difficult conditions. This illustrates the sustainability of **Alterfin**’s mission and model.
3. Lastly, I would like to thank our partners in the countries in which we operate, the colleagues in public and private organizations with whom we have worked and, of course, all our co-op members who continue to support **Alterfin**’s work and contribute to worthy efforts for a better world. The COVID-19 pandemic and the consequences of climate change are challenges that we all must face together. The **Alterfin** team remains united in its determination to contribute to sustainable solutions for our planet.

Jean-Marc Debricon
General Manager



¹ Our World in Data, ourworldindata.org/covid-vaccinations, page viewed on 15/02/2022.

2 ALTERFIN AT A GLANCE

KEY FIGURES

 **6,164**
co-op members

with **EUR 67.7 millions**
of share capital



35 countries



EUR 85.6 million in outstanding loans
EUR 76.6 million disbursed

160

sustainable investments



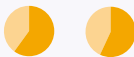
74 organizations working in
sustainable smallholder agriculture



81 microfinance
institutions



5 funds & other
social investors



of which **60%**
are certified
organic
agriculture
partners

of which **57%**
are certified
fairtrade
partners



32,177
employees



4,198,254
end beneficiaries and their families

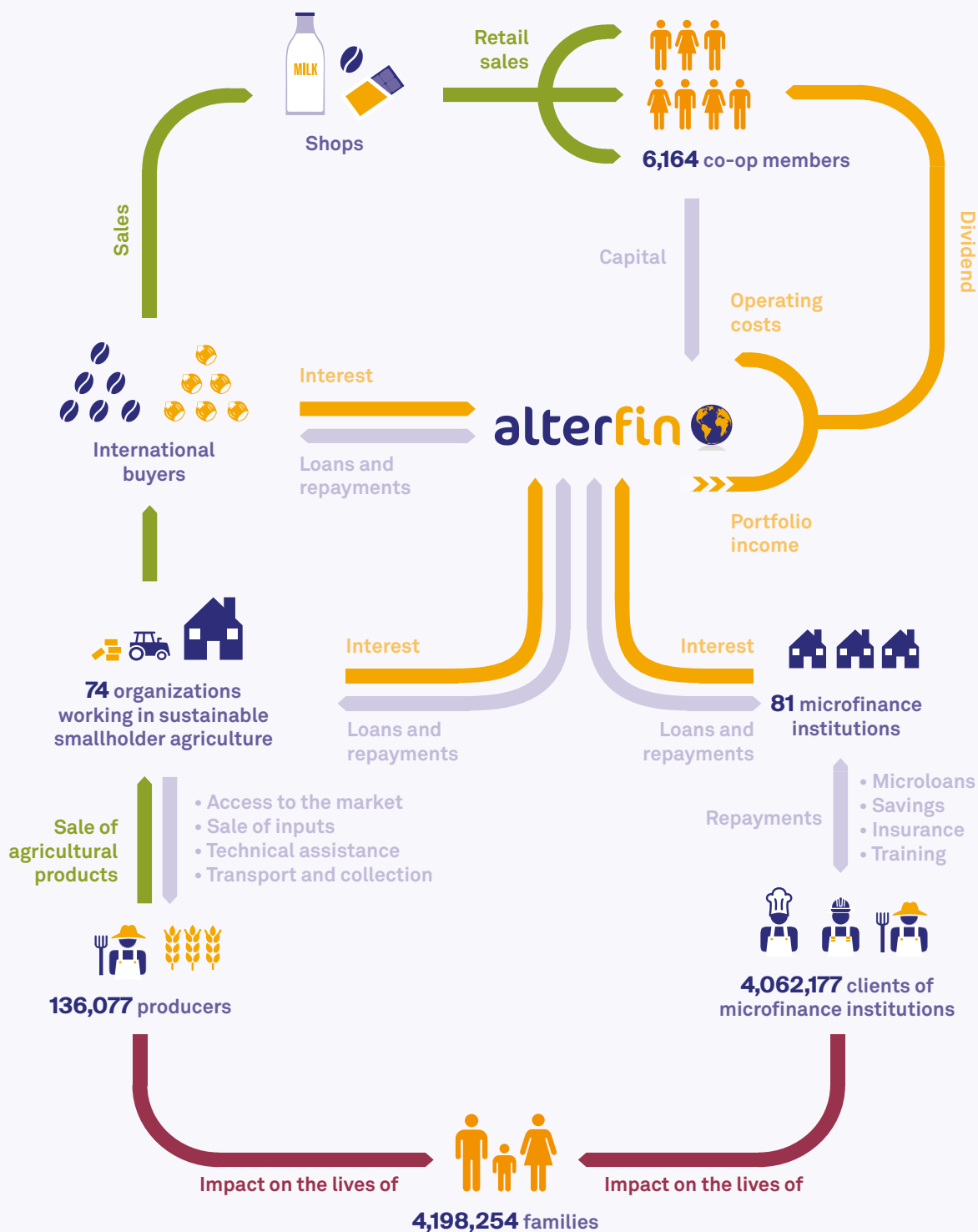


65 %
women



63 %
rural beneficiaries

FUNDS FLOW & IMPACT



1 NO POVERTY



2 ZERO HUNGER



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION




17 PARTNERSHIPS FOR THE GOALS



MISSION

Alterfin's goal is to improve the livelihoods and living conditions of socially and economically disadvantaged people and communities, predominantly living in rural areas in low-and middle-income countries around the world.





In order to achieve this goal, Alterfin provides financial and non-financial services to its partners by:

1

Raising funds, mainly from individual investors and socially responsible institutions

2

Structuring and promoting ethical and sustainable investments

3

Networking with like-minded organizations

**By doing so,
Alterfin contributes to
the United Nations
Sustainable Development Goals.**

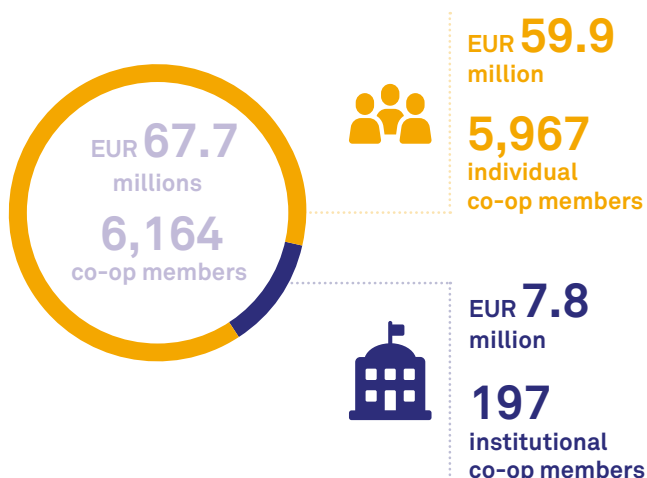
3 OUR SOLIDARY CO-OP MEMBERS

On December 31, 2021, **Alterfin** had 6,164 co-op members providing a total capital of EUR 67,689,625. Individual co-op members account for 88% of this capital; the remaining 12% is held by institutional co-op members. An individual co-op member invests an average of EUR 10,000 with **Alterfin**, while the average investment of an institutional co-op member is EUR 40,000.

The net increase in capital in 2021 was EUR 1,857,437.50.

In 2021, we welcomed 226 new members to our cooperative. By joining **Alterfin**, they want to create a fair and more sustainable world, by making resources available to our partners for a stronger social and environmental impact.

BREAKDOWN OF ALTERFIN'S CAPITAL BY CO-OP MEMBER TYPE



Brazil nut harvesters, Eximacruz, Cobija, Bolivia
© 2021, Alterfin



Client of Chamroeun (MFI), Siem Reap, Cambodia
© 2021, Alterfin

TESTIMONIALS FROM OUR CO-OP MEMBERS

Below, some of the members who joined our cooperative in 2021 explain their decision to invest in **Alterfin**.

MARIEKE



I came across an ad for **Alterfin** in MO* magazine and, after taking a quick look at the website, I decided to invest in shares. What I like about **Alterfin** is that it provides a system of loans, rather than donations. I believe that it is more sustainable to finance projects run by individuals and organizations, rather than financing projects launched by donors or NGOs.

By investing in **Alterfin**, I can give small entrepreneurs the opportunity to start their own businesses and ensure the improvement and development of their livelihoods. I also benefit from a small financial return, and the risks are limited. When it comes to investing my money, I see **Alterfin** as being a logical choice.

WALTER



Having read the website in detail and having discussed the idea with an employee, my wife and I invested for the first time in 2020 and donated money to the **Alterfin** Guarantee Fund (AGF). At the end of 2021, we invested in a second series of shares, and we continue to make monthly donations to the AGF.

The idea of providing micro loans to small entrepreneurs in low- and middle-income countries is what encouraged us to support **Alterfin's** activities. For co-op members, it is an understandable and interesting investment, too; the return, although limited, is still higher than an ordinary savings account.

Since becoming members, we've talked about **Alterfin** with people we know. As the president of the socio-cultural association Curieus Wuustwezel, I proposed the General Assembly to invest part of our financial reserve in **Alterfin**. Given that it was not earning anything on our savings account, **Alterfin** has proved to be an excellent alternative! We encourage all associations with financial reserves to consider investing in **Alterfin**.

4 TEAM, GOVERNANCE & EXPERTS



HEAD OF LEGAL & COMPLIANCE



Laetitia

LEGAL & COMPLIANCE OFFICER



Maïté

ADVISORS



Hugo



Mauricio



Saúl

HEAD OF INVESTMENTS



Caterina

SOCIAL & ENVIRONMENTAL IMPACT MANAGER



Pallavi

TECHNICAL ASSISTANCE



Jennifer

INVESTMENT MANAGERS



Ulan



Mirlanbek



Alex



Njeri



Michael



David



Bernard



Nilton



Flavio



Virgilio



Lorna



Sheila

HEAD OF PORTFOLIO MANAGEMENT



Steven

PORTFOLIO ANALYSIS & MONITORING



Louis



Ricardo

HEAD OF FINANCE & ADMINISTRATION



Audrey

FINANCE & ACCOUNTING



Jan



Julie



Joaquín

CREDIT ADMINISTRATION



Marie



Sofie

HUMAN RESOURCES



Loes



Laurie

IT



Pascal



Ramprasad



Vinay

MARKETING & COMMUNICATION



Lise



Alessandra

ADMINISTRATION

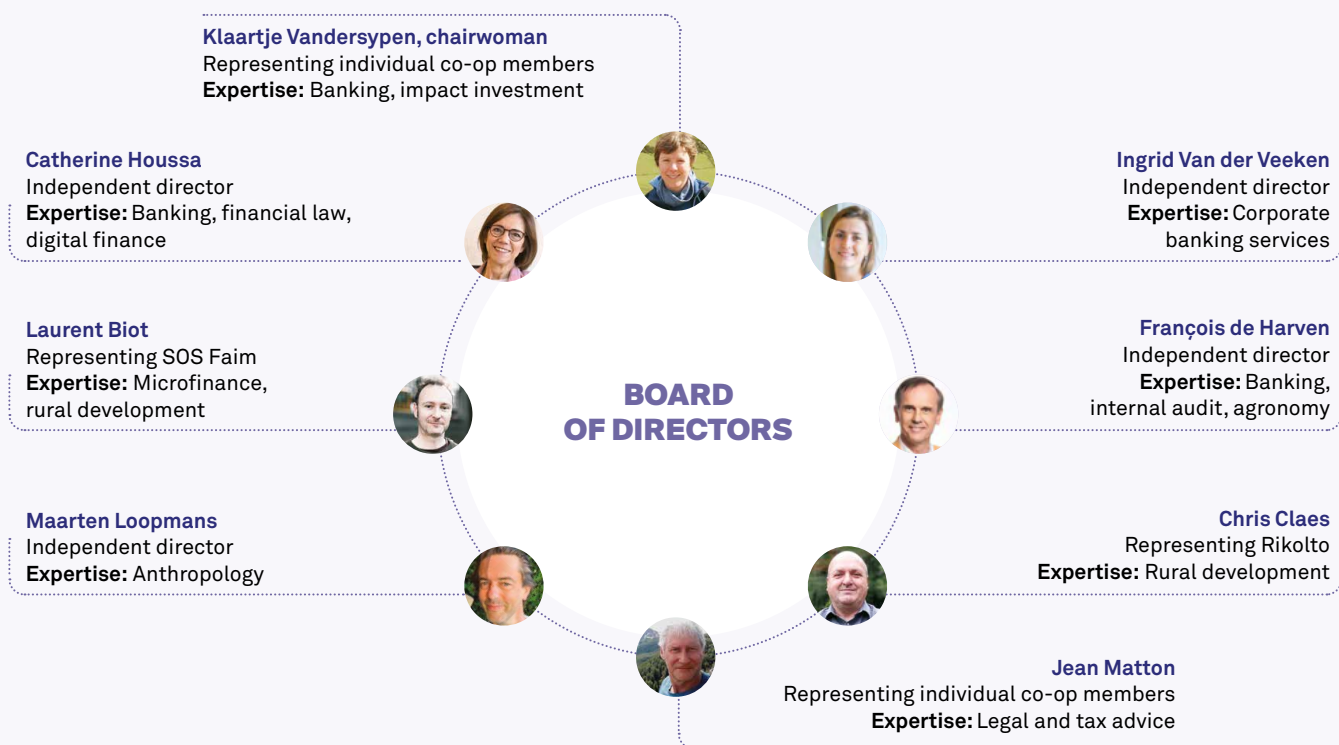


Mireille

ORGANIZATIONAL CHART

The **Alterfin** team is based in Europe, Peru, Costa Rica, Honduras, Bolivia, Kenya, Kyrgyzstan, and India. To ensure the safety of all employees and consultants, **Alterfin** continued to focus on teleworking in 2021. As announced in the 2020 annual report,

Alterfin strengthened the team in 2021 by including two employees in the management team as Head of Legal & Compliance and Head of Portfolio Management. We also set up a Technical Assistance department with a dedicated manager.



The Board of Directors (BoD) sets the strategic direction of **Alterfin** and is legally responsible for the achievement of the objectives within acceptable risk management. The board members represent a wide range of competencies necessary for **Alterfin** to make sound and informed decisions. The board is a source of expertise and information for the General Manager and his team. The management of **Alterfin** is accountable to the Board of Directors. The board is in turn accountable to the General Assembly.



Alterfin's Investment Committee (IC) is responsible for the final approval of any investment. The unique combination of its members' development and financial expertise is one of the cooperative's strengths. The IC has the necessary experience and know-how to provide a thorough assessment of any financing application, from a financial, operational, social, and environmental point of view. The members of the IC are appointed by **Alterfin's** Board of Directors. External members make investment decisions relating to new partners and transactions in excess of USD 1 million. All decisions made by the IC require unanimity.

