

FMO

Entrepreneurial
Development
Bank

MASSIF

Annual report

2021

MASSIF enhances financial inclusion for micro- and medium entrepreneurs, hereby supporting growth of responsible businesses that create jobs, provide income and improve livelihoods where it is needed most.





Government of the Netherlands

FMO manages the following funds on behalf of the Dutch government: the Access to Energy Fund (AEF), Building Prospects (BP), MASSIF, the Dutch Fund for Climate and Development (DFCD), FOM, B-CD. The following program on behalf of the United Kingdom government: Mobilising Finance for Forests (MFF). The total committed portfolio of these funds (excluding grants) amounts to € 1,306 mln as per December 31, 2021. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch and/or UK government that is managed by FMO, unless reference is made to an investment made under a program.

Photo is from Fin'Elle, La Finance pour Elle, Côte d'Ivoire, is a young women entrepreneurship microfinance institution.

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LETTER FROM THE MB OF THE FUND MANAGER

Dear reader,

This was the second consecutive year in which FMO was faced with the effects of an ongoing pandemic. Challenges and change but also resilience in how we deal with new realities have characterized 2021. For most of the year, we were unable to travel to our markets and carry out business as usual. Still we have supported our customers during the pandemic and at the same time stepped up our efforts in completing the Financial Economic Crime enhancement project, including an extensive Know Your Customer file remediation effort, tailored to the specific requirements of developing and emerging economies.

During these challenging times, the public funds managed to realize or come very close to their targets and therefore continued to play a key, countercyclical role in 2021. Not only did our finance solutions support our clients in facing the pandemic, it also contributed to much-needed new investments, improving the long-term resilience of our customers.

In 2022, that resilience will be further tested as the ongoing war in Ukraine and associated sanctions will have a severe impact on all markets in the global economy.

Our long-standing track record in managing public funds to catalyze private finance, has also contributed to a significant expansion of our responsibilities. Over the past years, FMO set up facilities and investment programs with the European Commission and the Green Climate fund. In 2021, the UK government also decided to trust FMO with the management of the UK's Mobilizing Finance for Forestry fund.

In line with industry expectations, we anticipated that MASSIF clients would require liquidity driven primarily by an increase in non-performance of existing portfolio's as MSMEs struggle to meet their obligations. In 2021, despite the profound blow inflicted by lockdowns and the drop-in economic activity, a liquidity crisis has thus far not materialized. Government moratoria and other crisis-response policy measures have abated nonperforming assets. This might suggest that credit risks may still materialize in the coming period.

A strategic partnership was formed with DFC (Formerly, OPIC) for a USD 75 mln co-financing facility (USD 50 mln contributed by DFC and USD 25 mln from MASSIF). This facility seeks to bring liquidity to financial intermediaries to support MSMEs impacted by the COVID-19 crisis and promote new investment to support economic sustainability in developing countries with a particular focus on low-income countries and underserved groups like women and youth.

There are eight years left in this decisive decade and to help reach the SDGs. Growing inequality continues to affect our markets and we all know the extent of the urgency to take climate action. The world calls for transformative impact to tackle these two challenges. Courage and ambition are therefore imperative in the deployment of the Dutch government funds. We will continue to generate investments that create equal opportunities and equitable access to finance, that protect the value of ecosystems and forests, that provide access to renewable energy and that help build up fair value chains in agriculture.

The Hague, 28 April 2022

On behalf of the Management Board

Michael Jongeneel, Chief Executive Officer
Fatoumata Bouaré, Chief Risk and Finance Officer
Huib-Jan de Ruijter, Chief Investment Officer

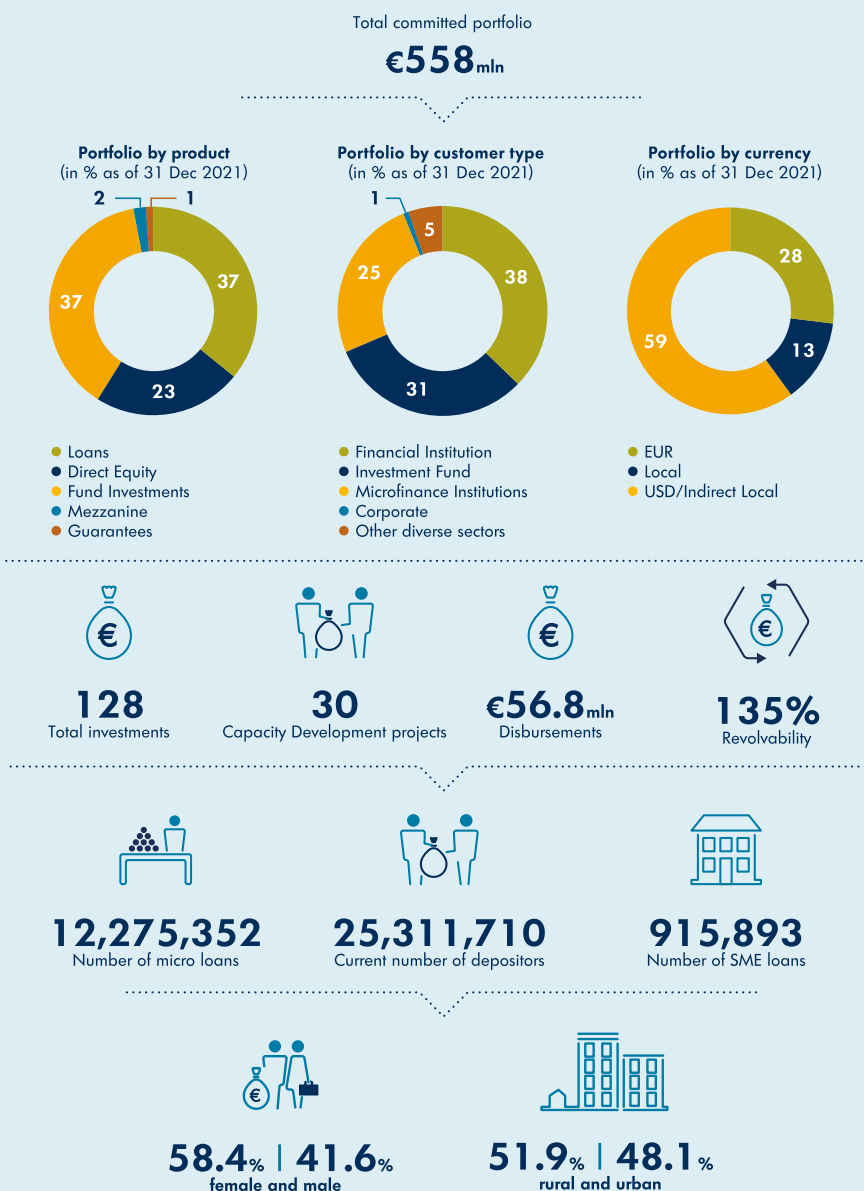
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AT A GLANCE

