



Nordic Development Fund

NDF Annual Financial Report 2021

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Brief Overview

Based on the launch of Strategy 2025 and the capital increase concluded in 2020 as well as the continuous development of NDF's institution, the year 2021 was characterised by an increased flow of new financing activities fully aligned with NDF's Strategy.

The on-going COVID-19 pandemic continued to impact NDF's activities in various ways. Despite the nearly total restriction on travel, NDF was able to develop its partnerships, engage in outreach through virtual means as well as originate and develop new financing commitments, and monitor its portfolio. At portfolio level, the COVID-19 impact showed mostly in the form of delays compared to the original implementation schedules in some projects. The new financing commitments made during 2021 in the amount EUR 63.5 million exceeded the projected EUR 55 million.

NDF also continued the work on strengthening its organisational structure, developing the institutional governance and key administrative processes. This work creates a basis for the financial, structural and human capital of NDF's operations going forward. Most of the work takes place in the form of institutional projects, some of which are commitments under the capital increase.

Business Development and Outreach

Business development at NDF refers to the finetuning and adjustment of NDF's offer based on the Principles and Pathways outlined in Strategy 2025. The added value in our offer is the combination of aligning our financing activities with the Principles and the Pathways. The process for refining our offer is an ongoing, continuous process that will be further emphasised during 2022.

All NDF's financing activities are assessed against the Pathways, namely to **develop early stage project design and structure**; to **provide catalytic finance** and; to **advance Nordic leadership**. Financing activities in 2021 were all strongly aligned with these Pathways.

NDF's operational model continues to be based on co-financing and joining forces with strategic partners with whom we can engage based on our Principles to **Co-create**, **Convene** and **Complement**. Following from this model, a successful implementation of Strategy 2025 depends on value-adding partnerships that can amplify the role and financing of NDF. Therefore, our work on finetuning the offer will have clear linkages with our work on partnerships, too. During 2021, NDF continued to work with existing partners, but engaged also with new partners with aligned strategic interests.

During 2021, NDF conducted a systematic mapping of its strategic partnerships to facilitate more effective partnership management, outreach and operations. The modalities for efficiently collecting and using the data will be further refined in 2022.

An analysis of the strategy alignment of the two financing facilities currently managed by NDF, the Energy and Environment Partnership for Africa (EEP Africa)¹ and the Nordic Climate Facility (NCF)², was conducted in 2021 as part of business development activities. During 2021, work on finetuning the EEP Africa was initiated with the aim to better respond to market demands and early-stage business needs, including increased attention to business development services. Furthermore, it was concluded that no further calls for proposals will be made under NCF and NCF's focus will be on ensuring successful implementation and completion of the existing portfolio.

Due to COVID-19, many outreach activities were virtual during 2021. The major event that was successfully arranged as a hybrid meeting was COP26 in Glasgow. NDF participated in the conference through the joint Nordic Pavilion at the conference site, hosting three events, two in Glasgow and one jointly with the Nordic Investment Bank (NIB) and the Nordic Environment Finance Corporation (NEFCO) in Helsinki. In addition, NDF participated in several events organised by our strategic partners, and joined partners in making announcements for investments and partnerships.

Financing Activities

At the end of 2021, the accumulated climate project portfolio consisted of 122³ ongoing or completed projects with total NDF financing of EUR 484.31 million. NDF's active⁴ climate portfolio at the end of 2021 amounted to EUR 319 million, distributed over 46 projects. This number of active projects does not include sub-projects from NCF or EEP Africa. At the end of 2021, NCF and EEP Africa had an active portfolio of 27 and 59 projects, respectively.

In 2021, NDF approved financing amounting to EUR 29.5 million as grants and EUR 34 million for equity to the following six new projects.

¹ EEP Africa is a multi-donor trust fund hosted and managed by NDF, with Austria, Finland, NDF and Switzerland as donors. EEP Africa provides early-stage grant and catalytic loan financing for innovative clean energy projects in Southern and East Africa.

² NCF is a financing facility set up, fully financed and managed by NDF to finance early-stage climate projects to stimulate local business and employment opportunities in the developing world. The latest (9th) call for proposals took place in 2019 with the theme "Testing the viability of innovative climate solutions".

³ The 86 ongoing sub-projects under the financing facilities NCF and (EEP Africa) are not included in this number.

⁴ The active portfolio includes all projects that have been approved by the Board of Directors and have not reached their closing date yet.

AFRICA

Country/Project	NDF investment EUR million
Rwanda	
Kigali Flood Control and Integrated Urban Catchment Management –Additional Financing	10.0
Senegal	
Senegal Stormwater Management and Climate Change Adaptation Project 2	7.1
Total Africa	17.1

REGIONAL

Country/Project	NDF investment EUR million
Regional	
Africa Go Green Fund	10.0
BUILD Impact Fund	9.0
Climate Investor 2	12.4
Emerging Market Climate Action Fund (EMCAF)	15.0
Total Regional	46.4

Furthermore, in 2021 Switzerland joined EEP Africa as donor with a contribution of EUR 8.6 million, and contracts were concluded for 26 EEP Africa projects from the 2020 call for proposals, which focused on productive use of energy and circular economy solutions.

The accumulated climate project portfolio includes 71% public sector and 29% private sector projects. 63% of the activities are in partnership with the multilateral development banks and 37% with other partners. 18% of the portfolio focus on mitigation, 22% on adaptation and 60% includes a combination of both mitigation and adaptation. 46 projects out of the total are ongoing and located in 11 countries across Africa, Asia and Latin America. Africa accounts for 53% of the accumulated portfolio.

Institutional Issues

Policies and Regulations

During 2021, several parts of the legal framework of NDF as an organisation and of the staff was under review and development.⁵ This review is both as a result of the institutional project commitments stemming from the 2020 capital increase as well as from general updating needs.

- The Environmental and Social Policy, revised to align with the best industry practices, was adopted by the Board in September 2021.
- The Integrity Due Diligence Policy, prescribing the principles according to which integrity due diligence reviews are to be conducted at NDF, was approved by the Board in September 2021. The related guidelines will be introduced in 2022.
- The Results Management Framework (RMF) Policy, providing the basis for effective results-based management at NDF, was approved by the Board in September 2021. The related indicator framework was approved in December 2021. This policy marks an important milestone in building the foundation for evidence-based, consistent and transparent monitoring and management of NDF's results.
- The NDF Ombudsman Regulations were approved by the Managing Director in November 2021, as authorised by the Board in June 2021. While the previous version of the document was an NIB version with a separate NDF interpretation key, the Fund opted for a stand-alone document to promote clarity and reader friendliness.
- As a result of the NIB Board of Directors updating the Privacy Protection Regulations, which govern the collecting, processing and storing the personal data of the staff and were adopted by NDF's Board of Directors to be part of NDF's staff legal framework in 2018, a revised version of the regulations was adopted by NDF's Board in December 2021.
- The development of a comprehensive Risk Management Framework for the Fund was initiated with an extensive mapping exercise, the results of which were compiled into a concept note and presented for the Board's consideration and preliminary input in December 2021. The approved concept note will guide the further development of the framework during 2022.

⁵ In accordance with the Rules on the Issuance of Legal Framework Documents, containing rules on the hierarchy of, as well as the powers and procedures related to, the approval of legal framework documents at NDF, policies and regulations are approved by the Board of Directors, whereas rules and guidelines are approved by the Managing Director.