5

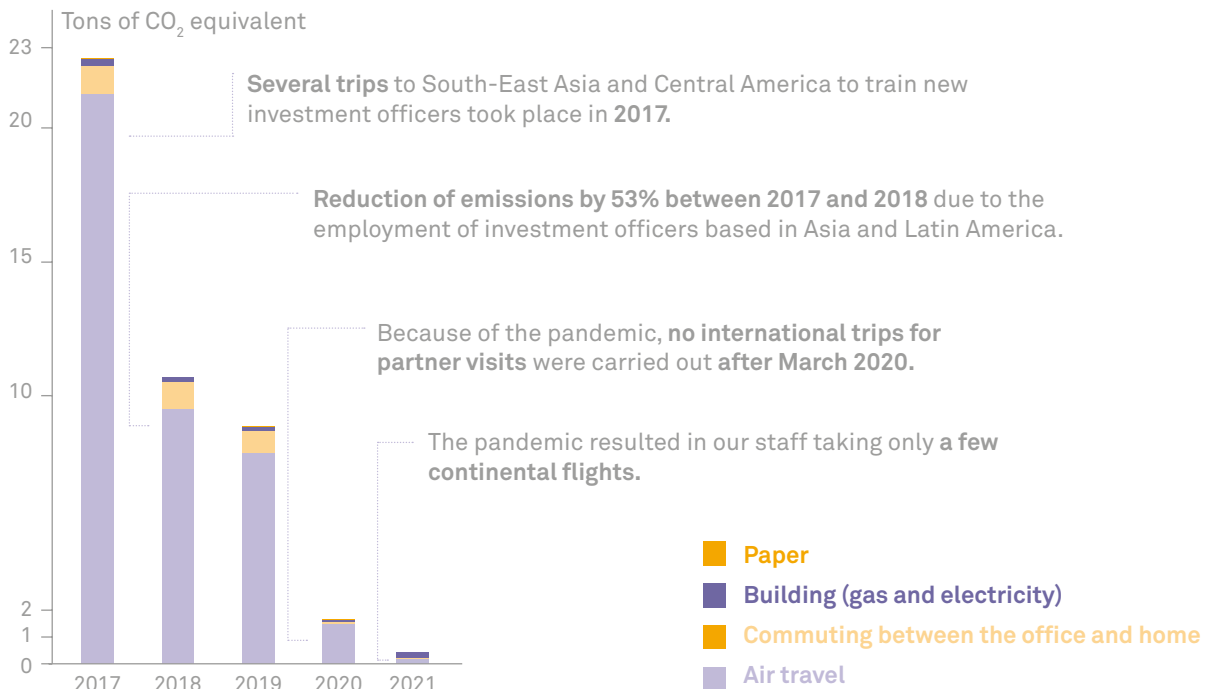
OUR CARBON FOOTPRINT

Alterfin constantly strives to have a positive social and environmental impact and applies this sustainable approach to its day-to-day activities and internal operations. As such, our cooperative tries to reduce its carbon footprint as much as possible and offsets emissions that cannot be avoided. Our way of working was once again disrupted by the pandemic, as it was the year before. Firstly, field visits and travel,

especially international travel, were particularly limited. Secondly, remote working continued to be the norm, although there was a gradual return to the office at certain times throughout the year. Therefore, overall, the level of CO₂ emissions per full-time equivalent decreased again and reached an exceptionally low level in 2021.

ANNUAL CO₂ EMISSIONS PER FULL-TIME EQUIVALENT

Emissions per person employed by **Alterfin** (full-time equivalent) are largely dependent on air travel by investment managers.



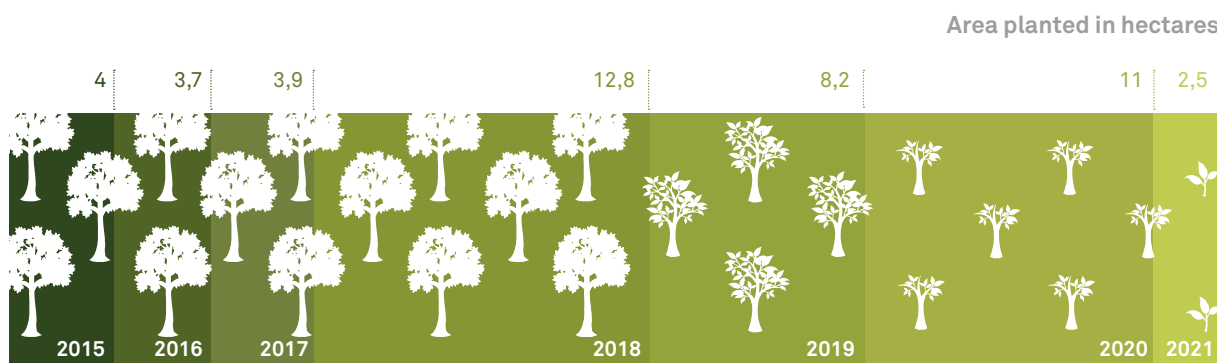


With regards to our head office, while 2020 saw a significant drop in emissions from employee travel and office energy use because of requirements to work remotely, 2021 saw a slight increase, caused by a relaxing of the rules that enabled our staff's gradual return to the office. Construction work in the building also led to an increase in emissions caused by higher natural gas consumption.

To offset its carbon footprint, **Alterfin** developed a partnership in 2015 with Acopagro, a cooperative of cocoa producers in the San Martín region of northern Peru. Through this partnership, we finance the annual planting of trees on the land of producers who are members of the cooperative. These plantations capture a volume of CO₂ equivalent to our emissions during the previous year. In 2021, we planted a total of 2,682 trees to offset our 2020 emissions.

OFFSETTING CO₂ EMISSIONS

Alterfin has planted 56,274 trees since 2015. This represents an area equivalent to 42 hectares, more than 3.5 times the size of the Parc de Bruxelles (Warandepark). The trees are planted on the land of 51 producers in seven communities.



6 OUR PARTNERSHIPS

In 2021, **Alterfin** continued to develop partnerships to support its 160 partners in 35 countries in the backdrop of the COVID-19 pandemic. As an organization that promotes an alternative societal model, **Alterfin** works with other organizations to enhance its impact.

These partnerships can take a variety of forms: networks of solidarity investors, partnerships with organizations with complementary skills and activities, and certification organizations.

CERTIFICATION, LABELS AND AWARDS

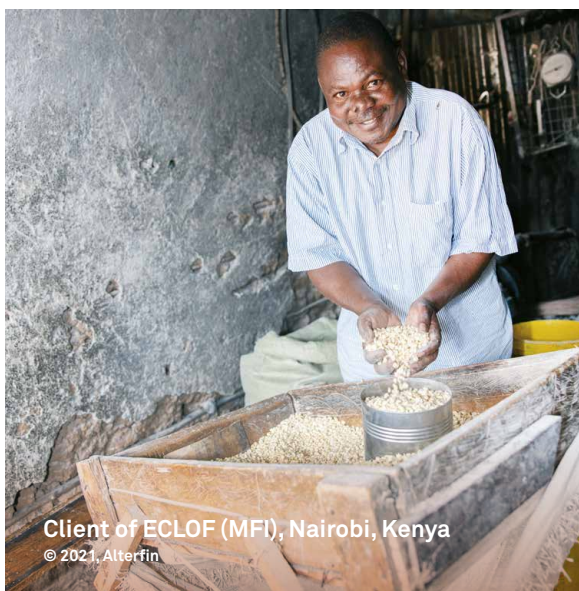
Alterfin has obtained various certifications that prove the ethical and sustainable nature of its commitment toward its co-op members, staff, and partners. Whether national or international, these labels demonstrate **Alterfin**'s role as an organization striving for a fairer world. To this end, in 2021, **Alterfin** took an active role in developing the B Corp movement, which supports organizations with a social and environmental impact. In 2021, **Alterfin** provided support to encourage other companies to obtain this certification by promoting and sharing information.



OFFICES

As part of its efforts to demonstrate its commitment in its day-to-day operations, **Alterfin** moved to Mundo Madou's buildings in 2019. This center is particularly focused on social and environmental responsibility and building management. This philosophy inspired Mundo's team to focus on 100% renewable electricity consumption in 2021. Green spaces and a compost facility were also established, in partnership with La Ferme Nos Pilifs, a company that employs disabled individuals.





FINANCING

Institutions with similar aspirations provide financial support for **Alterfin's** investments. These institutions include the European Investment Bank (EIB), EDFI and BIO, and three ethical banks: one in Italy (Banca Etica) and two in Belgium (vdk bank and Triodos). By supplying financing in dollars, local African currencies, and credit lines in euros, thereby enabling us to manage our liquidity better, these institutions help us develop our portfolio and carry out our mission.



SUSTAINABLE PARTNERSHIPS IN BELGIUM

As a member of other Belgian cooperatives and organizations, **Alterfin** aims to stimulate exchanges and foster a cooperative movement with similar aspirations and values.



BELGIAN NETWORKS FOR ETHICAL FINANCING

To promote solidarity and ethical financing, we have joined various Belgian networks. In addition to the existing Financité and FairFin networks, **Alterfin** joined the Solifin network in 2021. Solifin aims to strengthen the working relationships between impact financiers operating in Belgium and inspire new investors to integrate sustainability in their practices.



INTERNATIONAL NETWORKS IN MICROFINANCE AND SUSTAINABLE SMALLHOLDER AGRICULTURE

In both the **microfinance** and the **sustainable smallholder agriculture** sectors, **Alterfin** is an active member of several networks that aim to share knowledge, establish, and promote best practices for the sector, and that focus on ensuring transparency and having a positive impact on the final beneficiaries. **Alterfin** is a member of the board of directors of the Council on **Smallholder Agriculture Finance** (CSAF) and has contributed significantly to the development of its strategy and its programs. In 2021, these included the organization of specific training on the most common risks in the sector for member organizations' teams.



GRANTS FOR MORE IMPACT

In 2021, **Alterfin** engaged in fundraising to finance technical assistance projects to strengthen its partners' capacities. The cooperative then developed a partnership with the SSNUP (Smallholder Safety Net Upscaling Program) which aims to improve the livelihoods of 10 million families of smallholder producers with targeted training and investment in agricultural value chains. Thanks to this partnership, **Alterfin** will manage EUR 500,000 of additional funds over the next two years. During the year, we also improved our Social and Environmental Performance Management system through grants from our partner BIO. Only seven weeks after its launch, **Alterfin** was the first institution to use the European Commission's EU Market Creation Facility which enabled us to provide

our partners with local currency financing. Lastly, **Alterfin** continues to benefit from the Aceli Africa program. It covered the entire cost of the mission and analysis expenses we incurred when granting loans to some small-scale partners. In addition, Aceli Africa provides guarantees against credit risk, making it possible for us to play our pioneering role. You can read more about these partnerships and their impact in the section entitled "An additional benefit, beyond financial services: **Alterfin's** toolbox" on page 45.



Nyamurinda coffee cherry picker, Rwandese partner financed under the Aceli Africa programme

© 2021, Nyamurinda

1 SSNUP is a program financed by the Swiss and Luxembourg development agencies and coordinated by the Luxembourg NGO ADA.

FUNDS MANAGED FOR THIRD PARTIES

In addition to the financing provided with its own funds, **Alterfin** also manages funds on behalf of other organizations. In this way, **Alterfin** shares its expertise to benefit third parties. This makes it possible for **Alterfin** to meet the growing demand for financing from certain partners while limiting its own exposure to risk. Thanks to this service, Alterfin can also benefit from an additional source of income by earning management fees. In 2021, we closed the last investments that we managed for Impact Assets, and we consolidated our partnerships with the Swiss funds Quadia and Symbiotics in the **sustainable smallholder agriculture** sector. The Fefisol fund matured in July 2021. Building on its results over the last ten years, a second Fefisol fund will be operational from the second quarter of 2022. You will find more information about the development of funds managed for third parties on pages 23 and 24.

Alterfin co-manages investment portfolios with:



Alterfin manages the Fefisol fund with SIDI.
The following organizations are co-shareholders:



Alterfin founded Kampani in 2015
with the following organizations:



Kampani also receives support from:



Alterfin supports:



MEMBER ORGANIZATIONS

Other organizations that are also active in **microfinance**, **sustainable smallholder agriculture** and fair trade have demonstrated their commitment by becoming **Alterfin** co-op members themselves. **Alterfin's** co-op members include such founding members as Oxfam Belgique, Oxfam Wereldwinkels and Rikolto.



7 OUR SUSTAINABLE INVESTMENTS

IN 2021, ALTERFIN WAS ACTIVE IN 35 COUNTRIES

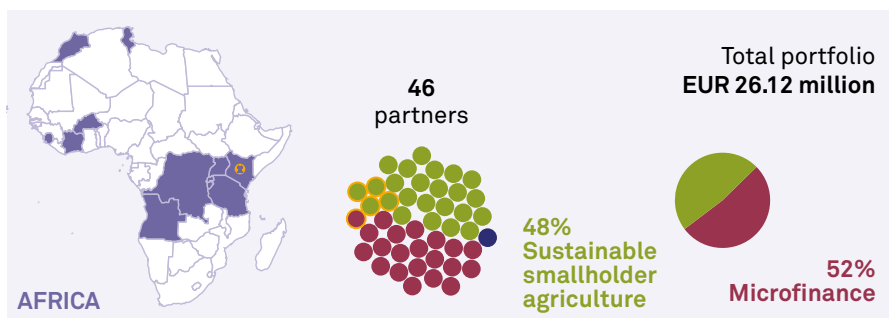
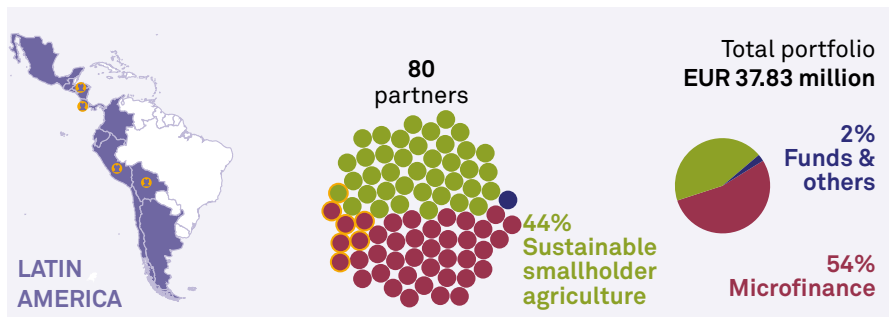
There are **local branches** in **5 countries**:



Honduras
Peru
Kenya
Bolivia
Kyrgyzstan

Alterfin is committed to **160 partners**, of which:

- 81 in **microfinance**
- 74 in **sustainable smallholder agriculture**
- 5 **funds & social investors**
- 13 **new** in 2021



INTRODUCTION: MAINTAINING SOCIAL AND FINANCIAL PERFORMANCE DURING A CRISIS

Alterfin stood by its partners in 2021 and continued to support the most vulnerable populations, in keeping with its social mission, despite the many challenges posed by the global pandemic. To this end, we continued to base our approach on the expertise acquired over the last 27 years and on the presence of our teams in the field, giving us precise understanding of our partners' needs so that we can meet their expectations, even in times of crisis.