Set up in 2006 and managed on behalf of the Dutch Ministry of Foreign Affairs, MASSIF is FMO's financial inclusion fund. MASSIF enhances financial inclusion for micro-entrepreneurs and small- and medium-sized enterprises (MSMEs) that are disproportionately affected by a lack of access to financial services. The Fund supports intermediaries that reach out to MSMEs in fragile and low-income countries, MSMEs in rural areas and those dependent on agriculture, women-and-youth owned MSMEs, and intermediaries providing access to productive goods and services for underserved individuals in the poorest social-economic segments.

Achievements portfolio as per 31-12-2021



Head office
The Hague, The Netherlands



Local office
Johannesburg, South Africa



Local office
Nairobi, Kenya



Representative office
Registered in Singapore



Total committed portfolio by region (per 31 December 2021)

Latin America & the
Caribbean

€39_{mln}

Africa

€213_{mln}

Eastern Europe
& Central Asia

€82_{mln}

Asia

€130_{mln}

Global

€94_{mln}

Total committed portfolio

€558_{mln}

PERFORMANCE ON OUR STRATEGY

Highlights

Characterized by the continued COVID-19 and resulting restrictions, our operations in 2021 took place in a still fundamentally different economic environment. One in which investors, companies and governments, as well as FMO and MASSIF faced significant challenges. The pandemic is not over yet, but we did see signs of economic improvement, resilience, and the continuation of business activities. Travel restrictions coupled with an increased effort by FMO to improve upon fiduciary control and oversight led to delays in project implementation. With almost no travel possibilities, carrying out essential due diligences on new clients was severely hampered. We focused on existing clients and prospects in advanced approval stages. This resulted in over EUR 50 mln in new investments and EUR 3.4 mln investment in Capacity Development projects.

We increased our footprint in unbanked and/or fragile states including Nepal, Myanmar, and Côte d'Ivoire. These investments are key for the creation of a positive investment track record in (fragile) markets where these investments are needed the most. On the gender strategic theme, MASSIF provided a EUR 3 mln synthetic LCY loan to la Finance pour Elle (Fin'ELLE), a young FI based in Abidjan (Côte d'Ivoire), whose mission is to create added value for women entrepreneurs and participate sustainably in their financial & social emancipation. This transaction will be used solely to finance women MSMEs based in Côte d'Ivoire a country with a large financial inclusion gap.

To support financial inclusion through innovation, MASSIF made new investments in the Fintech industry by supporting Lendable MSME Fintech credit fund. The fund manager focuses on investing in fintech companies in Asia and Africa, a niche not served by traditional impact fund managers.

MASSIF strengthened mobilization opportunities by providing five (5) risk-sharing facilities through the NASIRA program (in Jordan, Kenya, Nigeria and Armenia). The Armenian AraratBank, for instance, now benefits from a USD 10 mln Nasira loan portfolio guarantee. This risk sharing facility enables AraratBank to support COVID-19 affected MSMEs and an MSME business loan portfolio of youth, women, and migrant entrepreneurs – from Lebanon, Syrian, Ukraine and Iraq currently living in Armenia.

With the Capacity Development program, MASSIF initiated a total of 35 projects to support customers. This included three ecosystem analysis into the entrepreneurial landscapes in Ethiopia, Jordan, and Somalia. Besides this, we have utilized the Capacity Development program to support our clients in both Myanmar and Afghanistan that have experienced tremendous political turmoil in 2021. In Afghanistan in particular, we supported our investee InFrontier AF LP an Afghanistan-focused, sector agnostic fund (the first Private Equity Fund in the country) with much needed business continuity support.

Looking forward into 2022, with hopefully increased travel opportunities, a higher production level is expected. We also expect to utilize the DFC-MASSIF participation facility signed in 2021. As part of the Fintech strategy, MASSIF will adopt a dual approach to its digitization efforts: the fund invested in a selected number of early-stage Fintech companies - either through new equity investments (venture capital) or debt investments or through development contributions- as well as supporting the digitization of existing portfolio clients.



BRAC Myanmar Microfinance Company Limited – USD 7.5 mln Debt

BRAC Myanmar Microfinance Company Limited ("BRAC") is a for-profit institution in Myanmar, active since 2014. BRAC is a 100% subsidiary of BRAC international holdings BV (est. 2010), active in more than 11 countries through different subsidiaries. The activities of BRAC are providing micro and small-scale loans, based on the solidarity group model, small enterprise loans, Agricultural focused loans, and loans to people with disabilities. FMO has had a long-standing relationship with BRAC International, supporting several of its subsidiaries across Africa and Asia. FMO provided USD 7.5mln debt facility to BRAC Myanmar. BRAC will use this fund to provide micro and small-scale loans to underserved women in peri-urban areas of Myanmar. This loan is highly inclusive as Myanmar is categorized as a fragile state. This year, Myanmar was plunged into a political crisis following the military coup in February. We continued to support BRAC in these uncertain times.