- In 2021, the work on creating a work climate supporting good people management, within the framework of development of the People Policy was initiated. In September, the Board took note of a related project plan. The objective of a People Policy is to drive good results through good people management with the aim to attract, recruit, develop and retain the best calibre and competencies to match the needs of the organisation. The main work streams of the People Policy are Culture & Values, NDF as an attractive employer and Hybrid work modalities. The process for the development of the People Policy is participatory and will also be informed by the staff engagement surveys that NDF launched in May 2021.

Guidelines, standards and processes

In addition, the following guidelines were approved by the Managing Director:

- In January 2021, the Guidelines on the use of non-grant financial instruments were approved.
- In March 2021, guidelines supporting the Liquidity and Investment Management Policy, adopted in 2020, were approved.
- In October 2021, operational guidelines supplementing the Gender Equality Policy, introduced in 2020, were approved.
- In December 2021, revised Environmental and Social Guidelines were approved.

Furthermore, in 2021, the Fund completed its evaluation of the feasibility and impact of adopting the International Financial Reporting Standards (IFRS). The Board approved NDF's transition to the IFRS in June 2021 and, as a result, the Fund's 2022 annual financial statements will be prepared in accordance with the standard. IFRS will also open up the future possibility to expand the audited financial reporting to so-called integrated reporting, thereby harvesting the co-benefits between IFRS and RMF by also including non-financial results in the audited annual reports.

During 2021, NDF also conducted work on streamlining the portfolio project cycle covering origination and management phases to strengthen project quality, while ensuring efficiency in the process. This work resulted among other things in a streamlined review and decision-making process for the approval by the Board. The Board approved the revised approval process in September 2021.

Meetings of and with the Governing Bodies

Nordic Council of Ministers

The Nordic Council of Ministers (i.e. the five Ministers of Nordic Cooperation) approved the 2020 annual accounts in a meeting on 22 June 2021.

Furthermore, in 2021, NDF continued its dialogue with the Secretariat of the Nordic Council of Ministers on NDF's role in contributing to the Nordic countries' efforts to combat climate change and strengthen development cooperation, in light of Strategy 2025 and the capital increase.

Board of Directors

In 2021, the Board of Directors had four meetings. All meetings held during 2021 were held as virtual meetings due to the prevailing COVID-19 circumstances. In addition to these meetings, some of the Board decisions were, as is customary, taken in written procedure.

The Chair of the Board of Directors for the period from 1 January to 30 April 2020 was Morten Houmann Blomqvist (Denmark), with Pekka Hirvonen (Finland) as Deputy Chair. As of 1 May 2021, Pekka Hirvonen took over the Chair, with Davið Stefánsson (Iceland) as Deputy Chair.

In addition, the following changes took place in the Board membership in 2021. As of 1 January, Susann Nilsson was appointed alternate (Sweden), succeeding Anders Nyström. As of 1 January, Anders Nyström was appointed member (Sweden), succeeding Lars Roth, who left his position in the Board at the end of 2020. As of 8 April, Saija Vuola was appointed alternate (Finland).

A list of NDF Board members and their alternates can be found on page 12.

Control Committee

The Control Committee ensures that NDF's operations are conducted in accordance with its Statutes. The Committee is furthermore responsible for the financial audit of the Fund. The financial audit of NDF is carried out by authorised public accountants Ernst & Young, appointed by the Control Committee.

The 2020 annual accounts and the annual auditor's report were approved by the Control Committee on 11 February 2021. The Control Committee's autumn meeting was held in October 2021. A list of the members of the Committee can be found on page 13.

Administration

As of 31 December 2021, NDF had 25 full-time positions⁶ and two part-time employees. Out of the full-time employees, four were employed on contracts financed by NCF and EEP Africa. A list of the employees can be found on page 14.

NDF's current organisational structure became effective on 1 January 2021. The new organisation consists of four departments: Business Development & Outreach (BDO) (new department), Legal & Administrative Support (LAS), Portfolio Origination & Management (POM) and Quality Assurance & Reporting (QAR). On 1 August 2021, Henrik Franklin was appointed Director, Head of the POM Department, becoming the fifth member of NDF's Management. Leena Klossner, Deputy Managing Director and previously Head of Operations, took up the position of Director, Head of the BDO Department as of 1 January 2021.

New recruitments to support the new organisation in accordance with the Business Plan 2021 were made throughout the year for the positions of an Administration Officer (LAS), a Program Manager (POM), a Research Officer (BDO) and a Communication and Outreach Manager (BDO). Recruitments were also made for two part-time positions in the QAR Department, namely for the positions of a Finance Assistant and a Research and Reporting Assistant. As a result of the new organisational structure, some existing positions were transferred internally.

During 2021, the COVID-19 pandemic continued to pose additional challenges and affect the practical working arrangements at NDF. The staff of NDF continued to work in a hybrid mode, as has been the case since March 2020. During the autumn of 2021, NDF began the work on structuring a more long-term NDF hybrid work model, to be taken into use in 2022, when conditions permit.

NDF continued to acquire administrative services from NIB regarding, for example, office services, HR services, ICT services and accounting based on service agreements between NDF and NIB, subject to review from time to time.⁷

During 2021, a thorough mapping exercise of all areas and elements of the services from NIB, including a breakdown of the related pricing structure, was initiated. The purpose is for NDF to have an informed view of both the content and the costs in relation to the service agreements, in view of upcoming review of the service agreements in 2022. NDF collaborates with the Nordic Environment Finance Corporation (NEFCO), which has similar contractual arrangements with NIB, in the review process. Both the Board and the Control Committee have in 2021 requested that the service agreements be reviewed.

⁶ Three of the staff members are on a leave of absence as of 31 December 2021.

⁷ This arrangement for administrative services is based on a decision by NDF's member countries when establishing NDF in 1988.

In 2021, NDF continued collaboration with NIB and NEFCO on various levels, mostly in matters related to administrative collaboration and communication, and in particular with regard to safe working arrangements and to ensure business continuity during the pandemic.

Financial Review

Disbursements and results

During 2021, total disbursements to climate projects amounted to EUR 30.6 million (2020: EUR 54.2 million), of which EUR 26.9 million as grant financing (2020: EUR 35.9 million), EUR 1.8 million was made as equity contribution (2020: EUR 12.0 million), and EUR 1.8 million as financing to climate loans (2020: EUR 6.4 million). The total sum also includes disbursements to sub-projects under NCF. At the end of the year, accumulated disbursements to climate change projects since 2009 amounted to EUR 366.6 million.

The net result for the year before adjustments for currency exchange fluctuations and after disbursements of grant totalled EUR -20.5 million in comparison with EUR -27.0 million the previous year. The net result is EUR -10.7 million for 2021, compared to EUR -37.2 million in 2020.

Instruments

NDF operates with several types of financing instruments. Depending on the project type, NDF contributes with grants, loans and equity. These instruments can be used stand-alone or blended, as relevant.

Accounting currency

Since 2001, NDF's financial accounts are kept in EUR and, consequently, also the financial statements are presented in EUR. However, capital increases adopted before year 2000 and related capital contributions remain in the previous accounting currency Special Drawing Rights (SDR), resulting in NDF's capital being denominated in both EUR and SDR.