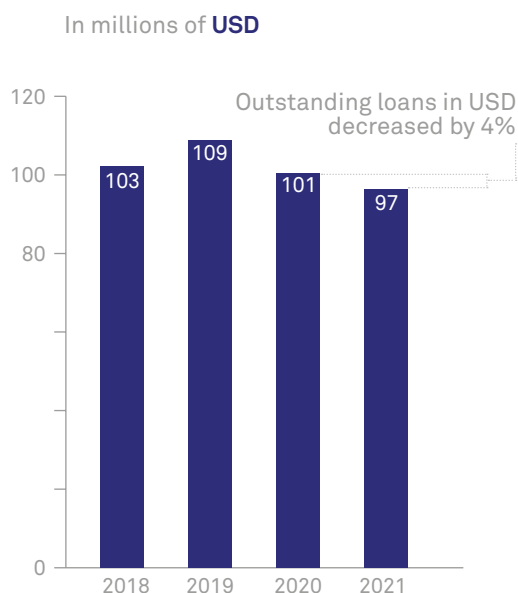
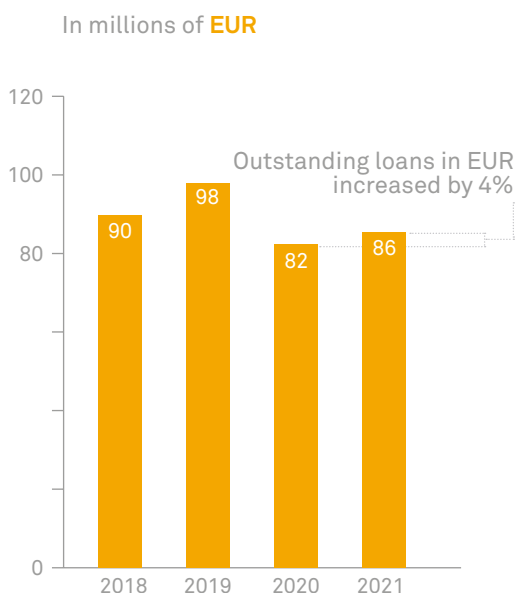
The efforts of the entire team have resulted in a high level of activity, illustrated by a record annual disbursement of EUR 76.6 million (USD 89.7 million), 43% more than in 2020. This figure is primarily driven by the intensity of operations of our agricultural partners (see page 27 “Sustainable smallholder agriculture: a record year”), while we had mixed results in the **microfinance** sector (see page 25 “Microfinance: a sustainable recovery?”).



The total investment portfolio managed by **Alterfin** increased to EUR 85.6 million. However, outstanding loans in USD, the currency used for around 80% of our transactions and therefore a more accurate reflection of our activity's development, reached USD 96.9 million at the end of 2021, a decrease of 4% compared to 2020.

EVOLUTION OF OUTSTANDING LOANS AS OF DECEMBER 31 2021 IN EUR AND USD

Following an appreciation of the dollar in 2021 of almost 8%, our outstanding loans have had contrasting fates in EUR and in USD.



Outstanding loans at the end of the year were affected by the planned termination of several partnerships with funds under management, meaning funds that are invested on behalf of third parties by **Alterfin**. **Alterfin's** own portfolio increased in 2021 (see page 23 “A larger contribution by **Alterfin** to the overall portfolio”), benefiting from strong growth in the **sustainable smallholder agriculture** sector. What is more, the growth of **Alterfin's** own portfolio partially compensated for the loss of financing provided by the closed funds to continue to meet its partners’ needs.

The regional distribution of the portfolio changed considerably in 2021, which can be explained by the varied impact of the pandemic and the contrasting risk profiles of our partners on each continent (see page 31 “Regional distribution: the resurgence of Latin America”). While economic activity is returning to a more normal pace in Latin America, our investments in Asia and Africa continue to be impacted by the turmoil of the pandemic and the political climate in Myanmar.

Proving that the situation continues to be volatile, the number of **Alterfin's** partners decreased slightly from 165 in 2020 to 160 in 2021, although these partners are still based in 35 countries. Eighteen partnerships were not renewed during the year, primarily because of the poor performance of some of the institutions; in some cases, this had been an issue since the pre-COVID period. Eight are likely to be reinstated in the medium term and our field teams remain therefore in close contact with these partners.

Lastly, despite travel restrictions and organizational challenges associated with remote contact and remote assessments of funded organizations, **Alterfin** was able to make an initial investment in 10 new partners and reinstated three former partners, working once more with partners who had not benefited from our support for more than a year. Seven of these partnerships are in **microfinance** and the other six are in **sustainable smallholder agriculture**. Although this is lower than the 22 new partnerships established in 2019, it is still encouraging and demonstrates high demand despite the pandemic.

In view of the gradual improvement in the situation on an international level, the roll-out of vaccination campaigns around the world and our investment officers’ ability to travel once again, the positive trends seen during 2021 are likely to



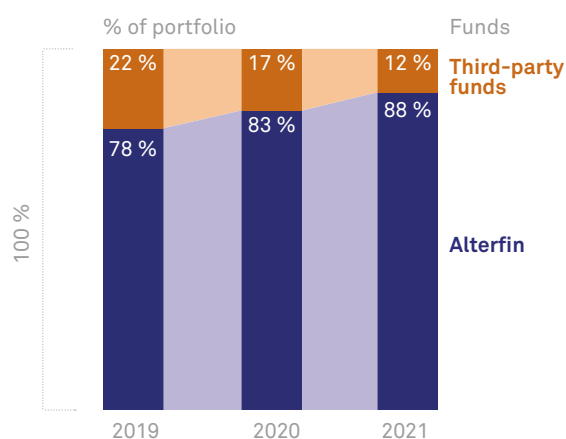
Coffee producer, Frontera, San Ignacio, Peru
© 2021, Alterfin

A LARGER CONTRIBUTION BY ALTERFIN TO THE OVERALL PORTFOLIO

The investment portfolio is made up of funds in which **Alterfin** invests directly and funds managed for third parties. In 2021, **Alterfin**'s share of the overall portfolio increased to 88%, compared to an average of 75% over the last few years.

COMPOSITION OF THE OUTSTANDING PORTFOLIO IN 2021

Alterfin's share has increased because of the scheduled closure of several third-party funds.



At the end of 2021, **Alterfin**'s own portfolio stood at EUR 75.7 million, an increase of 10.3% compared to 2020. In dollar terms, it increased slightly by 1.7% to USD 85.7 million, its highest level since **Alterfin** was founded.

The first reason for this increase is the more extensive use of credit lines in the agricultural sector. Because of the different seasonal nature of the cocoa and coffee sectors, some agricultural partners repaid the funds later than usual. This means that the money lent by **Alterfin** was used for a longer period; this has a positive impact on outstanding loans, particularly at the end of the year, which is the busiest time for many cocoa and coffee producers and exporters. The increase in **Alterfin**'s own portfolio can also be explained by increased investment in some existing partners to compensate for the closure of the

funds under management and to ensure **Alterfin**'s continued support and the long-term future of the organizations in question.

In particular, the Fefisol fund — created and co-managed by **Alterfin** and the French Solidarité Internationale pour le Développement et l'Investissement (SIDI) — reached maturity in July 2021, after ten years of vital contributions to the expansion of **Alterfin**'s activities in Africa. Between 2011 and 2020, EUR 85.7 million were invested by the fund in 91 partners working in the **microfinance** and **sustainable smallholder agriculture** sectors in 25 countries, with a considerable focus on rural areas (71% of disbursements). During this time, **Alterfin** was able to strengthen its understanding of the activities financed in Africa while increasing their volume from 9.7% of the portfolio at the end of 2011 to 31% in 2021.

In addition to the financial support from Fefisol, our partners have benefited from technical assistance projects for institutional, operational and social consolidation (139 projects in total). These results illustrate Fefisol's social mission and added value during this period. Building on the achievements of Fefisol I, Fefisol II will be operational from the second quarter in 2022. Also designed as a tool to provide the **microfinance** and **sustainable smallholder agriculture** sectors with financial and technical support, it will ensure the continuity of our work with our African partners and the further expansion of our activities on the continent over the next 10 years.

In 2021, Kampani fund adopted a new development strategy, focused on overhauling its internal organization and ensuring improved growth. This positive progress should enable Kampani to reach a certain critical mass to ensure its financial sustainability while also enabling it to implement its social mission of providing small and medium-sized agricultural organizations with financial support. To this end, a new partnership agreement was signed between **Alterfin** and Kampani; **Alterfin**'s role is now that of a service provider rather than that of an investment adviser. In practice, **Alterfin** no longer has any direct responsibilities regarding Kampani's commercial and operational management, but it can suggest new investments. Consequently, Kampani's

partners are no longer included in the portfolio under management.

Lastly, the closure of the last investments managed for Impact Assets continued in 2021. The relationship with this American social investor officially ended in November 2020. Focused solely on the agricultural sector, the funds provided by Impact Assets financed 20 partners between 2015 and 2020 for maximum outstanding loans of EUR 6.5 million.

To compensate for these movements, which caused the portfolio's value to drop by EUR 8.8 million over the year, **Alterfin** is continuing to strengthen its partnership with the Swiss funds Quadia and Symbiotics; they focus exclusively on financing **sustainable smallholder agriculture**. The funds under management for these two investors more than doubled during the year and now stand at EUR 6.6 million. Not only do Symbiotics and Quadia contribute to our seasonal disbursements to the major value chains of cocoa and coffee, but they also help expand our activities in the sectors of dates, spices, walnuts and textiles. As was the case with Impact Assets, these funds enable us to meet the demands of our partners while limiting our risk exposure by sharing it with other investors.

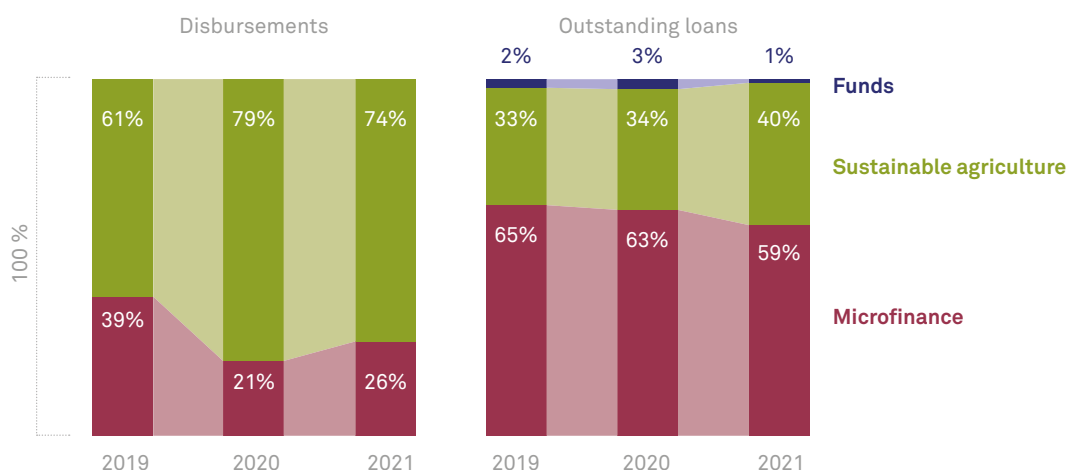
With the expected increase in funds invested by Symbiotics and the launch of the successive Fefisol fund, **Alterfin's** share in the total portfolio is likely to decrease in the short and medium term.

CHANGE IN THE SECTORAL DISTRIBUTION OF THE PORTFOLIO

The coronavirus pandemic continues to have a tangible impact on our partners' activities, particularly in the **microfinance** sector. Although affected to some extent by logistical delays, additional costs and greater price volatility, the **sustainable smallholder agriculture** sector continues to operate, because it has benefited from exceptional measures to safeguard activities. As a result, there has been a significant rebalancing of the total portfolio in favor of the agricultural sector. This trend was further reinforced by the closure of Fefisol, given that the fund's final investments that matured in 2021 were primarily in the **microfinance** sector, and by the increase in outstanding loans from Quadia and Symbiotics, which only support agricultural partners.

EVOLUTION OF THE PORTFOLIO COMPOSITION BY SECTOR

Because of the different seasonal nature of the sectors and the effects of the pandemic, **sustainable smallholder agriculture** represents a larger share of the portfolio.





Clients of Impro (MFI), La Paz, Bolivia
© 2021, Alterfin

MICROFINANCE: A SUSTAINABLE RECOVERY?

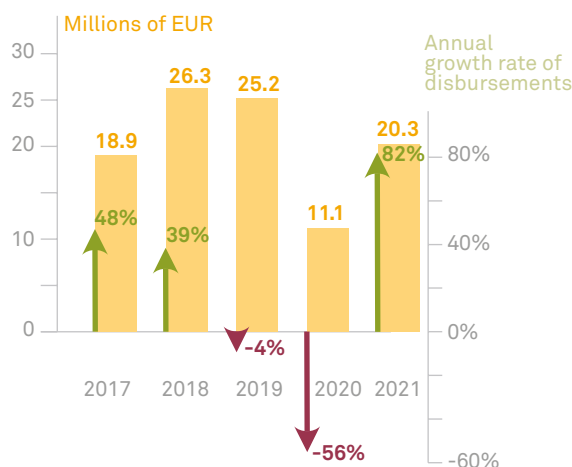
The fragility of local economies in the countries in which we operate continues to affect the **microfinance** sector. The information collected during our monitoring activities indicates that our partners' operational and financial performance gradually improved during the year. With the lifting of travel restrictions and the launch of vaccination campaigns, economic activity in the countries in which we invest has gradually returned to normal. As a result, micro-entrepreneurs, the main clients of **microfinance** institutions (MFIs), were once again able to repay their loans, leading to improved portfolio quality, better liquidity levels for MFIs and a gradual return to positive financial results.

However, circumstances differ considerably among our partners. While the better capitalized institutions seem to be finding their way back to sustainable growth and financial viability, small and medium-sized organizations are struggling to achieve adequate indicators. Their modest loan portfolios and levels of capital, which are often limited, prevent them from quickly absorbing the losses linked to the increase in non-payment among their clients and returning to positive profitability. This is particularly true for our African partners and, to a lesser extent, for our smaller partners in Latin America.

Alterfin's results in the sector illustrate these disparate developments. At the same time, there are some signs that we can look forward to the immediate future with optimism, although we should of course exercise caution in these uncertain times. The volume of disbursements in the sector increased significantly to EUR 20.3 million in 2021, bringing us closer to the disbursement levels observed between 2018 and 2019.