Credit Access Philippines Financing – USD 7.5 mln Debt

Microfinance Philippines Financing Company "One Puhunan" is a young, transparent, and professionally managed MFI that gained sizeable market share in the Philippine microfinance market within nearly three years of existence supported by Credit Access Asia, a solid and well-capitalized group in the Netherlands. One Puhunan provides financial services in the form of unsecured working capital to low income individuals and small businesses who are not served by the traditional banks, with a focus on youth and female owned enterprises and those based in rural Philippines. MFIs play a pivotal role promoting economic growth for the Base of the Pyramid by providing finance to micro and small entrepreneurs. FMO provided One Puhunan with a USD 7.5mln loan. This facility will support the expansion of the MFI's MSME and individual loan portfolio as well as contribute to enhancing company's asset and liability matching.



Financiera Fondo de Desarrollo Local – USD 3 mln Debt

Financiera Fondo de Desarrollo Local ("FDL") is the largest microfinance institution (MFI) in Nicaragua. FDL was founded with the aim of establishing and/or improving access to finance for micro-entrepreneurs in Nicaragua's rural areas. FMO and FDL have had a long-standing partnership which started in 2019. In 2021, MASSIF provided FDL with a USD 4.5mln facility (with USD 3.0mln committed tranche and a USD 1.5mln uncommitted tranche), which will be used by FDL to extend access to finance for micro-, small- and medium-sized enterprises and local agribusinesses. FMO believes that stable access to finance for micro and small enterprises contributes to economic development. With this long-term financing FMO supports Financiera FDL in its mission to extend access to small enterprises and contributes to the stability of the Nicaraguan financial sector.



Fin'Elle, La Finance pour Elle – EUR 3 mln Debt

Fin'Elle, La Finance pour Elle ("FE", is a young microfinance institution founded in 2007 and based in Côte d'Ivoire, whose mission is to create added value for women entrepreneurship and participate sustainably in their financial and social emancipation. FE is majority-owned by the COFINA Group, which bought a 70% stake mid-2018. Prior to this, FE was a marginal player with an insignificant market share and less than Eur 1mln of Total Assets. COFINA group is a fast-developing Group, now active in 8 African countries, with Cofina Senegal & Cofina Côte d'Ivoire being existing MASSIF partners. MASSIF provided FE with a synthetic Local currency equivalent EUR 5 mln senior unsecured loan. This loan is split between a EUR 3 mln committed facility (Tranche 1) and up to EUR 2 mln uncommitted facility (Tranche 2). The proceeds of Tranche 1 are to be fully used for financing female entrepreneurs; whilst the proceeds of Tranche 2 shall be used for financing female entrepreneurs and/or eligible green projects. FMO supports this project as it offers the development of sustainable alternatives for inclusive finance and gender-smart solutions for women entrepreneurs. FE is also a beneficiary of the MASSIF Capacity Development program.



Global Partnerships Social Investment Fund 6.0 LLC – USD 5 mln Debt

Social Investment Fund 6.0 ("SIF 6.0" or the "Fund") is an existing 10-year open-ended fund that provides debt financing to microfinance institutions (MFIs) and other social enterprises in Latin America, the Caribbean, and sub-Saharan Africa with a mission to expand opportunity for people living in poverty. The fund is managed by Global Partnerships ("GP"), a US-based fund management company and not-for-profit, well-known to FMO through previous investments in SIF 6.0 itself as well as in two other GP-managed funds, SIF 5.0 and SIF 2010. SIF 6.0 provides loans to financially self-sustaining microfinance institutions (MFIs), agricultural cooperatives and other types of 'social enterprises' -entities providing basic products and services to the Base of the Pyramid (BoP). The USD 5 mln loan will be used to onlend to MFIs and other social enterprises that provide essential services and products to improve the livelihoods of the Base of the Pyramid population. 100% of the social enterprises funded by SIF 6.0 reach people living under \$5.50 PPP/day (the "Downstream Clients"). 72% of Downstream Clients are women, and 60% live in rural areas.



JSC MFO CRYSTAL – USD 10 mln Debt

JSC MFO Crystal ("Crystal") was established as a commercial Micro Finance Institution in 2007. Currently Crystal is Georgia's largest MFI. It has a strong outreach in rural areas in the Western part of Georgia. Their client base consists of micro entrepreneurs in the agricultural and rural areas. MASSIF first partnered with Crystal in 2017 by providing a USD 10 mln loan. FMO wants to deepen the relations with its existing clients in the Georgian FI-sector and hence in 2021 advanced USD 10 mln senior loan to Crystal. Part of the funds will be earmarked to the Women in Business program and to provide dedicated lines into the Youth segment. In addition, we provided a USD 5mln uncommitted tranche. These funds will be earmarked for Energy Efficiency loans.

Lendable MSME FinTech Credit Fund – USD 5 mln Debt



Lendable is a leading debt finance provider to fintech companies across frontier and emerging markets that create access to new financial products and services for un- and under-banked populations. Lendable finances fintech companies that facilitate consumer and MSME credit, productive asset finance, payments, remittances, and digital marketplaces. From its offices in Nairobi, London, and Singapore, and using its proprietary technology and data, Lendable directly originates, structures, underwrites, and monitors all transactions. FMO co-anchored the Lendable MSME Fintech Credit Fund (LMFCF), providing a USD 5 mln debt facility. With this financing, Lendable will support fintech companies in Africa and Asia, a niche not served by traditional impact fund managers.