As a result of operating for many years with SDR as the prevailing currency, NDF has outstanding credits in SDR and fluctuations in the SDR/EUR exchange rate lead to variations in financial results, positive or negative, from one year to another. Since 2012, hedging measures have therefore been taken to decrease the effect from the exchange rate fluctuations.

Capital and liquidity

During 2020, NDF's member countries decided on a capital increase of EUR 350 million. According to the base case payment schedule, the countries have agreed to pay in the amount of this capital increase during 2021–2031. Despite the base case payment schedule, NDF can expect variations to the schedule as countries, for example, may wish to make prepayments.

NDF finances its payment and other obligations through the paid-in capital provided by its member countries (the five Nordic countries), cash inflows from the existing project portfolio and proceeds from its treasury operations. During 2021, NDF received repayments under disbursed portfolio amounting to EUR 28.7 million (2020: EUR 27.6 million).

The liquid assets of NDF are managed by a commercial bank on behalf of NDF. Based on NDF's Liquidity and Investment Management Policy, the assets are placed in green bonds, funds and deposits, altogether yielding an average interest rate of approximately 0.1% (2020: 0.5%). The green bonds have an average maturity of three and a half years and NDF's deposits are placed on 1 to 12-month intervals. The liquidity as per 31 December 2021 was EUR 107.2 million (2020: EUR 94.2 million) of which EUR 50.9 million was placed in green instruments (2020: EUR 43.2 million).

Financial results and allocation

NDF's total assets as of 31 December 2021 amounted to EUR 748.0 million (2020: EUR 752.0 million). This amount includes outstanding credits to public sector projects, climate loans, other loans with equity features and equity investments to the amount of EUR 631.4 million (2020: EUR 650.5 million) and investments with credit institutions to the amount of EUR 107.2 million (2020: EUR 94.2 million). The total net loan losses, write-down on loans and reversals during 2021 totalled EUR 0 (2020: EUR 0).

As of 31 December 2021, NDF's capital consisted of SDR 515 million and EUR 341.5 million in paid-in capital under the capital increases (of which EUR 6.5 million) was paid during 2021 under the 2020 capital increase), and EUR -286.3 million (2020: EUR -275.7 million) in accumulated net income after adjustments for currency exchange fluctuations.

The Fund's income during 2021, amounting to EUR 3.2 million (2020: EUR 6.1 million), consisted of income from credits to the public sector to the amount of EUR 4.5 million (2020: EUR 4.8 million), interest on investments with credit institutions of EUR 0.04 million (2020: EUR 0.4 million), EUR 0.6 million (2020: EUR 0) as remuneration on equity loans and EUR -2.0 million (2020: EUR 0.8 million) from interest income from other financial investments, cash and balances with banks and realised and unrealised gains/losses from other investments.

Zimbabwe continues to be in payment delay to NDF. All of its accrued, outstanding obligations towards NDF have therefore been placed in non-accrual status, and in line with the World Bank's recommendations, an impairment loss of 50% has been made. Zambia is as of 2021 also in payment delay to NDF but no impairment losses are recorded.

Administrative expenses were EUR 4.0 million (2020: EUR 3.1 million). The largest single item of expenditure consists of salaries and additional salary expenses of EUR 3.4 million (2020: EUR 2.7 million).

The net income for the year, which after adjustments for currency exchange fluctuations and hedging measures of EUR 9.9 million (2020: EUR -10.1 million), amounts to EUR -10,7 million (2020: EUR -37.2 million), is carried forward to the new account. The income statement, balance sheet, changes in equity, cash flow and notes can be found on pages 15-39.

*Electronic signatures on the last page. Digitally signed through Visma Sign.
Date: As appears on the electronic signatures.*

PEKKA HIRVONEN

Chair of the Board

ANNE SOFIE BJELLAND

DAVÍÐ STEFÁNSSON

Deputy Chair of the Board

MORTEN BLOMQVIST

ANDERS NYSTRÖM

KARIN ISAKSSON

Managing Director

BOARD OF DIRECTORS *)

DENMARK

Morten Blomqvist, Special Adviser, Ministry of Foreign Affairs

Alternate: to be nominated

FINLAND

Pekka Hirvonen, Director, Ministry for Foreign Affairs, *Chair of the Board*

Alternate: Saija Vuola, Ministerial Adviser, Specialist on climate finance, Ministry for Foreign Affairs

ICELAND

Davíð Stefánsson, Consultant, D. Stefansson Ltd., Renewable Energy Consultancy Firm, *Deputy Chair of the Board*

Alternate: Ólafur Sigurðsson, Director, Ministry of Foreign Affairs

NORWAY

Anne Sofie Bjelland, Senior Adviser, Ministry of Foreign Affairs

Alternate: to be nominated

SWEDEN

Anders Nyström, Director, Ministry for Foreign Affairs

Alternate: Susann Nilsson, Deputy Director, Ministry of Foreign Affairs

Observer:

Johan Ljungberg, Chief Environmental Analyst, Nordic Investment Bank

*) As of 31 December 2021

CONTROL COMMITTEE *)

Chair

Jan-Erik Enestam, Minister, Independent Consultant

DENMARK

Sjúrður Skaale, Member of Parliament

FINLAND

Wille Rydman, Member of Parliament

ICELAND

Vilhálmur Árnason, Member of Parliament

NORWAY

Michael Tetzschner, Ex-Member of Parliament

SWEDEN

Johan Andersson, Member of Parliament

*) As of 31 December 2021

AUDITORS APPOINTED BY THE CONTROL COMMITTEE

Ernst & Young Finland Oy, Responsible partner:
Terhi Mäkinen, Authorised Public Accountant
Ernst & Young Sweden AB, Responsible partner:
Mona Alfredsson, Authorised Public Accountant

Secretary to the Control Committee
Terhi Mäkinen, Ernst & Young Finland Oy

MANAGEMENT AND STAFF *)

Karin Isaksson, Managing Director
Leena Klossner, Deputy Managing Director, Head of Business Development and Outreach
Jesper Andersen, Director, Head of Quality Assurance and Reporting
Henrik Franklin, Director, Head of Project Origination and Management
Christina Stenvall-Kekkonen, General Counsel, Head of Legal and Administration
Siv Ahlberg, Acting Manager of Nordic Climate Facility
Ville Autio, Finance Assistant
Mira Banerjee, Communication and Outreach Manager
Sofia Chaichee, Monitoring and Evaluation Specialist
Mayra Da Silva, Research Officer
Martina Jägerhorn, Program Manager
Aage Jørgensen, Program Manager
Maggie Knorr, Program Officer, EEP Africa
Isa Kujansuu, Associate Legal Counsel
Eveliina Laine, Research and Reporting Assistant
Isabel Leroux, Program Manager
Jacob Lorentzen, Program Officer, Nordic Climate Facility
Aleksi Lumijärvi, Program Manager
Ann-Christin Lundin, Assistant (on leave)
Emeli Möller, Manager of Nordic Climate Facility (on leave)
Mari Rasilainen, Administration Officer
Juha Seppälä, Environmental and Social Safeguards Specialist
Mats Slotte, Manager, Financial Administration
Bolesław Stawicki, Program Manager
Jessica Suominen, Financial Controller
Maria Talari, Communications Officer (on leave)
Aleksandra Reskalenko, Communications Officer
Jussi Viding, Manager, EEP Africa

*) As of 31 December 2021

INCOME STATEMENT

(amounts in EUR 1,000)