DISBURSEMENTS IN MICROFINANCE

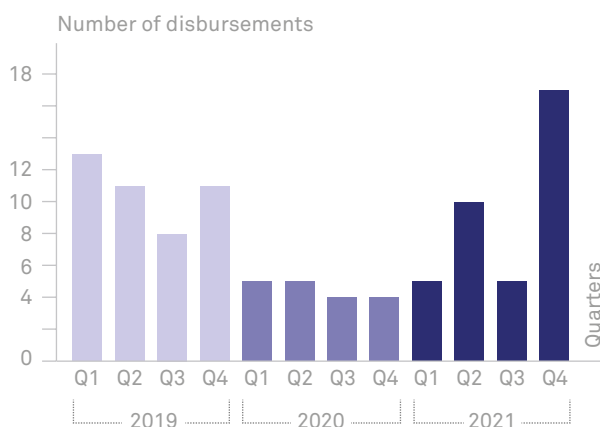
Despite a return to growth in disbursements, the **microfinance** portfolio continued to be affected by the pandemic and **decreased by 3.7% in 2021**.



The number of disbursements reflects this positive trend: 37 disbursements were made in 2021, compared to only 18 in 2020. These figures are close to pre-pandemic levels: 43 loans to MFIs were disbursed in 2019. Five of these disbursements were made to new partners, while two partnerships were reinstated. Yet the recovery has been gradual, with the overall global situation only improving in the second half of the year; 46% of disbursements in the sector were made in the last quarter. This trend suggests that the results for the sector will be better in 2022.

DISBURSEMENTS IN MICROFINANCE

Disbursements to MFIs have returned to pre-pandemic levels.



In contrast, the **microfinance** portfolio continued to contract in 2021, decreasing by 3.7% to EUR 50.2 million. The level of disbursements is lower than repayments for the second year in a row, mainly due to the deferral of payments made in 2020. Several repayments were delayed from 2020 to 2021 (nearly EUR 4.5 million) as **Alterfin** adapted to the changing circumstances of its partners who had agreed to repayment extensions for their own struggling clients, whose economic activities were affected by the pandemic (see page 34 “Portfolio quality under control”).

Taking into account recent developments, the launch of Fefisol II in the second quarter of 2022 and the number of requests for financing for the year, we expect the **microfinance** portfolio to return to growth in 2022.



Client of ECLOF (MFI), Nairobi, Kenya

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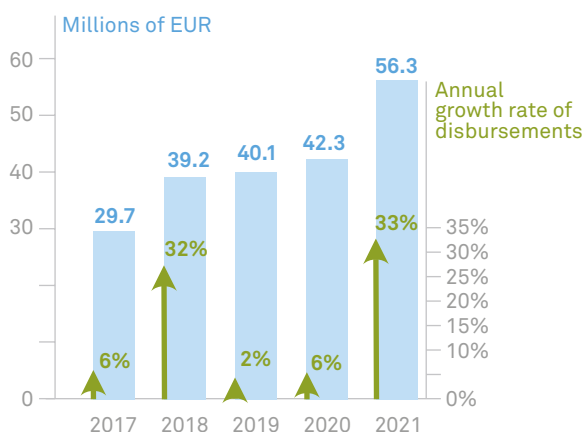
SUSTAINABLE SMALLHOLDER AGRICULTURE: A RECORD YEAR

Once again, the agricultural sector proved to be more resilient in 2021 than **microfinance** and remains the driving force behind **Alterfin**'s activities. Despite the issues caused by the pandemic, a slowdown in the export process, uncertain demand, changing prices and unpredictable weather, our partners continued their operations and were able to benefit from our support once again. Disbursements to the sector increased by 33% because of an increase in the amounts lent through the participation of third-party funds (21% of agricultural disbursements) but also, and most importantly, because of a more intense use of credit lines by our partners as explained below (see page 29 "A less pronounced seasonality of the portfolio").



DISBURSEMENTS IN SUSTAINABLE SMALLHOLDER AGRICULTURE

Supported by record disbursements, the agricultural portfolio increased by 22% in 2021.



Seventy-eight percent of disbursements were made in the cocoa and coffee sectors, which continue to be the cornerstones of our agricultural partnerships. Besides these, multiple investments were made in cereals (corn, quinoa, rice), walnuts, fruits and vegetables (dates, mangoes, beans), spices, oils and textiles. In total, **Alterfin** supported 17 products in 13 value chains around the world in 2021.

Five new agricultural partnerships were established in 2021 and one was reinstated. Just like last year, the Rwandan coffee value chain was the primary provider of financing opportunities, with three new partners. New partnerships were also signed in the cocoa sector in Ivory Coast and in the baobab powder sector in Ghana, while a Bolivian organization that produces kidney beans obtained a second loan after initial financing from 2016 to 2017.

For the first time since 2018, disbursements exceeded repayments received, ensuring the agricultural portfolio's return to solid growth: 22% in 2021, with outstanding loans of EUR 33.96 million at the end of the year. This follows a contraction of 13% in the agricultural portfolio in 2020, caused by the gradual closure of the Fefisol and Impact Assets funds and by a different seasonal impact in the Latin American coffee sector.

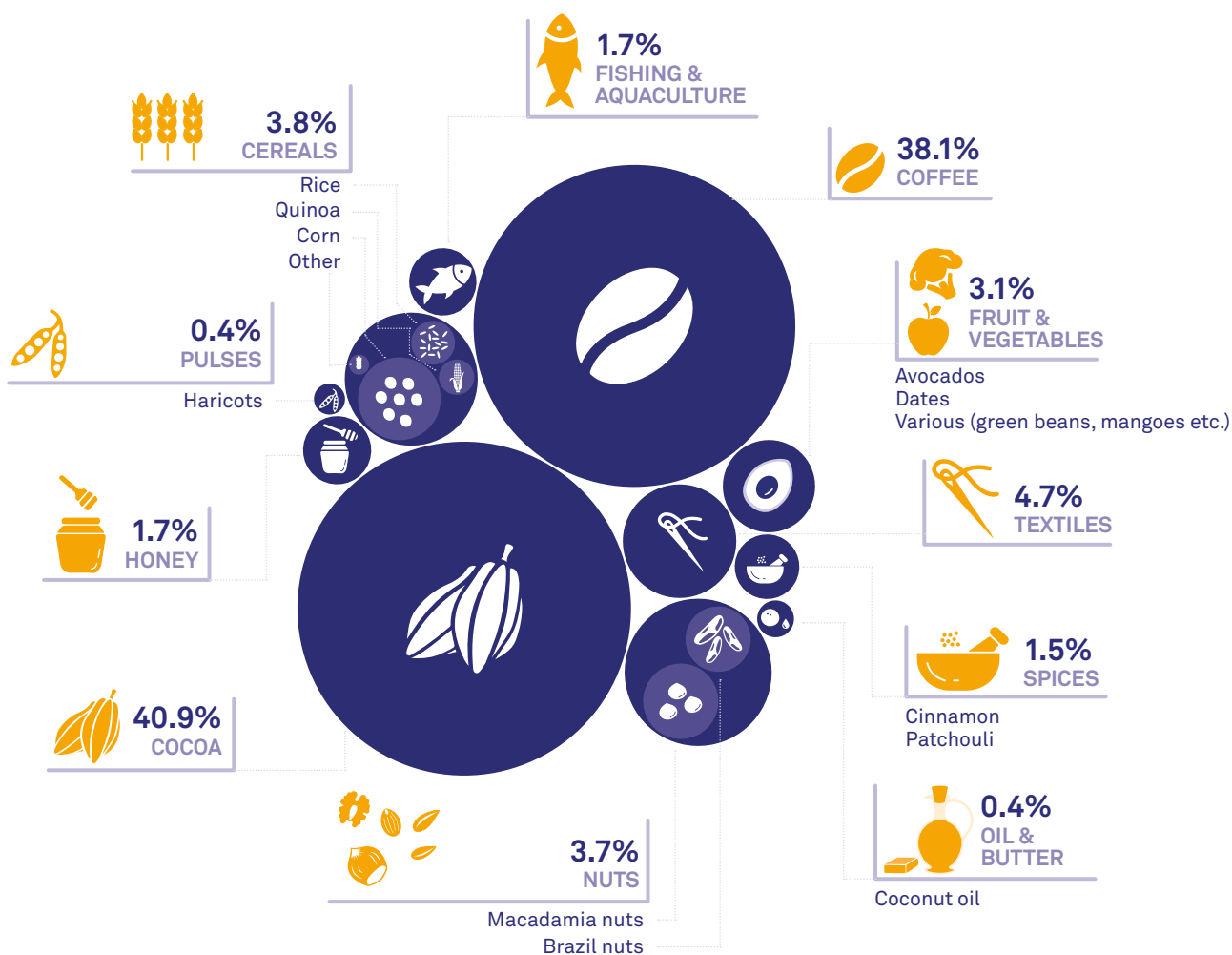
With the planned launch of Fefisol II and the renewed opportunity to explore new partnerships through field visits, we aim to maintain a sustained growth rate for the agricultural sector in 2022. The increased use of third-party funds dedicated to **sustainable smallholder agriculture** will enable us to meet demand from our partners while diversifying our risk exposure.

Brazil nuts, Eximacruz, Cobija, Bolivia

© 2021, Alterfin

CUMULATIVE DISBURSEMENTS BY PRODUCT TYPE

In 2021, we disbursed EUR 56.3 million to **sustainable smallholder agriculture**.



PORTFOLIO DIVERSIFICATION: A NEW VALUE CHAIN FINANCED IN AFRICA

To expand its reach, increase its impact and diversify its portfolio, **Alterfin** has developed partnerships with social buyers based in Europe since 2019. These companies work with smallholder producer organizations based in emerging countries that are too small or not sufficiently developed in terms of their internal organization for us to finance them directly. These partnerships also allow us to operate in countries where we have no other direct investments.

As such, for the first time, **Alterfin** financed an agricultural partner working in the baobab powder value chain in Ghana in 2021. This partnership was made possible by providing financing for the British social buyer Aduna. Aduna works with the local NGO ORGIIS to structure the value chains of various local products, including baobab, moringa and cocoa powders. Aduna then buys African foodstuffs produced by 1,600 women and resells them in Europe. These producers, who are members of small cooperatives, would not be able to obtain financing without the British buyer acting as an intermediary. In addition to the production of baobab fruits and other agricultural products, 470 women are employed in the fruit powder processing plant.

This partnership enables us to develop our portfolio in Ghana and, more importantly, to promote the inclusion of women in the agricultural sector; they are excluded from this industry in many countries, often because of local laws that prevent them from owning land.

A LESS PRONOUNCED SEASONALITY OF THE PORTFOLIO

In the past, **Alterfin**'s overall portfolio would usually decline sharply between the end of the first quarter and the third quarter because of the seasonal nature of the West African cocoa and Latin American coffee sectors, which dominate agricultural disbursements. For various reasons, this seasonality was less pronounced in 2021.

West Africa provides the first explanation for this development. The Ivorian cocoa sector has two harvest periods: a "main" season from October to March, and an "interim" season from April to September. In recent years, almost all the activity of our partners in the sector has taken place during the main season. However, in 2021, because of different weather conditions and a slightly delayed harvest, these partners reused a significant part of the allocated funds for the interim season, helping limit the usual decline in the portfolio during the second quarter.



Baobab fruit harvester, Aduna, Ghana

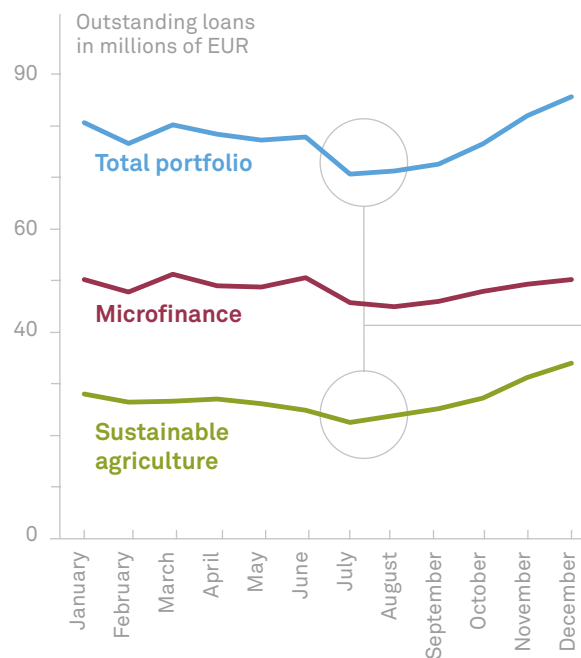
© 2021, Nana Kofi Acquah for Aduna

Similarly, in the coffee sector in Latin America, some credit lines were used for a longer period than in previous seasons, limiting the downturn at the beginning of the year, while at the end of the year several loans to the sector were disbursed earlier than usual between the third and fourth quarters in Central America (Nicaragua, Costa Rica). Some of the partners in question benefited from higher amounts from funds under management, ensuring stronger portfolio growth at year-end.

Lastly, the new partnerships also played an active role in reducing the effects of seasonality. For example, the volume of disbursements to the Rwandan coffee sector, which is counter-cyclical to the West African and Latin American cocoa sectors, almost tripled. The vast majority of these disbursements occur at the beginning of the year and support outstanding loans in the portfolio in the first half of the year, when repayments from other value chains are generally more substantial.

SEASONALITY OF THE PORTFOLIO

Outstanding loans in the portfolio are generally characterized by a seasonal dip between March and August. This is due to the seasonal nature of coffee growing in Latin America and cocoa growing in Ivory Coast, both of which dominate the agricultural portfolio.



REGIONAL DISTRIBUTION: THE RESURGENCE OF LATIN AMERICA

The regional distribution of the portfolio was significantly influenced by the seasonality of the predominant agricultural value chains, namely cocoa (mainly in West Africa) and coffee (mainly in South and Central America). In addition, over the past two years the impact of the pandemic on local economies and the **microfinance** sector has played a key role in the distribution of our outstanding loans. As such, in several Latin American countries including Ecuador and Bolivia we have been able to renew partnerships because of the measures taken to support the sector in response to the pandemic and a return to economic growth. At the same time, our operations continue to stagnate in some countries such as Uganda, which recently lifted two years of severe restrictions (including a curfew, school closures, etc.).