Maxima Microfinance Plc – USD 3 mln Debt



Maxima Microfinance Plc ("Maxima") is a regulated microfinance institution in Cambodia. Maxima offers Group, Individual and Small Business loans. Maxima currently operates in 8 provinces in Cambodia, has 14 branches, employs over 170 staff and has over 6,800 active borrowers, of which roughly 91% are women. Maxima plays an important role in providing access to finance to micro and small enterprises, a critical segment in supporting job creation. FMO provided a USD 3mln loan to Maxima dedicated toward financing micro clients and water, sanitation, and hygiene (green) projects, thereby contributing to decent work and economic growth activities and supporting climate action. MASSIF's financing to Maxima is highly additional as medium-term financing is scarce in Cambodia. This transaction will be the first DFI loan to Maxima.

Medical Credit Fund II Coöperatief U.A. – EUR 2.5 mln Debt



Our client is Medical Credit Fund Coöperatief U.A., ('MCF' or 'the Fund') a Dutch entity affiliated with the PharmAccess Group, a Dutch NGO with a focus on making inclusive health markets work in sub-Saharan Africa and an existing FMO client. The Fund's ambition is to provide EUR 250mio in loans to about 2,500 health SMEs over a period of 10 years with a maximum fund size of EUR 80mio, through direct and digital lending. As a start, MCF raised EUR 32.5 mln in debt and member's equity of which EUR 7.5 mln was funded by FMO through the Building Prospects fund (EUR 5 mln) and MASSIF fund (EUR 2.5 mln). This financing is highly additional and leads to better health in the markets MCF operates. Additionally, MCF borrowers reach the base of the pyramid (BoP) where 54% of customers of borrowers are in the very low and low socio-economic bracket. In addition, 50% of beneficiaries are women.

Dolma Impact Fund II – USD 10 mln Equity



Dolma Impact Fund II ("DIF II" or Fund II") is the follow-on fund of Dolma Impact Fund I, where FMO played an anchor investor role. Dolma is one of the first private equity ("PE") fund managers focused on Nepal and has played a key role in developing the PE sector in the country. MASSIF provided DIF II with USD 10 mln equity investment to be used to advance the fund's strategy to provide scarce (growth) capital to small- and medium-sized enterprises (SMEs) in Nepal, in the healthcare, renewable energy, technology, and other sectors with high growth and impact potential. Fund II is established to generate private sector-led growth while creating positive social and environmental impact. Nepal is one of poorest 55 nations in the world and hence is classified as Least Developed Country ("LDC"). Supporting investments in LDCs is one of the core strategies of FMO and MASSIF. In addition, Fund II's strategy of investing in renewable energy in a country that has an energy deficit and investing in companies that need capital to grow alongside its economy (and hence simultaneously boosting it) touches another cornerstone of FMO's strategy.

Access Bank Plc – NGN 102.5 mln NASIRA Guarantee



Access Bank Plc ("AB") is a full-service commercial bank operating through a network of more than 700 branches and service outlets located in major centers across three continents. Apart from the Nigerian operations, the bank has 11 subsidiaries in Africa, 1 in the UK (with a branch in Dubai, UAE) and three representative offices: China, India and Lebanon. Access Bank Plc is listed on the Nigerian Stock Exchange since 1998 and provides a wide range of banking and financial services via four main business segments: Corporate & Investment banking, Commercial Banking, Business Banking and Personal Banking. Access Bank has been a long-standing partner with FMO. In 2021, FMO provided a revolving unfunded (NASIRA) portfolio guarantee covering loans provided to Nigerian MSMEs affected by the COVID-19 crisis including young & female entrepreneurs. The NASIRA program is a risk sharing facility for local financial institutions. It is an innovative way of unlocking support to underserved segments: young, migrant, women and COVID-19 affected entrepreneurs. The NASIRA target groups often remain underbanked due to high risks - both perceived and real - involved in lending to them. This is, amongst others, due to absence of collateral and credit history. The guarantee program takes away this hurdle, by agreeing in advance to share possible credit losses.

ARARATBANK OJSC – USD 0.17 mln NASIRA Guarantee



ARARATBANK OJSC is a mid-sized universal bank in Armenia focusing on Micro, SME, and Retail customers. The bank operates the 5th largest branch network in the country and employs around 1,025 staff. Araratbank is an existing client of FMO since 2014, with FMO having provided both funding and technical assistance support. In 2021, FMO advanced the partnership with AraratBank by offering a risk sharing facility to support Covid-19 affected MSMEs and a MSME business loan portfolio of displaced people from conflicted areas currently living in Armenia to support their income generating business activities. With this proposition, FMO shares directly the risk of the loan portfolio of displaced people, their enterprises and Covid-19 affected MSMEs with Araratbank and as a result, increasing Araratbank's risk appetite and incentivizes it to finance the underserved and marginalized communities in Armenia.

Bank al Etihad - JOD 0.28 mln NASIRA Guarantee



Bank al Etihad is a Jordanian banking and financial institution. Founded in 1978 under the name Union Bank, its focus was mainly on the corporate segment. The bank changed its name to Bank Al Etihad in 2011 and rebranded itself, while expanding its offering with new innovative services to tap into the Jordan's growing retail and SME markets. The bank believes that empowering its community can only be achieved by investing in digital transformation. Through this, clients can access products and services and control their money wherever they are and at any time. Bank al Etihad also has a strong focus on reducing inequalities which is demonstrated by its active membership of the Global Banking Alliance and the launch of its comprehensive program to empower female entrepreneurs. FMO supported the Bank al Etihad with an up to USD 30mln JOD equivalent NASIRA Risk Sharing Facility (JOD 0.28mln, MASSIF proportion) combined with a NASIRA Capacity Development package earmarked for COVID-19 affected entrepreneurs and focusing on underserved female entrepreneurs. The NASIRA Program supports the Bank in accelerating and continuing its drive towards serving MSMEs in Jordan. This transaction has been recognized as a '2X investment' by the 2X Challenge FMO is member of.