		1 January to 31 December 2021	1 January to 31 December 2020
Income	Note		
Service charges from credits	(2)	4 462	4 724
Income from loans with equity features		606	-
Fee and commission income		67	70
Interest income/expenses from investments with credit institutions		43	129
Interest income from other financial investments		123	161
Interest income/expenses from cash and balances with banks		-3	7
Real. and unreal. gains/losses other financial investments		-2 091	654
Total income		3 206	5 746
Expenses			
Grant financing for climate projects	(3)	26 893	35 900
Refund of grant financing		-7 413	-6 133
Fee and commission expenses		93	91
Commission expenses, derivative instruments		20	19
General administrative expenses	(4)	4 000	3 061
Interest expenses/income		-	-308
Depreciation/amortisation on tangible and intangible assets	(5)	157	149
Total expenses		23 749	32 779
Net result for the year before foreign exchange differences and unreal./real. gains/losses derivatives		-20 543	-27 033
Foreign exchange differences		10 091	-10 206
Unrealised gains/losses on fair value of derivative instruments	(7)	-288	-12
Realised gains/losses on derivative instruments		71	136
Foreign exchange differences, net		9 875	-10 082
Unrealised gains/losses on fair value of forward contracts		-	-45
Unrealised/realised gains/losses on forward contracts		-	-45
Net result for the year		-10 669	-37 161

BALANCE SHEET

(amounts in EUR 1,000)

ASSETS	Note	31 December 2021	31 December 2020
Cash and cash equivalents	(8)	20 817	13 229
Other long-term financial investments	(8)	27 825	30 080
Other financial investments	(8)	58 526	50 901
		107 167	94 211
Other assets		7 731	5 000
Derivative instruments	(7)	28	316
Accrued income		1 088	1 271
Credits to sovereign states	(9)	580 969	602 329
Other loans	(10)	3 553	3 826
Climate loans	(3), (11)	9 622	7 798
Loans with equity features and equity investments	(3), (12)	37 293	36 545
Intangible assets	(5)	557	699
Tangible assets	(5)	13	13
Total assets		748 020	752 007
LIABILITIES AND EQUITY			
<i>Liabilities</i>			
Other liabilities		1 420	1 279
<i>Equity</i>			
Fund capital SDR 515 000 000			
Fund capital EUR 680 000 000			
Paid-in fund capital		1 032 925	1 026 385
	(13)		
Accumulated net result		-275 657	-238 496
Net result for the year		-10 669	-37 161
Total equity		746 600	750 728
Total liabilities and equity		748 020	752 007

CHANGES IN EQUITY
(amounts in EUR 1,000)

	Paid-in fund capital	Accumulated net result	Result for the year	Total
Equity as of 1 January 2020	1 021 405	-238 496	0	782 909
Result for the year			-37 161	-37 161
Paid-in fund capital	4 980			4 980
Transfers between equity items		-37 161	37 161	0
Equity as of 31 December 2020	1 026 385	-275 657	0	750 728
Result for the year			-10 669	-10 669
Paid-in fund capital	6 540			6 540
Transfers between equity items		-10 669	10 669	0
Equity as of 31 December 2021	1 032 925	-286 326	0	746 600

CASH FLOW STATEMENT

(amounts in EUR 1,000)

	31 December 2021	31 December 2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net result for the year	-10 669	-37 161
Adjustments		
Depreciation/amortisation on tangible and intangible assets	157	149
Foreign exchange differences	-10 091	10 206
Fair value of derivative instruments	288	57
Fair value of other financial investments	975	-317
Change in accrued interest and fees (assets)	183	285
Adjustments to foreign exchange differences	3 609	-3 600
Lending		
Repayments of credits	28 382	27 304
Disbursed equity loans and equity investments	-1 948	-11 984
Adjustment of equity loans and equity investments	1 200	-
Repayments of other loans	273	273
Climate loans disbursed	-1 825	-6 351
Change in other liabilities	123	-67
Other adjustments to the year's result	3	4
Cash flow from operating activities	10 662	-21 200
CASH FLOW FROM INVESTING ACTIVITIES:		
Change in investments with a maturity longer than 3 months	2 255	-142
Change in other financial investments	-8 599	13 714
Change in derivative instruments	-	-101
Change in other assets	-3 270	336
Cash flow from investing activities	-9 614	13 807
CASH FLOW FROM FINANCING ACTIVITIES:		
Paid-in capital	6 540	4 980
Cash flow from financing activities	6 540	4 980
<i>Change in cash and cash equivalents</i>	<i>7 588</i>	<i>-2 414</i>
Opening balance for cash and cash equivalents	13 229	15 643
Closing balance for cash and cash equivalents	20 817	13 229

The cash flow statement has been prepared using the indirect method and cash flow items cannot be directly concluded from the balance sheet and income statement.

Notes to the Financial Statements

NOTE 1: ACCOUNTING POLICIES

1.1 Reporting Entity

Governance Structure

The most important formal basis for Nordic cooperation is the Helsinki Agreement of 1962. This agreement sets out the aims of Nordic cooperation and contains provisions for the Nordic Council and, as subsequently amended, for the Nordic Council of Ministers.

The Nordic Council is a forum for consultation and discussion on issues of common interests at a parliamentary level. The Nordic Council of Ministers is empowered to make decisions on matters of cooperation that are binding to the governments of the Nordic countries.

On 19 May 1988, the Nordic Council of Ministers decided to establish Nordic Development Fund (“NDF” or “Fund”) for financing projects of Nordic interest in developing countries on concessional terms. The establishing agreement of NDF was signed by the five Nordic countries namely Denmark, Finland, Iceland, Norway and Sweden on 3 November 1988 and entered into force on 30 January 1989. The Fund’s operations commenced on 1 February 1989.

In November 1997, the Nordic Council of Ministers decided that the legal framework of NDF should be revised to reflect the Fund’s status as an international institution. This led to a new Agreement on the Nordic Development Fund, which was signed on 9 November 1998 (the 1998 Agreement), replacing the agreement of 1988.

Purpose

The statutory purpose of NDF, which has remained unchanged since establishment of the Fund, is to promote economic and social development in developing countries through participation in financing, on concessional terms, of projects of interest to the Nordic countries. As the Nordic countries’ joint international development financing organisation, NDF focuses, as reflected in the Strategy approved by the Board of Directors in April 2020, on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project.

According to its Statutes, NDF can provide grants, loans and equity. In line with NDF’s providing concessional financing, there is no requirement on NDF’s financial

instruments rendering return. It is envisioned in the Strategy that at least 50% of NDF's commitments on a portfolio level should consist of grants.

Legal Status

NDF is governed by the provisions of the 1998 Agreement and the pertaining statutes (the "Statutes") as amended from time to time. In addition, there is a Host Country Agreement between NDF and the Government of Finland ("Host Country Agreement"), which was signed on 15 October 2013 and entered into force on 11 May 2014.

NDF has the legal status of an international legal person, with full legal capacity and is vested with some privileges and immunities typical for an intergovernmental financial organisation, such as exemption from credit policy measures and payment restrictions, protection from search and seizure of its property and assets, inviolability of its premises, and broad tax exemptions.

The Statutes provide that the principal office i.e. the headquarters of the Fund shall be located at the principal office, i.e the headquarters of the Nordic Investment Bank (NIB). The address of the headquarters is Fabianinkatu 34, Helsinki, Finland.