Latin America accounted for almost 50% of **Alterfin**'s annual disbursements in 2021, thanks to a improved

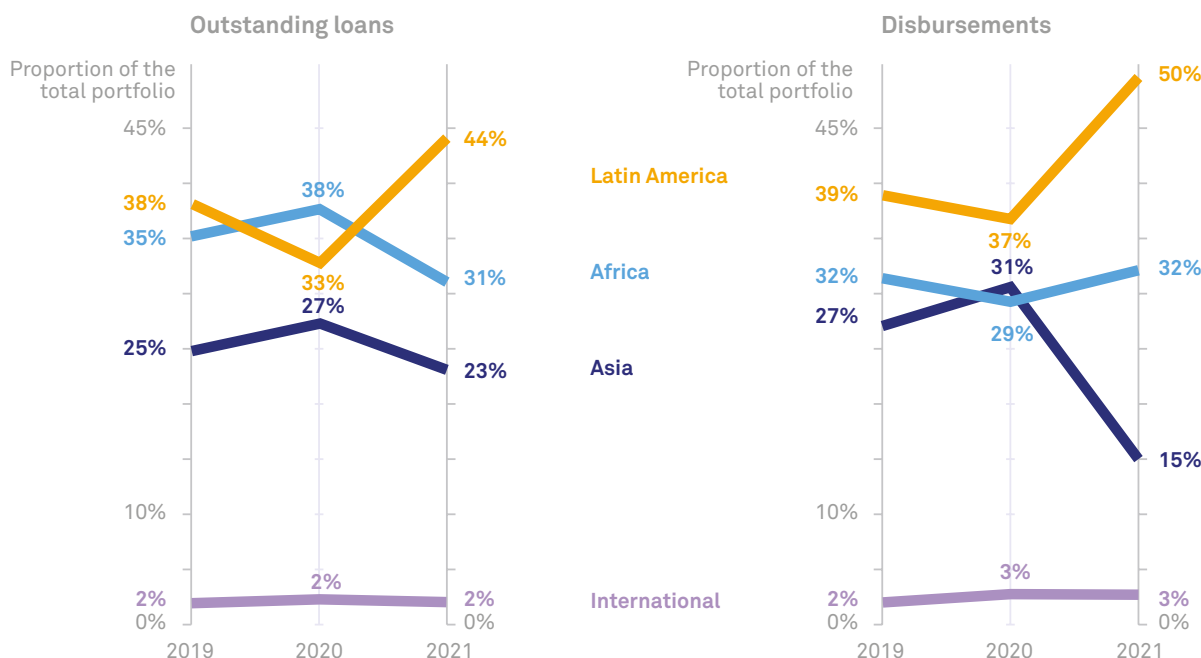
recovery in **microfinance** and an increase in agricultural activities, along with the presence of our field teams, which made it easier to stay in contact with our partners. This has been reinforced by the permanent presence of an investment officer in Costa Rica, the 6th country to benefit **Alterfin**'s local presence outside Belgium.

Although it remains below the peak level reached before the pandemic (nearly USD 45 million in 2019), the Latin American portfolio saw a significant rise of 40% in 2021. **Alterfin** has long financed activities in Latin America; once again, the continent accounts for the majority of the portfolio, having ceded this position to Africa for the first time in 2020 after a gradual contraction over the years, following efforts to diversify the portfolio geographically in favor of Africa and Asia.

However, this trend was reversed in 2021. Since 2020, which was marked by the rise in COVID cases and travel restrictions, leading to an economic recession

EVOLUTION OF THE PORTFOLIO COMPOSITION BY REGION

The distribution of the portfolio and disbursements was affected once again by the varying impact of the pandemic in different geographical areas.



of 6.8% across the continent, local economies have returned to growth (projected increase in GDP of 6% in 2021), thanks to more effective containment of the epidemic (the launch of vaccination campaigns and the easing of health and safety measures).

In addition, the **microfinance** sector benefited from a more rapid and more targeted response to the pandemic from government authorities and financial sector regulators (including temporary moratoria on payments to protect the quality of loan portfolios and the easing of provisioning rules to reduce additional costs). Clients of **microfinance** institutions were able to resume their activities and repay their loans, while MFIs were able to improve their operational and financial results. By year-end, Latin America accounted for the majority of disbursements to the **microfinance** sector (21 out of 37 disbursements, including 6 out of 7 new disbursements, and 65% of the amount disbursed to the sector).



Client of Norandino, (MFI), Jaén, Peru
© 2021, Alterfin

Sustainable smallholder agriculture still accounts for the majority of the continent's activity and represents 44% of the portfolio and 65% of regional disbursements. As mentioned above, the coffee sector benefited from higher amounts and increased use of credit lines. Although it remains the overwhelmingly predominant value chain in Latin America (21% of the regional portfolio), disbursements to the cereals, nuts and textile sectors also increased in 2021, while cocoa continued to represent a significant share as well.

The situation is more mixed in Africa. After a historic contraction in 2020, the growth rate remained lower (with a 3.8% increase in continental GDP) than in the rest of the world, primarily because of the dependence of the continent's economy on trade in raw materials, which slowed down considerably during the pandemic. In addition, the pandemic has had an extended impact, because vaccination against COVID-19 remains extremely limited in Africa (11% of the population is fully vaccinated, compared to 62% in Asia and 68% in Latin America).

Consequently, for the second consecutive year, the regional portfolio experienced a significant contraction of 16%. This was exacerbated by the closure of Fefisol, which represented 20% of the African portfolio at the end of 2020, resulting in a decrease of EUR 6.3 million over the year. The launch of the second Fefisol fund and the return of field visits, facilitated by the presence of our investment officers in Kenya and an expected permanent presence in West Africa by 2023, should make it possible to reverse the trend gradually in the coming years.

The decline in the African portfolio can also be explained by limited activity in the **microfinance** sector. To better understand the dramatic impact of the pandemic in Africa, it should be noted that our partner MFIs on the continent have loan portfolios that are respectively eight times and 13 times smaller than their Latin American and Asian counterparts, on average. Moreover, their average capitalization rate is 25% to 35% lower than in Latin America and Asia, meaning that they are much less able to absorb large losses and return to growth.

The negative effects of the pandemic, such as the deterioration in portfolio quality, are having a longer-lasting impact on their financial results and their equity levels. This is the case, for example, for several of our partners in West Africa (Côte d'Ivoire, Burkina Faso) and North Africa (Morocco), along with Uganda and the Democratic Republic of Congo. The institutions in question are currently not in a position to obtain new loans. As such, African MFIs only account for eight out of 37 disbursements (including one new partner) and 13% of amounts disbursed by **Alterfin** to the sector in 2021.

At the same time, **Alterfin's** activity in Africa's **sustainable smallholder agriculture** sector has continued to grow. The volume of annual disbursements doubled because of higher loan amounts, greater participation of third-party funds and extended use of credit lines. The continent provided five to six new agricultural partners acquired during the year and, in addition to cocoa, this increased activity also benefited the walnut, oil, fruit and vegetable and coffee value chains. **Sustainable smallholder agriculture** now represents 48% of the African portfolio, compared to 32% in 2020.

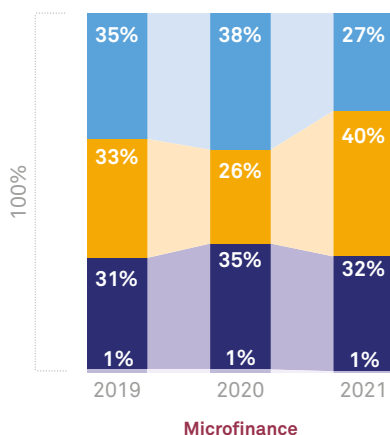
Lastly, in Asia, after several years of consistent growth and a slight decline in 2020, the portfolio decreased by 11%. The Asian portfolio continues to be primarily concentrated in the **microfinance** sector; its level of activity has a direct impact on the scale of outstanding loans in the region.

However, disbursements in 2021 to Asian MFIs only reached 42% of the level seen in 2019. This reduced activity is largely due to the lower financing needs of our partners because of a relatively slow economic recovery, particularly in Central Asia, the Philippines and Cambodia, where several disbursements that were initially planned for 2021 were delayed until 2022.

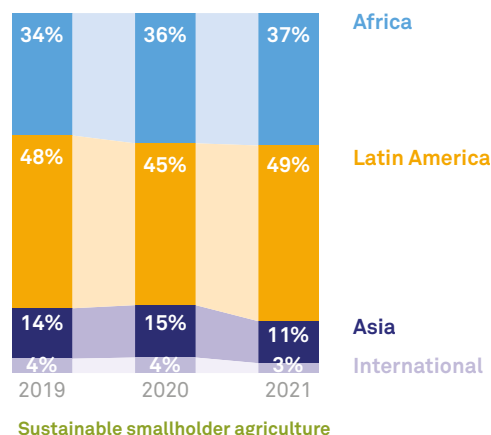
In Myanmar, the uncertainty caused by the political context has also hindered the portfolio's development. Despite the military junta's return to power a year ago, our **microfinance** partners in Myanmar continue to operate, but their operations are limited by the lack of new financing and the impact of the political situation on the country's economic activity. To adapt and respond to their needs in a coordinated way, **Alterfin** is currently considering several requests to reschedule their loans and is taking an active role in discussions that are held frequently with the international investor community.

EVOLUTION OF THE REGIONAL DISTRIBUTION OF MICROFINANCE AND SUSTAINABLE SMALLHOLDER AGRICULTURE PORTFOLIO

The impact of the pandemic on **microfinance** remains significant in Africa and Asia.



Once again, Latin America was the driving force behind the **agricultural portfolio** in 2021.



Although it has slightly increased, the agricultural portfolio remains limited to a small number of active partners in Asia (six in 2021) in the cocoa, coffee, spice, rice and textile value chains. Opportunities remain scarce, particularly in Central Asia, characterized by an absence of established organizations operating within the very small number of export value chains.

A return to growth in the region is feasible in the medium term and is sure to involve the **microfinance** sector. We are expecting positive developments in the agricultural sector and a more diverse Asian portfolio, thanks to a permanent presence in Cambodia from 2022.

PORTFOLIO QUALITY UNDER CONTROL

As in 2020, the quality of **Alterfin**'s portfolio fluctuated over the year, affected by the various impacts of the pandemic. In this respect, a distinction must be made between partners with loans in default and those whose loans have been restructured. Partners with loans in default are generally facing structural and institutional problems related to poor operational and financial performance or are awaiting restructuring, while restructuring is primarily the result of the temporary and circumstantial shocks caused by the COVID-19 pandemic.

At the end of 2021, 17 partners had loans in default. This was a significant improvement, given that 27 partners had loans in default at the end of 2020. This decrease is primarily due to the restructuring of five defaulted investments, resulting in new repayment schedules. In addition, four partners made the necessary payments to repay their loans in full. Lastly, due to the low probability of repayment, three loans were written off and therefore removed from our portfolio. Conversely, there were defaults on two investments in two MFIs that are awaiting restructuring.

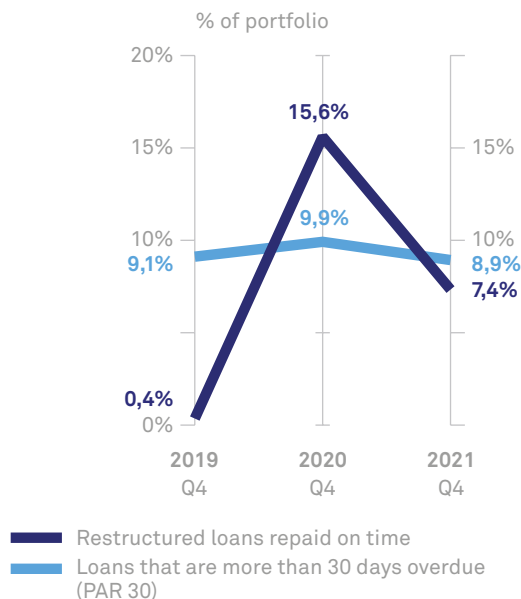
The gross rate of loans overdue by more than 30 days (PAR 30) declined from 9.9% at the end of 2020 to 8.9% of **Alterfin**'s portfolio at the end of 2021. This year, as in previous years, we recorded write-downs on several of these loans in default so as to adjust their value in our balance sheet, taking into account the

potential risk of default and therefore anticipating possible losses. Ultimately, after subtracting all the write-downs from our risk portfolio, it amounted to 4.4%; this is the level of loss we are actually exposed to, compared to 5.4% in 2020.

As has been the case since 2019, the agricultural portfolio continues to improve, with the sector's PAR 30 decreasing from 5.4% to 3.7% of total outstanding loans over the year. The PAR 30 of the **microfinance** sector increased slightly from 3.3% to 4% of the portfolio, and remains above the pre-pandemic level (1% at the end of 2019). The sector's default rate, which is historically low, has been affected by the economic impacts of the pandemic. However, this situation is temporary, because two MFIs are awaiting a restructuring of their loans (see below).

PORTFOLIO QUALITY

The **quality of the portfolio** has been broadly stable over the last two years, while the number of **restructured loans has decreased**, thanks to our partners' repayments.



Over the course of the past year, **Alterfin** continued to listen to its partners, adapting to their needs in response to the continuing effects of the pandemic: although progress was made, the situation remains very uncertain, particularly for **microfinance** institutions. Several MFIs have had to restructure the loans of some of their clients — either following a decision by a regulatory body or voluntarily in view of the economic situation — which has had an impact on their ability to repay their loans. So as not to affect struggling final beneficiaries, who are often among the most vulnerable members of society, **Alterfin** restructured the loans of the partners in question by changing their repayment schedules.

At the end of December 2021, 17 partners had a restructured loan (compared to 19 in 2020), including 13 MFIs that were negatively affected by the pandemic. Eight loans were rescheduled during the year for six **microfinance** partners and two agricultural partners. It is important to note that the change in the repayment schedules of the two agricultural partners is related to events that happened prior to the coronavirus pandemic, which has only had a limited impact on the sector's activity so far.

There was a high concentration of restructuring in Latin America, which accounted for 59% of these loans. This can be explained by the fact that the continent accounts for 50% of our **microfinance** partners and by the decision of local authorities to ask financial institutions to reschedule loan repayments of clients affected by the pandemic.

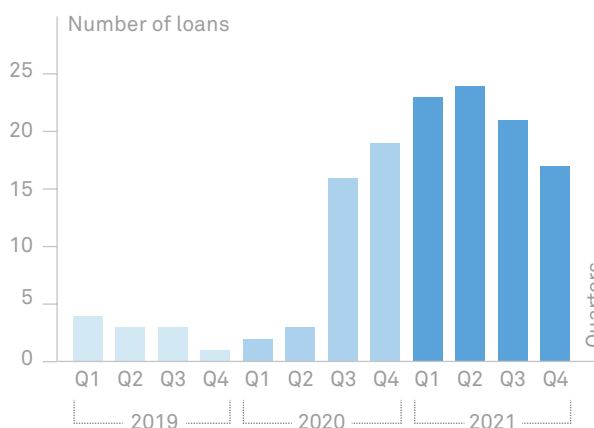
Restructured loans now represent 7.4% of our outstanding loans, a level well below the 15.6% observed at the end of 2020. This positive development is due to the portfolio's quality: with the exception of one partner now in default, repayments for **microfinance** institutions that were restructured as a result of the pandemic were made on time and in accordance with the new repayment schedules. Eight partners completely repaid their restructured loan, while five partners who benefited from rescheduling received a new loan in 2021, which illustrates that their results improved.