Capital Bank of Jordan– USD 0.28 mln NASIRA Guarantee



Capital Bank of Jordan ("CBoJ") is the 7th largest bank in Jordan, with the largest growing SME portfolio of Jordan (20% of loan portfolio). Total Assets amount to ~USD 4 billion. Together with its subsidiaries in Dubai (100%) and Iraq (61.85%), Capital Bank Group offers commercial and investment banking services and solutions tailored to the needs of individual, SME, and corporate clients alike. CBoJ is committed to become the number 1 digitally enabled bank of Jordan that can offer the most (cost) efficient services to its clients. With the support of a variety of partnerships, the CBoJ aims to grow and capture an increasing (MSME) market share. FMO supported CBoJ with a USD 20mln in JOD equivalent unfunded revolving Risk Sharing Facility ("RSF"), under the NASIRA guarantee program. The RSF covers loans to COVID-19 affected MSMEs and young entrepreneurs in Jordan. The Guaranteed Portfolio is earmarked to loans originated through alternative MSME lenders increasing their ability to get access to funding from a local Tier 1 bank. MSMEs in Jordan make up 95% of all businesses, account for 37% of private sector employment whilst they only receive 10% of total facilities granted by banks. In addition, unemployment is high amongst youth (37%). MSMEs are heavily impacted by COVID-19 due to the slowdown of the economy. Our guarantee represents a comprehensive COVID-19 support package to MSMEs and helps CBoJ and its partners to strengthen its ability to serve this market.

Sidian Bank Limited– KES 21.45 mln NASIRA Guarantee



Sidian Bank Limited ("Sidian") is a full-service commercial bank based in Nairobi, Kenya with majority shareholder Centum Investment Company Limited. It was originally established in 1984 as an MFI NGO under the name K-Rep. Per late 2014, Centum became the majority shareholder of the bank driving its strategy towards a full-fledge SME focused bank. In early 2016 the bank rebranded to Sidian Bank. FMO aspires to build a strong relationship with Sidian along the mutual strategy of sustainable commercial development through financing MSMEs in Kenya's real economy (including Young, Female and COVID-19 affected entrepreneurs), thereby enabling those companies to invest in their businesses, create jobs and contribute to the overall economic development and growth of the economy. To this end, FMO provided a revolving unfunded (NASIRA) portfolio guarantee covering loans provided to MSMEs affected by the COVID-19 crisis including female and young entrepreneurs.

Sales and exits

No full sales and exits were performed in 2021.

Production capacity development

Contracts CD 2021

Validus Investment Holdings PTE. Ltd – EUR 144,000 Development Contribution



Validus Holdings Pte. Ltd. ("Validus") operates as a Peer-to-Peer (P2P) lending platform that connects SME borrowers looking to fund their short-term working capital requirements with accredited and institutional investors looking to invest in higher yielding, unsecured loan portfolio. With this development contribution, we aimed at enabling Validus to incorporate an efficient loan processing system with an agile, customer-centric solution for its SME clients in its operations. This will help to drive financial inclusion and responsible lending in the South-East Asia region.

Chemonics International – EUR 247,955 Technical Assistance



MASSIF engaged Chemonics international consultants in three projects in 2021; First, Chemonics worked to deliver a landscape analysis of the Jordan entrepreneurial ecosystem. Secondly, Chemonics conducted a market study in Burkina Faso, Mali, Benin and Niger. The focus of this study was to help map out and better understand (i) the Nasira target groups (Female, Young, Irregular Migrant entrepreneurs, and COVID-19 affected MSMEs) in the local investment landscape, including their barriers and opportunities to access finance in the target countries; (ii) the financial sector serving the target groups and key financing trends, including financial guarantees and other forms of financing available; (iii) detailed recommendations and potential risks as to the Nasira and MASSIF investment opportunities.

In a third project, Chemonics worked on critically evaluating the potential of Repayable Development Contributions (RDCs) in order to understand how they could be leveraged by DFIs and other impact investors to accelerate progress towards the SDGs.

Alvus ESG Consulting DMCC – EUR 41,475 Technical Assistance and Dolma Consulting LTD.- EUR 54,200 Technical Assistance



FMO has been working in a long term ESG Sector Initiative in Nepal. As part of this, MASSIF engaged with two consultants to advance our work in the energy and financial institution sector. First, we worked with Alvus ESG Consulting to Deliver an ESMS training program for financial institutions and power producers in the country. Secondly, we engaged with Dolma Consulting to work with Banking and Financial Institutions, Corporates, and Development partners in Nepal to prepare their institutions and projects for access to international capital, including environmental, social and governance standards

Bina Artha Ventura and Mitra Bisnis Keluarga – EUR 8,236 Technical Assistance



Bina Artha Ventura ("BAV") and Mitra Bisnis Keluarga ("MBK") are both FMO clients active in the non-bank lending companies in Indonesia with a focus on MSMEs. To support these two lenders, MASSIF contributed to the hiring of MSC Global Consulting Pte. Ltd. (MSC) who conducted a comparative analysis of regulatory frameworks for lending companies. These findings can be utilized to inform The Financial Services Authority of Indonesia (OJK) to develop a robust, supportive and actionable regulatory framework for non-bank lending companies in the country with a focus on those that provide working capital loans to microenterprises.

DAI Global LLC – EUR 62,950 Technical Assistance



DAI engaged to deliver a landscape analysis of the Somalia entrepreneurial system in line with MASSIF's ambition to venture further into fragile states. The project sought to analyse the business operating environment, identify key risks as well as existing players in the market and provide recommendations for potential investments.