1.2 Basis of Accounting

The financial statements have been prepared in accordance with methods of valuation and recognition of income and expenses as described below. With the exceptions noted below, they are based on historical cost.

1.3 Accounting standards adopted in 2021

No new accounting standards were adopted to apply to the Fund's 2021 financial statements.

1.4 Decision on transiting to IFRS as accounting standard

The Board approved NDF's transition to the International Financial Reporting Standards (IFRS) on 9 June 2021. As a result, the Fund's 2022 annual financial statements will be prepared in accordance with IFRS.

1.5 Functional and presentation currency

The Fund's functional and presentation currency is euro and the financial statements are presented in EUR 1,000, unless otherwise indicated. All figures in the financial

statements have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences.

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are recognised in the accounts at the exchange rate prevailing on the closing date. Non-monetary assets and liabilities are recognised in the accounts at the euro rate prevailing on the transaction date. Income and expenses recognised in currencies other than the euro are converted on a daily basis to the euro, in accordance with the euro rate prevailing on that day.

Realised and unrealised exchange rate gains or losses are recognised in the income statement as Foreign exchange differences.

The Fund uses the official exchange rates published for the euro by a leading market data provider with some exceptions, as disclosed in Note 15.

1.7 Significant accounting judgements and estimates

The preparation of financial statements requires management to make assessment and estimates that affect the result, financial position and additional disclosures. The main impact is on the assessment of impairment of loans and the fair value of the investments. They are based on information available to the management. Actual results may differ materially from the assessments made.

1.8 Recognition and derecognition of financial instruments

Financial instruments are recognised in the balance sheet on a settlement date basis. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

1.9 Basis for classification and measurement

The Fund classifies its financial assets into two categories: those measured at amortised cost, and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

An investment is classified at “amortised cost” only if both of the following criteria are met: the objective of the Fund’s business model is to hold the assets in order to collect

the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value through profit and loss (FVPTL).

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price on the balance sheet date.

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

1.10 Cash and cash equivalents

Cash and Cash Equivalents comprise monetary assets and investments with original maturities of three months or less, calculated from the date the acquisition and investments were made.

Cash and Cash Equivalents in the cash flow statement refers to the net amount of monetary assets, investments and liabilities with original maturities of three months or less, calculated from the time the transaction was entered into.

1.11 Derivative instruments

As NDF will in future years have outstanding credits denominated in SDR, changes in the SDR-EUR rate may lead to the income statement showing substantial foreign exchange differences since these currency positions are not 100% hedged against changes in foreign exchange rates. However, in accordance with the Hedging Policy, measures have been taken to reduce the effects from the foreign exchange differences by hedging part of the credits denominated in SDR.

The derivative instruments are valued at fair value at the end of the year and the change in fair value is recognised in the income statement.

NDF has utilised both forward and deposition contracts for liquidity management purposes. Currently, NDF has deposition contracts with a commercial bank.

1.12 Investments with credit institutions

NDF invests monetary assets with a commercial bank at current market interest rates. The investments are initially recognised at cost (normally nominal value) at settlement date. Investments are also recorded at cost in the annual report. Accrued interest on investments is recorded within “Accrued Income” in the balance sheet. Investments with credit institutions for longer than three months are shown as investments in the Cash Flow Statement.

1.13 Credits to sovereign states

The recipient countries for NDF credits are primarily low-income developing countries. The credit period for credits to sovereign states, which NDF granted during the years 1989 - 2005, is 40 years, including a 10 year grace period. The credits are initially recognised at cost at settlement date and held at amortised cost. There is considerable concessionality in the credits from NDF as they are interest-free and have very long maturities.

1.14 Other loans

Other loans outstanding consists of one loan, which NDF granted during the years 1989 - 2005. The purpose of the loan was to serve as an on-lending facility to the financial sector. The loan is initially recognised at cost at settlement day. In the balance sheet, other loans are recorded net of provisions for actual and possible loan losses. A provision for possible loan losses, is established based on the assessment of the nature and maturity structure of the loan portfolio.

1.15 Climate loans to sovereign states

The first climate loan was approved by the Board of Directors in 2016. Since then, the Board of Directors have approved five climate loan projects, to a value of EUR 26 000 thousand (2020: EUR 26 000 thousand). Climate loans follow the same principles and structure as Credits to sovereign states, thus providing concessional loans to sovereign states for a loan period of 25 - 38 years. The climate loans are initially recognised at cost at settlement date and held at amortised cost.

1.16 Loans with equity features and equity investments

Loans with equity features and equity investments are accounted for in the balance sheet under Loans with equity features and equity investments and are to be valued at cost during the investment period. When the investment enters the post-investment period, NDF recognises the investment at fair value. Write-downs are presented separately in the income statement.

1.17 Provision for loan losses

NDF's lending conditions for Credits to sovereign states, Other loans and Climate loans to sovereign states allow a long-term view to be taken of the repayment capacity of recipient countries. In the event of debt consolidation, it is assumed that credits from NDF will be treated in the same manner as loans from other multilateral financing institutions (preferred creditor status).

For payments, which are more than 180 days overdue, the Fund places all credits to the borrower in non-accrual status, whereupon the Fund stops recording accrued service charges and fee and commission revenue as income on the income statement. All accrued but unpaid income in respect of the borrower that had been recorded as income is then reversed.

Credits outstanding are recognised in the balance sheet at their recoverable amount. Loans to sovereign states are recorded net of provisions for possible loan losses and actual loan losses. Provision for possible loan losses is established based on the assessment of the nature and maturity structure of the credit portfolio.

1.18 Financing of grant projects

Disbursements to climate projects in the form of grants, are recorded as a cost under "Grant financing for climate projects" in the income statement. Upon completion of a project or cancellation of a grant, any refund is accounted for as a reduction of the total costs for the year under "Refund of grant financing."

1.19 Intangible assets

Intangible assets mainly consist of investments in software, software licenses and since 2019 also right to use assets arising from leasing arrangements. Acquisitions that generate economic benefits exceeding costs beyond one year are recognised as intangible assets. The investments are carried at historical cost and are amortised over the assessed useful life of the assets, which is estimated to be between three and five years. The amortisations are made on a straight-line basis.

1.20 Tangible assets

Tangible assets are recognised at historical cost, less any accumulated depreciation based on their assessed useful life. The depreciation period for tangible assets is determined by assessing the individual item, usually three to five years. The depreciations are calculated on a straight-line basis.

1.21 Write-downs and impairment of intangible and tangible assets

The Fund's assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

1.22 NDF's capital

NDF's capital is provided from the development cooperation budgets of the five Nordic countries. Each member country has subscribed to a certain portion of the capital, calculated on the basis the scheme of allocation for joint Nordic financing between the Nordic countries. The scheme of allocation reflects each Nordic country's proportion of the Nordic Region's total gross domestic income at factor cost for the last two calendar years.

NDF's capital subscribed to during 1989-2000 amounts to SDR 515 000 thousand - the equivalent of EUR 691 405 thousand - and EUR 330 000 thousand.

In October 2020, the Nordic Council of Ministers, consisting of representatives of NDF's member countries decided on a capital increase in the amount of EUR 350 000 thousand. The member countries have agreed on a base case payment schedule according to which the amount of the capital increase shall be paid in its entirety during 2021-2031.