These results show that the additional time that our partners were granted enabled them and their own

clients to recover from the negative effects of the pandemic. Although further restructuring is possible, we expect the volume of restructured loans to continue to decline in the short to medium term.

TOTAL NUMBER OF RESTRUCTURED LOANS

The number of restructured loans continues to decrease.



8

OUR IMPACT



Brazil nut harvester, Eximacruz, Cobija, Bolivia

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Since inception, **Alterfin**'s mission has been to improve the livelihoods and living conditions of socially and economically disadvantaged people and communities, predominantly in rural areas of low and middle-income countries. The fight against poverty sustainably remains the cooperative's primary objective. To do this, we mobilize funds to invest in sectors that directly address these disadvantaged communities, namely sustainable **smallholder agriculture** and **microfinance**.

The populations that **Alterfin** targets are generally referred to as poor, a term with many different meanings. The meaning of poverty extends beyond its traditional monetary definition as it also has an impact on food security, access to healthcare and education, making it a multidimensional issue. The

state of being poor is often characterized by the presence of vulnerability since these groups are likely to be adversely affected by unforeseen events such as health, economic, political and environmental crises; this prevents them from escaping from poverty and creates a vicious circle.

Today, more than three billion people are considered to be living in poverty, surviving on less than USD 2.50 a day, and more than half of them are women. The agricultural sector is significantly over-represented in this segment, given that 79% of these people live in rural areas and depend primarily on agriculture as their main source of income.

To assess the results and the merits of our work, it is vital for us at **Alterfin** to measure our economic,

social, and environmental impact. To do this, we have developed an innovative method that focuses on both our partners and their final beneficiaries, making it possible to highlight the benefits of our work across the impact chain and our contribution to the United Nations Sustainable Development Goals¹:



End poverty in all its forms everywhere



End hunger, achieve food security and improved nutrition, and promote sustainable agriculture



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Ensure sustainable consumption and production patterns



Achieve gender equality and empower all women and girls

ALTERFIN'S IMPACT THROUGH MICROFINANCE INSTITUTIONS (MFIS): ACCESS TO FINANCIAL SERVICES FOR ALL

Poor households generally do not have access to traditional financial services due to a perceived high level of risk. These so-called 'unbanked' households therefore tend to rely on informal moneylenders, often loan sharks, to meet their financing needs.

Therefore **microfinance** institutions (MFIs) represent a solution to the challenge of ensuring the financial inclusion of these populations, by enabling them to access financial products tailored to their specific needs.

To this end, nearly 60% of **Alterfin's** portfolio under management is dedicated to financing **microfinance**, with a focus on MFIs that work with the most vulnerable communities. At the end of 2021, 66% of the final beneficiaries were women, while 62% lived in rural areas. Ensuring strong rural outreach is a key element of **Alterfin's** work, given that the poverty rate is three times higher there than in urban areas.

Total number of beneficiaries

reached by MFIs : 4,062,177

Rural beneficiaries 62%

Female beneficiaries 66%

Smallholder farmers 20%

Partners' portfolio in agriculture and livestock 25%



¹ www.sdg.be/en/sdgs

→ Vulnerability: MFIs provide help to cope with the unexpected

One of the many reasons households remain trapped in poverty is their vulnerability to unexpected events. This was particularly true of the COVID-19 pandemic, which plunged 31 million people into poverty, according to the latest studies by the Food and Agriculture Organization of the United Nations.

One way to escape this vicious cycle is to have the necessary resources to recover from these unexpected events. To achieve this objective, most of our partners offer savings products, emergency loans and various insurance services. In 2021, 60% of our **microfinance** partners offered life insurance, 13% offered health insurance and 24% offered insurance to protect farmers against climate-related events. In addition, by providing multiple loan products, MFIs meet the various needs of their beneficiaries while enabling them to continue to build financial reserves to better cope with an uncertain and volatile income.

In addition, studies show that **microfinance** is more effective in reducing poverty and vulnerability when combined with capacity building for borrowers. That is why 75% of our partners provide training on various relevant topics such as financial and business management, as well as environmental sustainability.

Our **microfinance** partners offer:

Savings products	59%
Insurance products	60%
More than 2 loan products	93%
Emergency loans	69%
Adult education	75%



→ Gender: microfinance helps emancipate women

It is now a well-known reality, supported by research, that when women can access financial services and gain greater economic autonomy, the benefits to the household are greater, because women tend to spend more money on education, health and nutrition for their families. Hence, we prioritize support for institutions that are able to offer equal opportunities to their employees, that raise awareness of gender equality among their beneficiaries and that primarily support women by offering training on capacity building, in addition to financial services.

Female beneficiaries	66%
Training for female beneficiaries	47%
Our partners' female employees	40%
Training on gender equality for our partners' employees	40%



² www.fao.org/3/CB4476EN/online/CB4476EN.html

→ Environmental sustainability: the pursuit of responsible growth

Responsible and environmentally friendly economic activity must be at the forefront of everything we do, as the global challenge of climate change continues to grow. As such, we are committed to supporting partners who take a proactive approach to improving the environmental impact of their beneficiaries, by providing green loans that have a positive environmental impact and who apply sustainability principles to their own operations.

Partners with an environmental policy	55 %
Partners with an environmental policy for beneficiaries	66 %
Partners that offer green loans	28 %



Client of Chamroeun (MFI),
Siem Reap, Cambodia
© 2021, Alterfin

USING SUSTAINABLE SMALLHOLDER AGRICULTURE TO REDUCE POVERTY AND FIGHT CLIMATE CHANGE

Agriculture remains the main source of income for vulnerable rural populations all over the world; therefore, support for the sector is vital in the fight against poverty. **Alterfin** once again devoted the majority of its resources in 2021 to organizations of smallholder producers and small and medium-sized enterprises working in sustainable agriculture sector. 74% of the disbursements in 2021 were made to organizations in **sustainable smallholder agriculture**. In total, more than 136,000 smallholder producers benefited from **Alterfin**'s support.

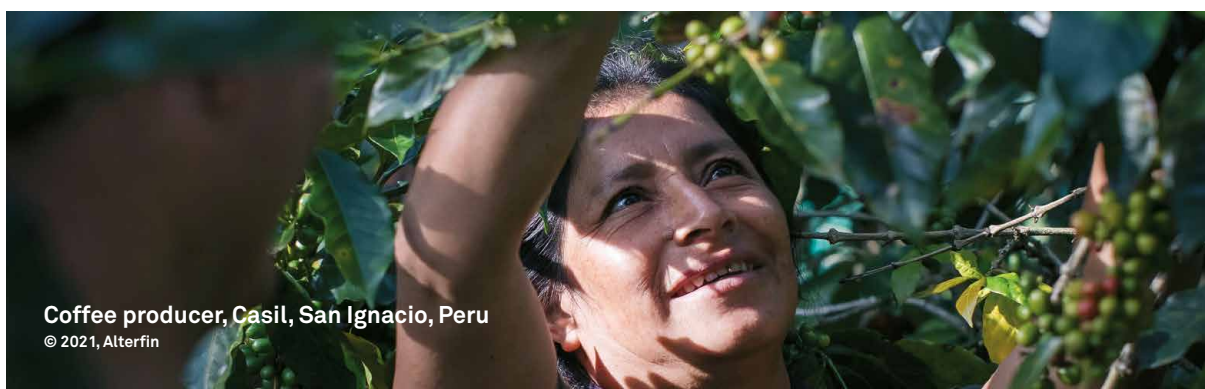
Smallholder farmers produce a third of the food consumed globally. By supporting the small-scale farming sector, we can both fight poverty and contribute to more sustainable and environmentally friendly global food production. Accordingly, the area of land cultivated with the help of **Alterfin**'s financing increased by 19% compared to 2020.

Total number of producers reached by organizations in sustainable smallholder agriculture

136,077

Rural producers	99%
Female producers	27%
Total cultivated area (hectares)	615,910
Production volume (tons)	230,539





→ Sustainable smallholder agriculture: a solution to many challenges facing smallholder farmers

Smallholder farmers face many challenges, including a lack of access to resources such as financing, inputs and equipment for efficient and sustainable farming. We address many of these challenges by working with partners who actively promote sustainable agricultural practices using fair trade and organic farming standards while providing producers with financial and technical support.

Our partners in sustainable smallholder agriculture:

Pre-finance producers	81%
Provide producers with inputs	56%
Pay above market price	90%
Fair trade certified	60%
Organic certified	57%
Offer adult education	74%
Offer training on innovative and sustainable agricultural practices	51%



→ Gender: promoting more inclusive agriculture

Agriculture remains strongly male-dominated, as women often have limited access to land ownership, resources, and productive inputs. It is therefore encouraging to note that 27% of the producers we support through our partners are women and that our partners actively participate in promoting gender equality among their own employees and by working to raise awareness on an ad-hoc basis.

Female producers	27%
Our partners' female employees	52%
Training on gender equality for our partners' employees	59%



ALTERFIN'S ADDED VALUE AS AN INVESTOR

As a social investor, we are committed to going the extra mile; this makes a real difference to our partners and sets us apart. Every year, we organize surveys to assess the added value created by our investments. This is a way to confirm that our pioneering support continues to act as a catalyst and that we can adapt to our partners' specific needs.

We play a pioneering role when we are the first investor in institutions with high potential for social and environmental impact that are perceived as being too risky by most local and international investors. Committing to these organizations enables **Alterfin** to maximize the impact of every euro it invests, since without our help they would have had very little chance of developing as quickly and to the same extent as they now have. Our role goes beyond strengthening our partners' capacities: **Alterfin's** investments can also generate interest and inspire trust among lenders, donors, and buyers. In this way, **Alterfin** acts as a catalyst.

We can only be pioneers and catalysts by putting our partners at the heart of our activities and by understanding them. We always adapt our financing to the specific needs of each partner and grant them loans with terms that put them on a solid footing. This means providing them with loans at the right time, for the right amount, and with guarantee and repayment terms that are consistent with their cash flow. This has become even more important during the COVID-19 pandemic, as our partners' needs are being affected by changing circumstances. These needs have been assessed by means of annual surveys since the beginning of the pandemic (see page 46, "A tailored response to the pandemic").

***Alterfin** is a great lender; quick turnaround, clear communication and understanding. We enjoy working with **Alterfin**.*

*Kentaste Products Limited,
Kenya*





Employee in the coconut processing centre, Kentaste Products Limited, Kwale, Kenya


→ Alterfin's role as a pioneer and a catalyst, illustrated by our agricultural partnerships

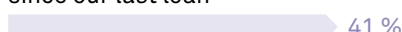
Alterfin has demonstrated its commitment to the sustainable **smallholder agriculture** sector where it was the first lender for 50% of its agricultural partners. This is crucial in an environment where agriculture as a sector is perceived as high risk, making it less attractive for investors. **Alterfin** is able to step in and finance these institutions thanks to its unique expertise, developed over 28 years, that allows us to limit the risks inherent to the sector and remain financially viable. This way, **Alterfin** positions itself as an important player in the financing of sustainable **smallholder agriculture**, a sector that is deeply intertwined with poverty.


Our partners in sustainable smallholder agriculture confirm:


they received advice on financial matters
 59 %

they received advice on environmental matters
 41 %

they received advice on social matters
 46 %

they attracted new buyers since our *last* loan
 41 %


they attracted new lenders since our *last* loan
 24 %


they attracted new lenders since our *first* loan
 35 %

Since our last loan, 24% of partners have seen an increase in the number of lenders and 41% have seen an increase in the number of buyers; this is an excellent result, more so in the context of COVID-19 in the past year. By investing and supporting our partners during this crisis we have successfully created a catalytic effect that has boosted confidence among all stakeholders.

Our approach of focusing on the needs of our partners became even more important during the pandemic, as agricultural organizations had to adapt to rapidly changing circumstances. The surveys show that 46% of our partners find the speed of our loan approval, disbursement, and repayment schedule to be the most favorable. These aspects are key to ensuring the success of our agricultural partners, who must respond proactively to their producers and adapt to the cropping seasons in a timely manner.


The loans disbursed to our agricultural partners are appreciated for:


Similar or faster speed of loan approval
 80 %

Similar or longer loan duration
 77 %

Similar or lower costs
 77 %

Similar or more convenient repayment schedule
 85 %

Similar or higher loan amount
 82 %

Similar or better guarantee requirements
 59 %

Great support and flexibility, which have proved instrumental to develop our activities in the Philippines, then Bangladesh, and now Ivory Coast.

*Ananas Anam,
Philippines/UK*

By combining relevant, tailor-made financial services with technical advice, **Alterfin** is creating a multiplier effect to increase its impact, which is passed on from its partners to their beneficiaries. As a result, 74% of our partners say that **Alterfin**'s support over the years has enabled them to improve their operations and to increase the number of producers they support. We invest in the long-term success of our partners and their beneficiaries by becoming an integral part of their journey.

Thank you for being impact-first in your thinking and for being so supportive and flexible in all aspects – this makes a huge difference to us.

Aduna, UK

→ Microfinance: Alterfin listens to its partners

Our pioneering role is less significant in the **microfinance** sector, which is a more developed and

formalized sector that attracts a multitude of social investors. However, **Alterfin** has differentiated itself by investing in smaller institutions such as Gyals Tugrug in Mongolia and in less developed markets such as Sierra Leone and the Democratic Republic of Congo. As a result, we have been able to act as a catalyst in this sector too, and many of our partners have been able to attract new lenders because of our presence.

Our partners in microfinance confirm:

they received advice on financial matters

17 %

they received advice on environmental matters

26 %

they received advice on social matters

24 %

they attracted new lenders since our *last* loan

14 %

they attracted new lenders since our *first* loan

27 %



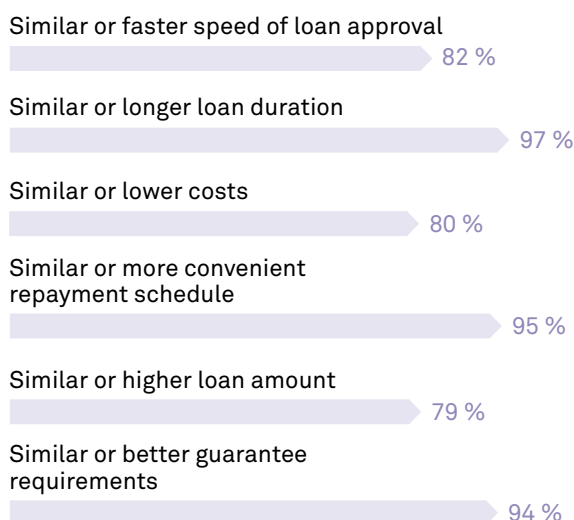
Baobab fruit harvesters, Aduna, Ghana

© 2021, Nana Kofi Acquah for Aduna

We are also committed to improving our lending terms regularly to better meet our partners' needs. For a third of the MFIs we work with, **Alterfin** was the most responsive lender, with faster approval and disbursement, enabling these MFIs to respond to their beneficiaries' requests in a timely manner.