AdVision Finance – EUR 150,000 Technical Assistance



Digitalisation offers the opportunity for Financial Institutions to improve customer interactions and enhance their operations. From customer service bots to clear and concise procedures, through digitalisation FIs can reach out to a broader range of consumers (financial inclusion), offer better and targeted products that respond to clients' needs, provide secure and faster transactions, increase their resilience, and improve their compliance to new regulations. With this in mind, we engaged AdVision Finance to support in identifying and assessing the needs of specific FI clients regarding their digital transformation, addressing knowledge opportunities and limitations of current systems, processes as well as strengths and weaknesses in their operations and help to open conversations to provide a better foundation for an effective Digital Strategy

FDH Bank – EUR 24,823 Technical Assistance



FDH is one of the leading banks in Malawi with a wide footprint that offers services to low-income households, SMEs and large corporates. FDH's mission is to contribute to the growth of the local economy by supporting the MSME sector and driving its digitalization strategy to expand financial inclusion of the unbanked population. MASSIF worked with Frankfurt School of Finance and Management in a Technical Assistance project to strengthen the bank's credit risk management capabilities to improve customer assessment and portfolio analytics. As a result, it is expected that, FDH will be enabled to scale up and accelerate its activities in supply chain and trade finance, especially in the agricultural sector in Malawi.

Agora Microfinance Zambia Limited – EUR 10,495 Development Contribution



Agora Microfinance Zambia Limited (AMZ) is an MFI established in 2011 that provides financial services to a predominantly rural clientele through small loans to individual entrepreneurs as well as village groups. MASSIF supported AMZ in a project to perform a Client Protection Principles assessment and outline an action plan. The ultimate goal and ambition for AMZ is to achieve Bronze CPP certification in the coming years

FIN'ELLE, La Finance Pour Elle – EUR 121,704 Development Contribution



Fin'ELLE, La Finance Pour Elle, is a young microfinance institution founded in 2007 that is based in Côte d'Ivoire. Fin'ELLE's mission is to create added value for women entrepreneurship and participate sustainably in their financial and social emancipation. MASSIF supported this project as it offers the development of sustainable alternatives for inclusive finance and gender-smart solutions for women entrepreneurs through Fin'ELLE. It is expected the project will contribute to the identification of good practices in the sector that could be shared with the rest of the Cofina Group and other FMO clients with similar ambitions.

Equity for Tanzania Limited – EUR 20,000 Technical Assistance



Equity for Tanzania Limited ("EFTA") is a Tanzanian leasing company specialised in serving small and medium enterprises and farmers. The Loans offered typically amount to up to USD 60,000, with no collateral except for the equipment itself. MASSIF engaged a consultant to perform a thorough financial due diligence and loan portfolio review. This assessment will be accompanied by a restructuring proposal, with due consideration of financial sustainability and the social impact objectives of both EFTA and its lenders.

RENEW LLC – EUR 70,000 Technical Assistance



Ethiopia is ripe with opportunity, poised for change and at a pivotal juncture in its history for private sector led growth and economic development. MASSIF engaged with Renew LLC an external consultant to deliver a landscape analysis of the Ethiopia entrepreneurial ecosystem. An outcome of this assessment was that FMO Ventures Program's Technical Assistance Facility could play a catalytic and pivotal role in shaping and accelerating the formation of Ethiopia's entrepreneurial ecosystem with a long-term investment horizon in mind.

Making Cents International – EUR 95, 189 Technical Assistance



In line with MASSIF's investment strategy, MASSIF engaged in a ground-breaking project to support the identification of innovative, cost-effective, and replicable initiatives working to increase low-cost access of financial services to young people. We selected Making Cents International, a consulting firm that works with partner organisations to build capacity to support the people they serve—from the smallholder farmers who feed the planet to the young leaders and entrepreneurs who shape their communities. The result of this study should enable FSPs to design and deliver appropriate financial products and services that benefit young people's livelihoods and promote their financial inclusion.

The Trustees of Columbia University – EUR 17,600 Technical Assistance



MASSIF contributed towards the tuition fees of a selected group of participants to attend the "Leading Cybersecurity in Your Organization" programme offered by Columbia University Business School. The participants learn how to measure the extent of cyber threats, identify, and shield critical digital assets from cyberthreats, and build leadership expertise to manage these threats either via internal investment or agile outsourcing. The aim of this project is to support the holistic digital transformation of financial institutions in a safe manner and help to decrease risks in digital ecosystems worldwide.

UN Capital Development Fund – EUR 500,271 Partnership Development Contribution



The United Nations Capital Development Fund ("UNCDF") is the United Nations' capital investment agency for the world's Least Developed Countries and has the mandate to provide capital and technical support to ensure that more households and small businesses gain access to financial services that expand opportunities and reduce vulnerabilities. By contributing to the UNCDF, MASSIF supports the acceleration of economic recovery after COVID-19 and promotes economies and societies to be more inclusive and resilient to external shocks by increasing access to finance to MSME's led by usually underserved groups through data analytics capacity and smart products developed by Financial Service Providers in Asia and Africa.

VisionFund Microfinance Institution – EUR 48,370 Development Contribution



Vision Fund Microfinance Institution has been in operation since 1999 as a regulated and legally registered microfinance service provider in Ethiopia. Since then the Institution has been in business to cater services to its clients in the capital and three regional states namely Oromia, Amhara, and SNNPR. To better serve its clients, VFMFI has been working on the full implementation of its core banking system. Training is seen as critical in this process. MASSIF supported in this project by providing financing geared towards the provision of staff training (Technical & Functional), which will ensure an optimal deployment of the CBS and improve the abilities of staff to cope with change and risk management.

The First Microfinance Bank Afghanistan – EUR 232,662 Development Contribution



The First Microfinance Bank (FMFB-A) is the largest MFI and among the top 3 commercial banks in Afghanistan operating across 80 districts and 14 provinces with 48 outlets serving around 55,000 borrowers and 115,000 depositors. Since August 2021, all banks have been required to undergo a transition from conventional banking to Islamic Principles based banking. MASSIF engaged with two consultancies: Avrio Impact and IFAAS (Islamic Finance Advisory & Assurance Services) to support FMFB-A with the conversion into becoming a fully Islamic banking entity, following the rules of the new government in the country.