Consequently, the total subscribed capital is SDR 515 000 thousand and EUR 680 000 thousand, equivalent to EUR 1 371 405 thousand. SDR 515 million and EUR 341.5 million of the capital has been paid-in as at 31 December 2021.

NDF finances its payment and other obligations through the paid in capital provided by its member countries, cash inflows from the existing project portfolio and proceeds from its treasury operations.

At the end of the year, the net result of the year is transferred to the accumulated net result.

1.23 Income from service and commitment charges, loans with equity features and equity investments

The Fund's long-term lending to sovereign states is interest-free, but a service charge of 0.75%-1.25% per annum is collected on outstanding amounts. A commitment charge of 0.5% per annum is collected on any undisbursed balance commencing 12-18 months after the loan agreement has been signed. Income from other loans is presented within Service charges from credits in the income statement. Income from loans with equity features is normally related to the return received by the shareholders of the company.

Income from service charges on lending and income from loans with equity features and equity investments are presented as separate items in the income statement. Commitment charges are presented within Fee and commission income.

1.24 General administrative expenses and host country reimbursement

NDF purchases administrative services from NIB. Costs of these services are shown under note 4. On the basis of the Host Country Agreement, NDF receives a host country reimbursement from the Finnish government equal to the tax levied on the salaries of the Fund's employees. This is presented in note 4.

1.25 Leasing agreements

Aligned with IFRS16 the Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The liability and asset are equal at recognition date. Short-term leases and leases of low-value assets are recognized on a straight-line basis over the lease term.

Right-of-use assets

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented as part of intangible assets in Note 5.

Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

1.26 Employee benefits

Employee pensions and insurance

The Fund is responsible for arranging pension insurance for its employees in accordance with the Host Country Agreement. As part of the Fund's pension arrangements, the Fund has decided to apply the Finnish public sector pension system. Contributions to this pension system, which are paid into the Finnish State Pension Fund, are calculated as a percentage of salaries. Finland's largest pension provider, Keva, confirms the basis for the pension contribution determined by the Finnish Ministry of Finance (see Note 4).

NDF also provides its permanent employees with a supplementary pension insurance scheme, arranged by a private pension insurance company. This is a group pension insurance based on a defined contribution plan. The Fund's pension liability is completely covered.

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

1.27 Cash Flow Statements

The cash flow statement has been prepared using the indirect method whereby the net result is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Cash flow items cannot be directly determined from the balance sheet.

Note 2: Service charge from credits and climate loans

The table shows the service charge recorded during the year from the following outstanding loans.

(EUR 1,000)	31 Dec. 21	31 Dec. 20
EUR and SDR credits	4 327	4 636
EUR other loans	28	30
EUR climate loans	107	58
Total	4 462	4 724

Note 3: Financing of climate projects

Total disbursements for climate projects amounted in 2021 to EUR 30 557 thousand (2020: EUR 54 235 thousand) of which EUR 26 893 thousand was made as grants (2020: EUR 35 900 thousand), EUR 1 839 thousand* as equity contribution (2020: EUR 11 984 thousand) and EUR 1 825 thousand as loan financing (2020: EUR 6 351 thousand).

*) The total equity contribution comprise of EUR 1 948 thousand, including an equalisation payment where the settlement of dividends of EUR 606 thousand was reduced by the equity contribution of EUR 108 thousand.

The geographic distribution is as follows:

Grant financing: (EUR 1,000)	31 Dec. 21	31 Dec. 20
Africa	14 495	21 716
Asia	8 495	12 794
Multiple regions	3 230	329
Latin America	673	1 061
Total	26 893	35 900

Equity financing: (EUR 1,000)	31 Dec. 21	31 Dec. 20
Africa	701	10 000
Multiple regions	1 138	1 984
Total	1 839	11 984

Loan financing: (EUR 1,000)	31 Dec. 21	31 Dec. 20
Africa	347	-
Asia	1 478	6 351
Total	1 825	6 351

In addition, financing to projects for the total amount of EUR 128 873 thousand has been approved as at 31 December 2021 but not yet disbursed (2020: EUR 106 404 thousand)

Note 4: General administrative expenses including compensation for the Board of Directors, the Control Committee and the Managing Director

Grant financing: (EUR 1,000)	2021	2020
Personnel costs other than pension premiums	2 668	2 128
Pension premiums in accordance with the Finnish public sector pension system	701	566
Other pension premiums	170	129
Office premises costs	29	24
Other general administrative expenses	499	479
Cost coverage, NIB	685	494
Total	4 752	3 820
Host country reimbursement according to agreement with the Finnish Government	-752	-759
Net	4 000	3 061

Pension Benefits

NDF is responsible for arranging the pension security for its employees. The Finnish public sector pension system (JuEL Pension) forms the basis for the pension benefits. The JuEL Pension is calculated based on the employee's annual taxable income and the applicable age-linked pension accrual rate. The employer's pension contribution in 2021 was 17.25% (2020: 16.81%) of the pensionable income. The employee's pension contribution was either 7.15% or 8.65%, depending on the employee's age. NDF pays this contribution for its permanent staff, and it is taxed as a benefit for the employee. The pension is accounted for as a defined contribution plan.

In addition to the JuEL Pension, the Fund has taken out a supplementary group pension insurance policy for its entire permanently employed staff, including the Managing Director. The insurance premium, 6.5%, is calculated based on the employee's taxable income and paid until the age of individual retirement under the JuEL Pension, with an upper age limit of 65 years. The supplementary pension is also accounted for as a defined contribution plan.

The employer's pension contribution regarding the Managing Director amounted to EUR 128,567 (2020: EUR 126,357) of which EUR 36,915 (2020: EUR 35,691) comprised supplementary pension premiums. The Board of Directors and Control Committee members are not eligible for NDF pension arrangements.

Insurances

NDF has taken out several (both statutory and voluntary) insurance policies for its staff: unemployment insurance, group accident insurance, group life insurance, medical insurance and disability insurance. All personal insurance policies are valid for the total duration of employment (if not otherwise stated for the separate insurance alternatives). Longer periods of absence from work may temporarily interrupt the insurance coverage. Some of the insurances are available only to staff with a longer fixed term contract and permanently employed staff. The Board of Directors and Control Committee members are not under the coverage of the above mentioned insurances.

Health care

NDF has also arranged occupational health care for its staff through a private medical centre in Finland. The Fund's medical insurance covers in addition to a broad extent use of other health care service providers if needed and public sector health care services for more severe or complex medical treatment needs. The occupational health care benefit includes both preventive health care and wellbeing actions for staff and medical care. The Board of Directors and Control Committee are not under the coverage of the health care benefit.

Additional Benefits for Expatriate Personnel

Professional staff (including the Managing Director) who move to Finland for the sole purpose of taking up employment at the Fund are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse/ family allowance. In addition, NDF assists the expatriate in finding accommodation, usually by renting a flat house or in its own name. The staff member reimburses NDF for a part of the rent, which is equal to at least the taxable value of the accommodation benefit established annually by the Finnish National Board of Taxes.

Compensation for Board of Directors, Control Committee and Managing Director

Compensation for the Board of Directors and the Control Committee is set by the Nordic Council of Ministers. The compensation consists of fixed annual remuneration and an attendee allowance. The members of the Board of Directors and the Control Committee are also entitled to reimbursement of travel and accommodation expenses and a daily allowance in accordance with the established travel policy.

Compensation for the Managing Director is paid in the form of a fixed annual salary and usual salary-based benefits.