Because of our support, 91% of our partners in **microfinance** reported that they experienced growth and continuous improvement in their operations, while 64% have been able to offer new financial products and to reach more clients through a greater geographical presence.

The loans disbursed to our **microfinance** partners are appreciated for:



*Forever grateful that **Alterfin** was the first international fund to believe in Finamiga.*

Financiación Amiga, Colombia



AN ADDITIONAL BENEFIT, BEYOND FINANCIAL SERVICES: ALTERFIN'S TOOLBOX

Alterfin invests in partners who are generally excluded from the traditional financial sector because they are perceived as being high risk due to the nature of their business, the beneficiaries they work with, their level of formalization and development, or other such factors. In order to develop and grow, they need support that goes beyond regular financing. That is why **Alterfin** has decided to expand its services with offerings that encourage the long-term development of our partners and reduce the level of risk as perceived by other stakeholders (other investors, buyers, etc.). The **Alterfin** Guarantee Fund (AGF) makes this possible. Created in 2000, the AGF is an independent organization that is financed annually by donations from individuals and institutions. By the end of 2021, the fund had nearly EUR 2 million dedicated to supporting **Alterfin's** partners.

What added value does the AGF provide?

On the one hand, part of the funds is used as a guarantee to reduce the credit risk associated with partners who are likely to have a strong social and environmental impact, but whose financial and/or operational performance is weaker. This way, **Alterfin** can finance partners it would be unable to support otherwise and generate a positive impact, because the financing enables organizations to grow and strengthen their overall performance. In 2021, 22 partners benefited from an AGF guarantee, amounting to slightly more than EUR 1.7 million. To increase the impact of the AGF, 10 African partners also benefited from support from ACELI, a guarantee fund established within the framework of the Council on Smallholder Agricultural Finance (CSAF), with the aim of promoting financial inclusion in the small-scale agriculture sector. These partners received a guarantee of roughly EUR 80,000 each.

On the other hand, part of the AGF funds enables **Alterfin** to provide loans in local currency, all while protecting both the partner and the cooperative against foreign exchange risk. This is particularly important for smaller partners who may not have access to formal hedging services, given their limited financial needs. This way, **Alterfin** can adequately finance underserved organizations, which in turn can provide their beneficiaries with support in the local currency. In 2021, the AGF supported 15 partners and disbursed loans in 12 currencies.

The AGF's final tool with which it boosts **Alterfin's** impact is the provision of technical assistance, to strengthen our partners' institutional, operational, financial, social and environmental performance. The ability to provide both financial and technical support allows **Alterfin** to unleash the full potential of these organizations, to encourage their development and to increase their impact. The AGF has EUR 100,000 for this purpose.

And beyond the AGF?

In 2021, **Alterfin** hired a Technical Assistance Manager, tasked with maximizing the use of available resources and raising additional funds. This has already resulted in a partnership with the Smallholder Safety Net Upscaling Program (SSNUP, see page 18). Thanks to this partnership, **Alterfin** will manage EUR 500,000 of additional funds for technical assistance over the next two years, dedicated exclusively to strengthening our African partners.

Then, thanks to the «EU Market Creation Facility» program of the European Commission and TCX, we were able to provide financing in local currency to our new partner ACTB in Sierra Leone, one of the 10 poorest countries in the world, with 52% of the population living below the poverty line. TCX aims at facilitating financing from investors active in emerging markets by offering affordable currency risk management products at an affordable cost. This allows us to support organizations like ACTB that have limited access to international lenders.



→ Sustainable smallholder agriculture organizations: avoiding the obstacles of the pandemic

During the second year of the pandemic, our agricultural partners continued to face challenges because of travel restrictions that prevented them from working closely with farmers. In terms of sales, the most commonly cited challenge was the continued slowdown in international supply chains; this caused disruptions in the export of goods and, in some cases, led buyers to delay their orders, as reported by 76% of our partners. This created a ripple of uncertainty, making the planning process more complicated and making it harder for our partners to meet their commitments.

A TAILORED RESPONSE TO THE PANDEMIC

Mindful of the significant challenges posed by the pandemic, we made it a priority to continue supporting our partners that work with more than four million beneficiaries, who are among the most severely affected populations. Since the start of the pandemic, we have conducted studies to better understand the new constraints and challenges they face and to find appropriate solutions.

This past year, 80% of our partners were still affected by a lack of liquidity that resulted in a slowdown of their operations, limiting their access to financing. Because of the perceived risk, many institutions were left with lower amounts of financing, further reducing their ability to support their beneficiaries. More than 50% of our partners in the **microfinance** sector reported that they did not receive adequate support from the government; this figure is even higher for our agricultural partners (nearly 70%). This shows how important **Alterfin's** continued support has been, enabling partners to continue and in some cases even expand their operations during a time of crisis.

*Alterfin has been an important partner for us over the years. Through this partnership, we have been able to receive funds that were used to buy more beans from our farmers, which has improved their livelihood. This was extremely important during the pandemic when many businesses shut down. In some areas like San Isidro, a key cocoa-growing municipality in Mindanao, our procurement of beans was the sole remaining source of income for many families during lockdown. We were able to continue buying beans throughout the pandemic thanks to **Alterfin's** financing.*

Kennemer Foods, Philippines

Financially, these challenges were further exacerbated by an increase in the cost of local and international transportation, experienced by 54% of our partners. Combined with an increase in the cost of inputs and equipment, these factors inevitably led to a lack of liquidity for 68% of the agricultural organizations working with **Alterfin**.

Given our close working relationships with our partners and the experience of the previous year, we were able to respond promptly to this exceptional situation and our partners' urgent needs. Consequently, 88% of our agricultural partners saw **Alterfin** as being particularly attentive to their needs, because of the speed with which funds were disbursed during the pandemic, when most lenders were slower than usual to respond. Thanks to our support, 90% of them were able to ensure continuity of operations, without being forced to reduce the number of farmers they worked with and, in some

cases, without being forced to reduce staff numbers in response to rising costs.

Overall, 99% of our partners say that they are entirely satisfied with our loans because they were granted in a timely manner and the terms, such as the amount and the price, remained the same, while other investors changed their terms due to the perceived risk.

The year 2021 was an exceptionally good year for **Alterfin's** activity in the sustainable **smallholder agriculture** sector, which accounted for 74% of all disbursements made that year, and which saw a 33% increase in disbursements, with no new partners in default, despite the ongoing pandemic. We are proud that we played an important role for our partners in these circumstances and that we were able to ensure a continued positive impact on their beneficiaries.





→ Microfinance institutions: keeping operations afloat despite the pandemic

In most of the countries in which **Alterfin** operates, governments lifted travel restrictions and then reinstated them as successive waves of the pandemic hit, leaving the clients of MFIs in a precarious position, with limited financial cushioning to protect themselves against such volatility.

The results of our survey confirm the trends described above: 60% of our partners continued to encounter obstacles in their operations and 40% were unable to meet their beneficiaries physically. The latter is paramount in the **microfinance** sector for completing loan applications, disbursing loans, and monitoring and receiving repayments.

We responded to these challenges in two ways. Firstly, we continued to restructure the loans of MFIs that had to restructure their own loan portfolios in response to the economic challenges faced by their beneficiaries. To date, the loans of 26 partner MFIs

have been restructured since the beginning of the pandemic. As mentioned above, the good performance of these loans highlights the importance of these decisions and the positive impact of the additional time granted to the MFIs and their beneficiaries (see “Portfolio quality under control”, page 34).

Secondly, we disbursed new loans to meet demand from our partners with intention of supporting end beneficiaries and the local economies they operate in. As such most of the beneficiaries of our MFIs are micro-entrepreneurs who are involved in agriculture or trade, which means they provide the rest of the population with goods and services. We disbursed 37 loans in the past year, five of which were granted to new partners.

Our response had a catalyzing effect: 82% of the MFIs that received a loan described the disbursement process as swift and having a positive effect on the confidence of other lenders. In addition, 40% of our partners say that the loan they received enabled them to continue their activities without reducing the number of beneficiaries. Lastly, 97% said that they were very happy to have received **Alterfin**’s support during this challenging period.

*We thank and appreciate
Alterfin for their ongoing
support, for being with
Chamroeun since the early
days, and particularly for their
continued support during
a period as difficult as this
pandemic.*

Chamroeun, Cambodia

CASE STUDY: EXIMCRUZ, BOLIVIA THE NUT THAT CAN HELP SAVE THE AMAZON

Bolivia is one of the poorest countries in South America. More than 37% of Bolivians live below the national poverty line, 60% of them in rural areas. The high level of poverty in rural areas is exacerbated by the low productivity of small-scale agriculture. In the absence of mass production techniques and because of frequent water shortages and poor infrastructure, the quality of the products and the revenues generated by this activity remain low. Such a lack of economic opportunities is also a serious threat to the Amazon, as many farmers depend on deforestation as a source of income.



Employee in the Brazil nut processing centre,
Eximcruz, Cobija, Bolivia
© 2021, Alterfin

The Amazon rainforest is often referred to as the Earth's lungs. In addition to being a source of oxygen, it has the most biodiverse ecosystem on our planet. It is currently under serious threat from deforestation, caused by various activities such as logging and fires, the majority of which are probably caused by humans.

Scientists estimate that the forest was a true carbon sink 30 to 40 years ago, absorbing nearly 2 billion tons of carbon dioxide from the atmosphere every year. Today, this figure is reduced to about 1.2 billion tons every year, while we produce about 40 billion tons of CO₂, making the conservation of the Amazon all the more critical. Furthermore, if the rate of deforestation increases from the current 17% to between 20% and 25% and if global warming continues with high emissions, the Amazon may no longer be able to create enough rainfall to regenerate itself. The ecosystem could then enter an irreversible transformation from a tropical rainforest into a savanna.

However, the Brazil nut could be part of the solution. It is often touted as “the nut that could help save the Amazon” by the World Wildlife Foundation (WWF). The Brazil nut (*Bertholletia excelsa*) grows on a species of a tree that is found exclusively in the forests of Peru, Bolivia and Brazil. It is one of the oldest trees in the Amazon, often living for 1,000 years, and has a very complex and specific biology. Until now, it has been impossible to get these trees to grow outside the Amazon rainforest. Currently, Brazil nuts represent 75% of the economic activity in the Amazon region of Bolivia, making it the primary source of income for the indigenous population and an incentive to protect the forest.

Recognizing this inherent value, in 2017, **Alterfin** decided to support Eximcruz, a company working with the local community to sell Brazil nuts. The company plays a vital social and environmental role by providing the indigenous community with a fair income while contributing to the conservation of the Amazon's ecosystem. Eximcruz is involved in multiple activities throughout the Brazil nut value chain. It sources nuts from nut harvester associations and cooperatives, and trains harvesters to improve productivity and harvesting methods. It processes

and packages the nuts in its plant, employing over a hundred women who are natives of the region. The nuts are then sold with fair trade certification, ensuring a fair income for the harvesters.

To confirm its impact strategy, **Alterfin** carried out an in-depth study on its role as an investor and on Eximcruz's socio-economic impact on its beneficiaries. We spoke with Eximcruz's team and conducted 100 interviews, both with nut harvesters and with women working in the processing units.

→ Alterfin's added value as an investor

As previously explained, **Alterfin** aims to maximize its social and environmental impact by playing a pioneering and catalyzing role while creating added value for its partners by listening to their needs.

Alterfin is Eximcruz's second international lender. Since 2017, we are providing financing that is tailored to the organization's needs, even during critical periods such as the onset of the pandemic. Eximcruz found our loan to be the most affordable with regard to its price and terms, enabling the company to reduce the cost of its financing and to redeploy these additional resources to its business activities, such as purchasing nuts from the harvesters.

COVID-19 has forced Eximcruz to deal with a number of challenges, ranging from a temporary shortage of raw materials to a lack of liquidity, limiting its operations and its ability to purchase nuts from harvesters. To help Eximcruz navigate this challenge, **Alterfin** decided to renew its loan without reducing the amount, unlike other lenders who concluded that Eximcruz's associated level of risk had increased as a result of the pandemic which led to their investments being scaled back. Eximcruz's leadership acknowledges the important role played by **Alterfin**:

*The total amount of **Alterfin**'s loan and the speed with which it was disbursed were needed to support our operations, at a time when access to finance had become a challenge because of the perceived risk and reluctance among lenders. The loan enabled us to continue with our activities in the sector, despite the restrictions and limitations caused by the pandemic. It greatly helped the Brazil nut harvesters and the staff of our processing units by providing them with much needed economic support.*

Ximena Carlos,
Quality Control Manager

→ A direct impact on more than 1,000 harvesters

Eximcruz works with more than 1,000 nut harvesters in the Amazon region of Bolivia, who work as part of small and medium associations or cooperatives. The purpose of this study is to understand how Eximcruz's support has a positive impact on their lives and the well-being of their families.

The contractual relationship with Eximcruz is the first area of positive impact for the harvesters. A legally binding contract is the first step to encourage a fairer agricultural value chain, as the bargaining power of smallholder producers (and, in this case, harvesters) is usually limited. This contract defines the obligations of both parties, such as the purchase price to be paid by Eximcruz, the quantities to be provided, the quality of the product, and other conditions that help protect the nut harvesters from any form of exploitation.

Secondly, the payment of a fair and fixed price is important for nut harvesters because it helps them to plan and manage their resources while securing an income to support their families. In addition, as a certified fair-trade company, Eximcruz agrees to pay the harvesters an additional bonus of USD 0.7 per kilogram of nuts purchased.

Nearly 85% of harvesters interviewed responded that they get a better price from Eximcruz, which enables them to better withstand economic shocks. It is estimated that each harvester earns about USD 2,300 during a 5-month harvest, making nut gathering the most important source of income for the household. This income is 70% higher than the minimum wage for a similar period of time and represents approximately 75% of gross national income (GNI) per capita.

According to 92% of the nut harvesters, this income has improved the well-being of their family; 30% say that they have been able to save more, which helps them cope with the unexpected; and 28% say that they have more access to food. Thanks to this bonus, most of the nut harvesters also say that they can spend more on their children's education and on other business activities to diversify their income, on improving their housing and on emergency healthcare.