The Lebanese Association For Development – EUR 200,000 Development Contribution and EUR 12,140 Technical Assistance



The Lebanese Association for Development, Al Majmoua, is the no. 1 MFI in Lebanon. Al Majmoua's activities started by providing group loans to women in urban and rural areas. Over time, Al Majmoua developed its product offering by adding individual loans, which is now its core financial product. We supported Al Majmoua with two projects first, we provided an emergency grant to deal with the multiple crisis situation in Lebanon, covering costs of IT licenses, solar power solutions and multipurpose cash assistance for staff to buy basic goods. Secondly MASSIF provided technical assistance funding to identify the best way forward and to provide recommendations on preserving Al Majmoua's liquid assets.



Cambodia Microfinance Association – EUR 50,000 Development Contribution

Cambodia Microfinance Association ("CMA") is an NGO and a professional association that aims to ensure the sustainability of the microfinance sector in Cambodia. The purpose of the development contribution was to support the transformation of the Cambodian market and the further develop, update, and disseminate Cambodia Microfinance Association's Lending Guidelines which aim to improve the overall performance of the Cambodian financial market and prevent challenges that could derive into unsustainable growth and client over-indebtedness.



Credit Access Philippines Financing – EUR 14,250 Technical Assistance

Microfinance Philippines Financing Company ("One Puhunan") is a young, transparent and professionally managed MFI that gained sizeable market share in the Philippine microfinance market within nearly three years of existence supported by Credit Access Asia, a solid and well-capitalized group in the Netherlands. With the help of external consultants, MASSIF supported Credit Access Philippines to strengthen the effectiveness of its AML/CTF operations and complying with the AML/CTF guidelines in accordance with international compliance standards.



Global Partnerships – EUR 200,000 Development Contribution

Global Partnerships (GP) is an impact-first investment fund manager dedicated to expanding opportunity for people living in poverty. GP and its affiliated funds have deployed USD 488.3 million in impact investments to a total of 161 social enterprise partners, bringing meaningful impact to an estimated 23.2 million lives in 26 countries. MASSIF provided development contribution to GP with the objective of supporting 21 GP investees with Lean Data. Lean Data is a low-cost impact evaluation methodology based on standardized surveys to get feedback directly from end-clients.



Proximity Finance Microfinance – EUR 89,500 Development Contribution

Proximity Finance Microfinance Company Limited is Myanmar's first farmer-focused finance institution. With the onset of COVID-19 Proximity has required to move fast to ensure they can establish contactless distribution channels to reach their customers at this critical time in Myanmar. MASSIF supported Proximity with a development contribution, to support the MFI in implementing a mobile money payments system to build the foundations for a fully digitized disbursement and collection process.



Mercon B.V. – EUR 40,055 Development Contribution

Mercon is a Coffee Trader active in Africa, Latin America and Asia. Mercon's has been working towards getting more transparency on its supply chain and becoming an example for other traders. With this development contribution, MASSIF supported Mercon with a supply chain risk analysis for three different sourcing countries focused on E&S risks in the supply chain.



Stichting IDH Sustainable Trade Initiative – EUR 35,500 Technical Assistance

Stichting IDH Sustainable Trade Initiative ("IDH") is an existing MASSIF investee. IDH has developed a market-based approach to smallholder value chain development and currently works with over 600 companies, financial institutions, producer organisations, and governments in 12 value chains across 40 countries worldwide. With this technical assistance project, MASSIF contributes to the development and update of the fund's ESMS to strengthen the fund's E&S practices.



YCP Solidiance PTE. LTD. – EUR 54,000 Technical Assistance

Following the political coup and the COVID-19 pandemic in Myanmar, MASSIF was looking to provide tailor made support to the existing investees including MFIs and Equity Funds active in the market. We engaged YCP Solidiance to design and implement a needs assessment among these investees.



DOLMA Impact Fund II – EUR 200,000 Development Contribution

Dolma Impact Fund II ("DIF II") is the follow-on fund of Dolma Impact Fund I, where FMO played an anchor investor role. DIF II has implemented a strategy to provide scarce (growth) capital to small- and medium-sized enterprises (SMEs) in Nepal, in the healthcare, renewable energy, technology, and other sectors with high growth and impact potential. DIF II was established to generate private sector-led growth while creating positive social and environmental impact. The fund is managed by Dolma Fund Management. The CD contribution DIF II accompanies technical assistance facility that will help DIF and its investee companies implement strong E&S practices through focus on corporate governance, E&S advisory and Health and Safety (H&S) advisory.



Energy Access Ventures SAS – EUR 150,000 Development Contribution

Energy Access Ventures is an investment fund focused on providing (off grid) energy access and its benefits to the un(der)served in Sub-Saharan Africa. As part of Energy Access Ventures (EAV) ambition to raise a fund focused on connectivity, EAV aims to activate the digital connectivity ecosystem in Africa and thereby encourage greater private sector engagement. MASSIF contributed to this project with funding being used to contribute to the first phase. The outcome of this first phase entails a) 4-in depth reports on connectivity topics to bring knowledge to the African connectivity ecosystem b) roundtable/webinars and other marketing mediums for key stakeholders in the connectivity space to drive collaboration in the ecosystem c) advisory support for one of its portfolio companies active in the connectivity space to help EAV Fund I scale-up for connectivity.

INFRONTIER Limited – EUR 100,000 Development Contribution



In August 2021 US troops began withdrawing from Afghanistan, which was followed by an insurgency in the country. The ongoing insurgency has caused significant humanitarian and economic hardship which compounds other challenges that make Afghanistan one of the most fragile states in the world. MASSIF provided an emergency grant to set up offices for InFrontier Limited in Uzbekistan and UAE and relocate their team members for business continuity purposes. The grant will enable InFrontier to continue operations, safeguard the local team and support their portfolio companies.