Compensation for the Chairman of the Board of Directors, the Board, the Control Committee and the Managing Director appears in the table below:

(EUR 1,000)	2021 Compensation / taxable income	2020 Compensation / taxable income
Chairman of the Board of Directors	5	6
Other members of the Board	12	19
Managing Director	376	356
Control Committee	2	2

During 2021, NDF paid a total of EUR 128,567 (2020: EUR 126,357) in pension premiums for the Managing Director.

Taxation and Host Country Reimbursement

According to an agreement between the Fund's member countries, taxation of staff salaries and taxable benefits, the Managing Director's salary and the compensation for Board of Directors and Control Committee members, shall be taxed in the host country Finland in accordance with applicable Finnish taxation legislation.

According to the Host Country Agreement between the government of the Republic of Finland and the Fund, the amount of tax withheld in advance on the salaries of NDF's staff and the final tax on salaries collected shall be repaid to the Fund. The host country reimbursement, which the Fund received in 2021, amounted to EUR 751,922 (2020: EUR 759,305). The payment reduces the Fund's administrative expenses as shown above.

Note 5: Intangible and tangible assets

(EUR 1,000)	2021	2020
Intangible assets		
Acquisition value at beginning of year	1 006	982
Acquisitions during the year	15	24
Acquisition value at end of year	1 022	1 006
Accumulated amortisation at beginning of year	307	158
Amortisation according to plan for the year	157	149
Accumulated amortisation at end of year	464	307
Net book value	557	699
Tangible assets		
	Office equipment	Office equipment
Acquisition value at beginning of year	107	107
Acquisition value at end of year	107	107
Accumulated depreciation at beginning of year	94	94
Accumulated depreciation at end of year	94	94
Net book value	13	13
Intangible and tangible assets total	570	712

The right-of-use asset relating to lease agreements for office premises in Helsinki is included in the Intangible assets table above. The amount at the end of 2021 is EUR 557 thousand (2020: EUR 699 thousand).

Note 6: Impairment of loans and reversals, realised impairments

No realised impairment of loans and reversals in 2021 (2020: EUR 0).

Note 7: Derivative instruments

(EUR 1,000)	31 Dec. 21	31 Dec. 20
Fair value of option contracts at beginning of year	316	328
Fair value of option contracts at end of year	28	316
Change in fair value	-288	-12

NDF has received adequate collateral, in the form of government bonds, that covers the derivative instruments' market value. The derivative instruments are measured at fair value level 2. Valuation techniques are based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Note 8: Cash and cash equivalents and other financial investments

(EUR 1,000)	31 Dec. 21	31 Dec. 20
Cash and cash equivalents		
Cash and balances with banks	20 817	13 229
Total, cash and cash equivalents	20 817	13 229
Other long-term financial investments		
Other long-term financial investments	27 825	30 080
Total long-term financial investments	27 825	30 080
Other financial investments		
Fixed income	50 851	43 205
Money market	7 674	7 697
Total, other financial investments	58 526	50 901
Total Cash and cash equivalents, other long-term financial investments and other financial investments	107 167	94 211

Fixed income instruments consist of green bonds issued by financial institutions and state backed companies with an high investment grade credit rating. Money market instruments are investments in a highly liquid moderate yield fund managed by a Nordic commercial bank.

The remaining maturity of other long-term financial investments, counted from the balance sheet date to maturity, is as follows:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
Up to and including 3 months	7 064	10 880
More than 6 months and up to and including 12 months	20 308	18 744
Investments without a fixed maturity	453	456
Total	27 825	30 080

Note 9: Credits to sovereign states

Credits outstanding according to lending currency:

(Face value in EUR 1,000)	31 Dec. 21	31 Dec. 20
EUR credits	445 068	465 168
SDR credits	139 881	141 274
Total, outstanding credits	584 949	606 442
SDR credits, impairment	-3 980	-4 113
Total, outstanding credits including impairment	580 969	602 329

Credits outstanding:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
Bangladesh	27 769	28 421
Benin	15 521	16 025
Bolivia	22 625	23 138
Botswana	2 532	2 791
Burkina Faso	8 878	9 082
Cambodia	7 780	7 966
Cape Verde	1 319	1 352
China	2 680	2 902
Colombia	834	849
Dominican Republic	5 100	5 222
Ethiopia	20 864	21 170
Ghana	39 889	41 699
Honduras	26 319	26 852
Indonesia	6 977	7 625
Jamaica	3 762	3 857
Kenya	22 333	22 852
Kyrgyz Republic	3 133	3 335
Lao PDR	38 389	39 983
Malawi	15 970	17 002
Maldives	5 898	6 340
Mauritius	1 299	1 462
Mongolia	19 426	19 840
Mozambique	47 520	48 936
Namibia	986	1 104
Nepal	14 638	15 585
Nicaragua	34 162	35 973
Pakistan	5 605	6 120
Philippines	8 552	8 582
Rwanda	10 850	11 100
Senegal	38 031	38 482
Sri Lanka	15 303	16 222
Tanzania	17 153	17 834

Tunisia	3 246	3 491
Uganda	41 701	43 769
Vietnam	20 592	21 270
Zambia	20 295	19 981
Zimbabwe	16 994	16 180
Credits outstanding	594 925	614 397
Credits in default (Zambia)	942	-
Credits in default (Zimbabwe)	9 035	7 955
Total, credits outstanding	584 949	606 442

As of 31 December 2021, Zimbabwe and Zambia was more than 180 days overdue with payments. In line with the World Bank's principles for handling Zimbabwe's credits, NDF has made a 50% impairment loss on Zimbabwe's outstanding credits and payables to NDF. No impairment loss is made on Zambia's outstanding credits as Zambia's payment delays started in 2021.

Amortisations on credits outstanding as at 31 December 2021 show the following maturity profile:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
2021		28 560
2022-2025	127 573	125 550
2026-2030	172 972	170 906
2031-2035	149 047	147 154
2036-2040	99 504	98 448
2041-2045	35 853	35 824
Total, credits outstanding	584 949	606 442

Note 10: Other loans

Other loans outstanding are distributed as follows:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
East African Development Bank	3 553	3 826
Total, other loans outstanding	3 553	3 826

Amortisations on other loans outstanding as at 31 December 2021 show the following maturity profile:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
2021		273
2022-2025	1 093	1 093
2026-2030	1 366	1 366
2031-2035	1 093	1 093
Total, other loans outstanding	3 553	3 826

Note 11: Climate loans

Climate loans outstanding:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
Benin	347	0
Lao PDR	9 275	7 798
Total, climate loans	9 622	7 798

Amortisations on climate loans outstanding as at 31 December 2021 show the following maturity profile:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
2021	-	-
2022-2025	1 018	848
2026-2030	1 585	1 287
2031-2035	2 617	2 160
2036-2040	3 161	2 612
2041-2045	1 127	891
2046-2050	54	-
2051-2055	54	-
2056-2060	5	-
Total, climate loans	9 622	7 798

Note 12: Loans with equity features and equity investments

Loans with equity features and equity investments are distributed as follows:

(EUR 1,000)	31 Dec. 21	31 Dec. 20
African Guarantee Fund (AGF)	15 000	15 000
Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT)	3 230	1 984
Facility for Energy Inclusion Off-Grid Energy Access Fund (FEI OGEF)	3 263	2 561
Serengeti Energy ¹	15 800	17 000
Total, loans with equity features and equity investments outstanding	37 293	36 545

As at 31 December 2021, the write-down for impairment totalled EUR 0 (2020: EUR 0) based on assessment of the risk of losses which exists or may exist. Serengeti Energy recorded a capital reduction of EUR 1 200 thousand during 2021.