Lastly, the nut harvesters say that they face multiple threats, such as the risk of injury and illness, when they enter the forest. To tackle this issue, they receive training at each harvesting site, in accordance with Eximcruz's ISO certification on food safety³. Training like this is vital to ensure the safety of harvesters by making them aware of the possible risks and by sharing the relevant steps to address them.

→ The emancipation of women through access to employment

Eximcruz's impact goes beyond supporting nut harvesters. The company employs 124 women in its processing plant, who work for about eight months a year. The creation of employment opportunities for

women in the Amazon region is an essential tool in the fight against poverty. As we know, women often invest more in the education of their children, in healthcare and in improving the nutrition of their entire family.

It was therefore crucial for us to hear the voices of these women to understand Eximcruz's real impact on their lives. According to 85% of the respondents, their job has helped improve their well-being: they can rely on a larger and more stable income that enables them to access healthcare when needed, to guarantee their family's food security and to invest in housing and education. All the women with children under the age of 18 who responded say that they can now send their children to school, thanks to Eximcruz.

Female workers report that they are able to accumulate savings to withstand economic shocks and to invest in the purchase of assets such as land and vehicles, which help improve their living conditions while also serving as a form of insurance for the future.



Employee in the Brazil nut processing center, Eximcruz, Cobija, Bolivia

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→ Conclusion

Listening to our partners and our final beneficiaries enables us to affirm our approach and better understand our impact as a social investor. The interviews confirm that **Alterfin** continues to play a major role in the world of impact investing, by working with organizations with a multitude of positive outcomes such as Eximcruz, which provides its harvesters and employees peace of mind and improved well-being, all while working to protect a sensitive and invaluable ecosystem like the Amazon.

***Alterfin** has been very helpful in promoting socio-economic development in our area, creating more direct and indirect jobs. Its support has enabled us to increase our capacity to purchase raw materials to meet growing demand for our product. In turn, this has led to an increase in income for our indigenous harvesters and the development of skilled labor in our team. At the same time, **Alterfin** has helped us invest in new equipment to modernize our plant, enabling us to increase production through modernized processes and to strengthen our production cycle.*

*Ximena Carlos,
quality control manager
at Eximcruz*



Brazil nut harvester, Eximcruz, Cobija, Bolivia

9

OUR FINANCIAL PERFORMANCE

BALANCE SHEET

Our balance sheet grew again in 2021 (+7% compared to 2020), thanks to the renewed growth of our investment portfolio.

The capital collected from our 6,164 shareholders remains the principal source of financing for our activity. In 2021, the arrival of new co-op members and the additional contributions from our existing co-op members resulted in continued capital growth that reached EUR 67.7 million, a net increase of EUR 1.9 million (3%) compared to December 2020. In addition to the increase in the level of reserves and, most importantly, the increased net result for the year, this growth has made it possible to reach a total level of equity of EUR 70.6 million (+4% compared to 2020).

The change in liabilities (+10% compared to 2020) is mainly due to the growth of the funds in which **Alterfin** invested directly, particularly in the fourth quarter, as explained further. The level of our debt is closely linked to our foreign exchange risk management policy. Capital is received in euros, whereas the majority of our partners require financing in US dollars or local currency that is hedged against the dollar. To ensure that we can provide suitable financing while mitigating the foreign exchange risk between the euro and the dollar on our balance sheet, part of our capital is placed in banks. These euro investments are subsequently used as a guarantee to obtain dollar loans that are then disbursed to our partners. The growth in **Alterfin**'s own portfolio has led to an increase in our dollar loan requirements and therefore an increase in the total level of our liabilities.

However, **Alterfin**'s level of capitalization remains sufficiently high. The ratio of total liabilities to total equity stands at 0.89 at the end of December, compared to 0.84 at the end of 2020. This level remains sufficient for increasing the volume of our external borrowing in the future while guaranteeing the cooperative's financial stability.

As for our assets, the investment portfolio is split between the funding we have extended to our partners in the form of loans (i.e., loan portfolio) and financial fixed assets, which are equity interests in partner institutions. While the loan portfolio returned to growth in 2021 (+12%), financial fixed assets decreased (down by EUR 1 million) following the closure of the Fefisol fund **Alterfin** had co-founded and owned. You will find more explanations on the development and composition of our portfolio on pages 20 to 35.

Alterfin continues to invest in the development of new IT and data management systems. This explains the increase in intangible fixed assets (+21%).

Tangible fixed assets consist mainly of properties that were used as a guarantee by some of our partners and that were obtained as repayment of defaulted loans. After a year of delays caused by the pandemic in 2020, legal and administrative processes were able to resume in 2021, making it possible to sell properties held in Peru and Honduras.

ASSETS

Balance Sheet in EUR (before profit allocation)	2020	2021	Difference 2021 - 2020
Non-current Assets	3.092.721	1.630.162	-47%
Intangible fixed assets	159.586	192.585	21%
Tangible fixed assets	603.451	101.720	-83%
Financial fixed assets	2.329.683	1.335.857	-43%
Current Assets	120.780.353	130.606.974	8%
Net Loan Portfolio	62.107.200	69.272.506	12%
EUR investments	58.294.084	61.097.158	5%
Other accounts receivable	379.069	237.310	-37%
Transitory Accounts	1.972.575	1.845.727	-6%
Total Assets	125.845.649	134.082.863	7%

PASSIF

Balance Sheet in EUR (before profit allocation)	2020	2021	Difference 2021-2020
Equity	68.112.803	70.615.523	4%
Paid-in capital	65.832.188	67.689.625	3%
Total reserves	1.865.672	1.886.421	1%
Net income of the period	414.943	1.039.477	151%
Liabilities	57.043.388	62.711.107	10%
Long-term Liabilities (>1 year)	12.724.716	13.642.232	7%
Short-term Liabilities (<1 year)	43.463.016	47.656.238	10%
Other liabilities	855.656	1.412.637	65%
Transitory Accounts	689.458	756.232	10%
TOTAL LIABILITIES AND EQUITY	125.845.649	134.082.863	7%



Brazil nut harvester, Eximeruz, Cobija, Bolivia

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PROFIT AND LOSS STATEMENT

In 2021, the interest and fees received on the loans granted to partners remained the main source of **Alterfin's** income. They stood at more than EUR 5.5 million on December 31, 2021, an increase of 10% from 2020. This increase is related to improved yield and the growth of funds in which **Alterfin** invests directly. However, this growth was mainly achieved in the last quarter of the year, limiting its impact on total income for all of 2021.

Income from euro-denominated investments (used as a guarantee for borrowing in dollars; see page 53) increased slightly compared to 2020 (+2%). This reflects the increase in capital and therefore the volume of euro investments.

Financial expenses, mainly related to our borrowings in dollar, remained under control and continued to benefit from favorable conditions in 2021. These expenses reflected the changes in the level of debt,

which decreased before increasing in the last quarter.

Operational costs totaled EUR 2.5 million, 9% more than in 2020. This increase is the result of investments in our IT and data management systems and the expansion of the team, notably through the creation of new roles, including Head of Portfolio Management and Technical Assistance Manager.

Expenditure related to portfolio monitoring remained low due to the limited ability of our investment managers to travel for field visits. Some legal procedures to recover defaulted loans resumed after having been suspended because of the pandemic, resulting in an increase in legal fees.

The improvement in the level of our portfolio at risk is illustrated by a significant decrease in write-downs taken on non-performing loans (-25% compared to 2020). The level of reversal of write-down (recoveries

from loans that had been written down in previous years) came to almost EUR 149,000. You will find more information about the quality of our portfolio on page 34.

Overall, **Alterfin** ends the year with a net profit of EUR 1,039,477, a result significantly higher than the one of previous years. This achievement was possible

despite the challenging circumstances and thanks to the gradual resumption of our investment activities, combined with our efforts to control financial and operational costs, and the improvement of our portfolio quality.



BREAKDOWN OF INCOME AND EXPENSES BETWEEN 2019 AND 2021

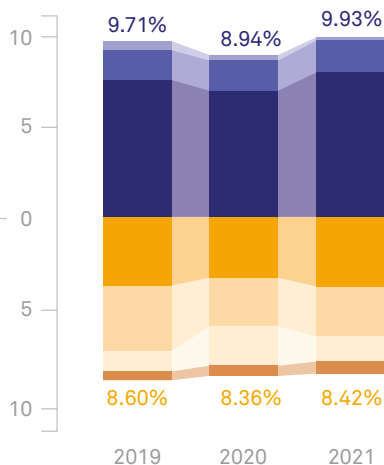
INCOME

- Income from portfolios managed for third parties
- Income from EUR investments
- Income from **Alterfin's** portfolio

% OF AVERAGE PORTFOLIO

COSTS

- Operational costs
- Financial costs
- Net write-downs
- Other costs



The return of our portfolio improved thanks to increased disbursements (fee income) and improved portfolio quality

The share of operational costs increased due to the strengthening of the team

Favorable conditions for **Alterfin's** USD borrowings contributed to a stable share of financial expenses compared to 2020

The level of write-downs significantly decreased in 2021

Profit and Loss statement in EUR	2020	2021	Difference 2021 - 2020
Total financial and operational income	6.436.612	6.849.693	6%
Income from Alterfin portfolio	5.004.573	5.504.910	10%
Income from portfolio management for third parties	228.526	127.086	-44%
Income from consultancy services and other commissions	6.847	23	-100%
Income from EUR investments	1.196.665	1.217.674	2%
Financial expenses	-1.852.265	-1.815.485	-2%
Financial margin	4.584.347	5.034.208	10%
Total Operational costs	-2.306.630	-2.518.818	9%
Personnel	-1.839.575	-1.995.860	8%
Office and marketing	-368.471	-388.661	5%
Services	-50.945	-69.475	36%
Portfolio monitoring	-29.527	-13.928	-53%
Portfolio recovery	-18.113	-50.894	181%
Gross operational margin	2.277.716	2.515.390	10%
Write-downs on credit portfolio	-1.675.482	-1.259.883	-25%
Reversal of write-downs on credit portfolio	195.947	148.592	-24%
Premiums: insurance and guarantees for the portfolio	-214.089	-175.976	-18%
Net operational margin	584.092	1.228.123	110%
Currency exchange result	-112.994	34.235	-
Net extraordinary result	-154	-5.639	-
Result before taxes and allocation of untaxed reserve	470.943	1.256.719	167%
Taxes	-56.000	-217.241	-
NET INCOME	414.943	1.039.477	151%

* Résultats avant approbation par l'Assemblée Générale de 2022. Ces chiffres sont donc susceptibles d'être modifiés. Les résultats définitifs seront publiés sur le site de la Banque Nationale de Belgique.

10 PERSPECTIVES

In 2022, we expect COVID-19 to continue impacting our partners, although to a much lesser extent than in 2021 and 2020.

PORTFOLIO TRENDS:

We expect the growth of our portfolio to continue, with a more even spread throughout the year. The quality of the portfolio is also expected to improve while remaining significantly below the pre-pandemic levels.

The patient work of **Alterfin's** team over the last few years, particularly since March 2020, should result in the growth of our **sustainable agriculture** and **microfinance** portfolios, along with the completion of major restructuring of outstanding loans for some of our partners who have struggled because of the pandemic. We will have the opportunity to further explain these activities and their impact, both in **sustainable agriculture** and in **microfinance**.

Furthermore, the resources invested in managing and monitoring the portfolio should also continue to make it possible to detect any difficulties and address them at an early stage.

FUND MANAGEMENT FOR THIRD PARTIES:

Our **sustainable agriculture** partnership with the fund manager Symbiotics¹ should see funds under management double over the course of the year, making it easier to support our partners in **sustainable agriculture**.

At the same time, the launch of the European Solidarity Financing Fund for Africa (Fefisol) II, in partnership with *Solidarité Internationale pour le Développement et l'Investissement* (SIDI)², originally

planned for 2021 but delayed by the pandemic, is expected to launch at the end of the first half of 2022.

Both initiatives are expected to increase funds under management significantly during the year and should make it easier to meet the increased needs of our partners, all while managing **Alterfin's** risk of direct exposure (through diversification).



Cashew nut producer, CACC,
Preah Vihear, Cambodia

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¹ www.symbioticsgroup.com

² www.sidi.fr

PROFESSIONALIZING THE PLATFORM:

We are continuing the rollout of initiatives to improve our portfolio management, risk management, management of our impact, investment decision making and partner support:

- The modernization of our IT and data management systems continues. Following the launch of a new database to manage capital and cooperative life in 2021, 2022 will see the replacement of our loan management system and the introduction of a new decision management interface.
- Having established a Technical Assistance department with a dedicated manager and partnerships for its financing in 2021, we will launch the first series of projects for a dozen partners in 2022.
- The development of our Environmental and Social Performance Management (ESPM) system, including a component for making investment decisions based on social and environmental performance, should be finalized in 2022. It will benefit from BIO³'s financial support and Rikolto⁴'s technical assistance. We will also add a gender lens thanks to technical assistance from the Value for Women foundation⁵ to contribute further to a fairer world.

INVESTING IN HUMAN CAPITAL:

Alterfin's human capital is its ultimate asset. The growing team is key to our cooperative's development and success. That is why we will launch a new two-year strategic plan in 2022, specifically dedicated to HR management. The plan is to improve procedures and tools, to invest in training talent, and to motivate and support team members.

THE POST-PANDEMIC PERIOD:

In view of the success of vaccination campaigns and the emergence of less aggressive variants of the virus, it is likely that 2022 will see some sort of return to "normal", with governments lifting restrictions on social interaction and travel. Nevertheless, all this will be relative, and the resulting optimism should not overshadow the fact that the current societal model is responsible for this pandemic. Excessive mining of

natural resources, rampant consumerism, waste and pollution, the prioritizing of profits to the detriment of the delicate balance between humans and their environment. Together, all of these problems must be addressed better than they were at the 26th annual United Nations Climate Change Conference (COP26)⁶.

UKRAINE:

The invasion of Ukraine by Vladimir Putin's Russia is a shameful act that reminds us of a supposedly distant past. As **Alterfin** is not active in Ukraine or Russia, we do not face any direct risk related to this conflict and the measures taken against it. Some of our partners in Central Asia, however, are exposed to indirect risks due to their integration in the Russian economic sphere. That is why we are closely monitoring the risks of reduced revenues, as well as the depreciation of local currencies. We have already taken necessary measures to safeguard certain partners exposed to these risks. As a cooperative dedicated to mutual understanding and aid, **Alterfin** denounces this belligerent act and announces its total solidarity with the Ukrainian people.

Founded by Hugo Couderé in 1994, **Alterfin** remains a driving force for change to our societal model and for a more harmonious and sustainable relationship with our environment. In 2022, thanks to our motivated team and our loyal co-op members' support, we are determined to continue to serve our social and environmental mission and to pursue our cooperative commitment together.

3 www.bio-invest.be

4 www.rikolto.org

5 www.v4w.org

6 www.un.org/fr/un-climate-change-conference-cop-26

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