Note 13: NDF's capital

NDF's capital subscribed to during 1989-2000 amounted to SDR 515 000 thousand and EUR 330 000 thousand. In 2020, the Nordic Council of Ministers passed a resolution to increase the capital of NDF by EUR 350 000 thousand.

After the 2020 capital increase, the subscribed capital of NDF amounted to SDR 515 000 thousand and EUR 680 000 thousand, equivalent to EUR 1 371 405 thousand.

As at 31 December 2021, SDR 515 000 thousand - the equivalent of EUR 691 405 thousand- and EUR 341 520 thousand, totalling EUR 1 032 925 thousand has been paid in by the member countries.

Subscribed capital as at 31 December 2021

(EUR 1,000)	SDR	%	EUR	%
Denmark	115 067	22	158 800	23
Finland	96 726	19	116 840	17
Iceland	5 453	1	8 550	1
Norway	101 591	20	171 550	25
Sweden	196 163	38	224 260	33
Subscribed capital	515 000	100%	680 000	100%

¹ On 1.10.2021 responsAbility Renewable Energy Holding (rAREH) changed name to Serengeti Energy

Subscribed capital as at 31 December 2020

(EUR 1,000)	SDR	%	EUR	%
Denmark	115 067	22	158 800	23
Finland	96 726	19	116 840	17
Iceland	5 453	1	8 550	1
Norway	101 591	20	171 550	25
Sweden	196 163	38	224 260	33
Subscribed capital	515 000	100%	680 000	100%

Paid in subscribed capital of NDF as at 31 December 2021

(EUR 1,000)	in SDR	Converted into EUR	in EUR	Total	%
Denmark	115 067	153 858	89 040	242 898	24
Finland	96 726	130 592	63 720	194 312	19
Iceland	5 453	7 303	3 300	10 603	1
Norway	101 591	136 354	74 250	210 604	20
Sweden	196 163	263 299	111 210	374 509	36
Subscribed capital	515 000	691 405	341 520	1 032 925	100%

Paid in subscribed capital of NDF as at 31 December 2020

(EUR 1,000)	in SDR	Converted into EUR	in EUR	Total	%
Denmark	115 067	153 858	89 500	236 358	24
Finland	96 726	130 592	63 720	194 312	19
Iceland	5 453	7 303	3 300	10 603	1
Norway	101 591	136 354	74 250	210 604	20
Sweden	196 163	263 299	111 210	374 509	36
Subscribed capital	515 000	691 405	334 980	1 026 385	100%

Note 14: Related party disclosures

According to the constituent documents of NDF, the Fund's principal office shall be located at the principal office of NIB. Furthermore, the Statutes of NDF set out that that the Fund's Control Committee members appointed by the Nordic Council shall be the same persons as appointed by the Council to the Control Committee of NIB. In addition, the Statutes of NDF set out that the powers vested in the Board of Directors may to the extent appropriate be delegated to the Fund's Managing Director and/or to NIB.

NDF acquires services at cost from NIB and rents the office premises through NIB. The outstanding balance of claims and debts between NDF and NIB are presented in the table below. No interest is charged during the year (2020: 0 EUR).

(EUR 1,000)	NDF's outstanding debt to NIB	NDF's outstanding claim on NIB	Rental expenses
2021	2	4	161
2020	3	74	155

Note 15: Currency exchange rates

	EUR rate on 31 Dec. 21	EUR rate on 31 Dec. 20
DKK Danish krone	7.43631	7.44088
ISK Icelandic króna	147.6015	156.0581
NOK Norwegian krone	9.98652	10.47062
SEK Swedish krona	10.25463	10.02819
USD US dollar	1.13257	1.22706
SDR Special Drawing Right	0.8081	0.84875

NDF uses exchange rates acquired from a leading market data provider based on rates prevailing at 13:00 GMT at 31 December except for Special drawing right (SDR) which is based on the International Monetary Fund (IMF) last published rate of the year.

Note 16: Subsequent Events

There have been no material subsequent events that would require disclosure or adjustment to these financial statements.

Auditor's report

To the Control Committee of Nordic Development Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic Development Fund (the Fund) which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the Nordic Development Fund's financial position as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with the accounting principles described in the notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Other Information than the annual accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

[Responsibilities of the Board of Directors and the Managing Director for the Financial Statements](#)

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles described in the notes to the financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Fund's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

[Auditor's responsibility for the Audit of the Financial Statements](#)

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and

to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In addition to our audit of the financial statements, we have also audited the administration of the Board of Directors and the Managing Director of Nordic Development Fund for the year 2021 in accordance with the Terms of the Engagement. In our opinion the administration of the Board of Directors and the Managing Director, in all material aspects, complied with the Statutes of the Fund.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Fund in accordance with professional ethics for accountants and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

All the powers of the Fund shall be vested in the Board, which may delegate these powers to the Managing Director or the Nordic Investment Bank or both to the extent considered appropriate based on Section 7 of the Statutes.

The Managing Director is responsible for the conduct of the ordinary operations of the Fund and shall follow the guidelines and instructions given by the Board.

Auditor's responsibility

Our objective concerning the audit of whether the Board of Director's and the Managing Director's administration have complied with the Statutes of the Fund, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect has acted in contravention of the Statutes.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect actions or omissions that can give rise to liability to the Fund.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Fund's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Helsinki, 17 February 2022

Ernest & Young Oy
Authorized Public
Accountant Firm

Ernest & Young Oy
Authorized Public
Accountant Firm

TERHI MÄKINEN
Authorized Public Accountant

MONA ALFREDSSON
Authorized Public Accountant

Statement by the Control Committee

Statement by the Control Committee of the Nordic Development Fund on the audit of the administration and accounts of the Fund

To the Nordic Council of Ministers

In accordance with section 9 of the Statutes of the Nordic Development Fund, we have been appointed to ensure that the operations of the Fund are conducted in accordance with the Statutes and to bear responsibility for the audit of the Fund. Having completed our assignment for the year 2021, we hereby submit the following report.

The Control Committee met during the financial year as well as after the Fund's financial statements had been prepared, whereupon the necessary control and examination measures were performed. The Fund's Annual Report was examined at a meeting in Helsinki on 17 February 2022, at which time we also received the Auditors' Report submitted on 17 February 2022 by the authorised public accountants appointed by the Control Committee.

Following the audit performed, we note that:

- the Fund's operations during the financial year have been conducted in accordance with the Statutes, and that
- the financial statements, which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, are prepared in all material respects in accordance with the accounting principles described in the notes to the financial statements. The financial statements show a loss of EUR 10 668 758,30 for the year which will be carried forward to new account.

We recommend to the Nordic Council of Ministers that:

- the income statement and the balance sheet will be adopted, and
- the Board of Directors and Managing Director will be discharged from liability for the administration of the Fund's operations during the accounting period examined by us.

Helsinki 17 February 2022

JAN-ERIK ENESTAM
Chairman

JOHAN ANDERSSON

VILHJÁLMUR ÁRNASON

WILLE RYDMAN

SJÚRÐUR SKAALE

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