Gazelle Finance Holding Cooperatief – EUR 270,000 Development Contribution



Gazelle Fund ("Gazelle"), is a Private Equity Fund based in Georgia. Gazelle focuses on supporting SMEs in Eastern Europe and provides growth-oriented risk capital to SMEs in the Eurasia region. MASSIF supported Gazelle with a development contribution where the objective is to support the fund and its Portfolio companies, specifically in Armenia by co-funding a Technical Assistance facility, called the Business Development Support Facility ("BDS Facility"). This BDS Facility funds three financial products, being i) fund-wide support projects, ii) zero interest loans and iii) grants. Prospect portfolio companies and portfolio companies, depending on their size and revenues will receive a zero-interest loan or a TA-grant (only for PCs).

INTERNATIONAL PRINCIPLES

Our impact goes beyond our investments. To embrace our mission fully, we are committed to doing business in a responsible and sustainable way, guided by global standards and guidelines.

	Equator Principles We have been implementing the Equator Principles (EP) since 2006. This risk management framework provides financial institutions with a minimum standard for due diligence and monitoring to determine, assess and manage environmental and social risks in projects. Our annual EP report is available online .	Signatory
	IFC Performance Standards Our E&S approach is guided by the IFC Performance Standards of Environmental & Social Sustainability . This framework helps us understand, avoid and mitigate E&S risks and impacts, for example through stakeholder engagement and disclosure obligations of the client in relation to project-level activities.	Adopter
	OECD Guidelines We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.	Adopter
	UN Guiding Principles on Business and Human Rights We integrate the set of guidelines defined by the UN for states and companies to prevent, address and remedy human rights abuses in business operations.	Adopter
	ILO Standards We follow the set of ILO legal instruments that set out basic principles and rights at work.	Adopter
	Operating Principles for Impact Management In 2019, FMO became a signatory to and advisory board member of the Operating Principles for Impact Management, a global initiative led by the IFC to increase the transparency and accountability of impact investing.	Signatory
	UN Principles of Responsible Investment FMO applies PRI's six principles: incorporating ESG into investment practices (Principle 1 and 2), disclosing on ESG issues (Principle 3), supporting acceptance and effective implementation of the principles (Principle 4 and 5), and reporting on progress (Principle 6).	Signatory
	UNEP FI Principles for responsible banking FMO is a signatory of the Principles for Responsible Banking .	Signatory
	Global Impact Investing Network We support the GIIN because it is dedicated to increasing the scale and effectiveness of impact investing through knowledge sharing, best practice exchanges, and tools / resources production.	Member
	Sustainable Development Goals Charter We joined the SDG Charter Network to foster cooperation between business, civil society and local governments in the Netherlands, in order to achieve the SDGs at home and abroad.	Signatory
	Impact Management Project We joined and support the IMP , a forum for building global consensus on how to measure, manage and report impact and for sharing best practices.	Member
	Natural Capital Finance Alliance We closely follow the developments of the NCFA initiative to integrate natural capital considerations into loans, public and private equity, and fixed income and insurance products.	Signatory
	UNEP FI / EBF Working Group on Banking and Taxonomy We are part of the UNEP Finance Initiative / European Banking Federation Working Group that assesses how the EU Taxonomy on Sustainable Activities can be implemented by banks and applied to selected banking products.	Member
	Dutch Climate Accord We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord to achieve a 49% CO ₂ reduction by 2030 in the Netherlands.	Signatory

	Mainstreaming climate action in financial institutions	Signatory
	We are following the five principles of the Climate Action in Financial Institutions Initiative . This coalition of public and private financial institutions aims to enhance integration of climate change considerations across their strategies, programs and operations.	
	Platform for Carbon Accounting Financials	Signatory
	We are one of the early adopters of PCAF , an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans/investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.	
	Task Force on Climate-Related Financial Disclosures	Adopter
	Since 2019, we report on our approach to climate following the recommendations provided by the TCFD.	
	Netherlands Advisory Board on Impact Investing	Member
	FMO is an active member of the Netherlands Advisory Board (NAB) on Impact Investing - a foundation Member that is part of the Global Steering Group for impact investment and aims to accelerate the growth and improve the effectiveness of the Dutch impact investing market.	
	Consultative Group to Assist the Poor	Member
	We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.	
	European Microfinance Platform	Member
	We are part of the e-MFP network to foster activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked through knowledge-sharing, partnership development and innovation.	
	2X Challenge	Member
	In 2019, FMO joined the 2X Challenge, which was launched in 2018 by DFIs from the G7 countries. The initiative allows for setting financial ambitions among DFIs and collaboration with various stakeholders towards female empowerment.	
	Emerging Market Private Equity Association	Member
	We are a member of the global EMPEA association . This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.	
	Corporate Governance Development Framework	Adopter
	We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.	
	Financial Action Task Force	Adopter
	We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.	
	The Gold Standard	Adopter
	For our own operations, we maintain the Gold Standard.	
	Global Reporting Initiative	Adopter
	We report according to the standards defined by the GRI to help businesses and governments understand and communicate about their impact on critical sustainability issues.	
	Value Reporting Foundation - Integrated Reporting Framework	Adopter
	We follow the Integrated Reporting framework to produce our annual report. In line with this, we link our strategy and performance to the external environment and value creation in the longer term.	

LIST OF ABBREVIATIONS

AC	Amortized Cost
AEF	Access to Energy Fund
AFS	Available For Sale
ALCO	Asset and Liability Committee
CD	Capacity Development
CPP(s)	Client Protection Principles
DFI	Development finance institution
DGIS	Directorate-General for International Cooperation
EAD	Exposure at Default
ECL	Expected Credit Loss
ESG	Environmental, social and governance
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
FMO-OS	Fonds Opkomende Markten - Ontwikkelingssamenwerking
FV	Fair Value
FVOCI	Fair Value Through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
GHG	Green House Gas
IASB	International Accounting and Standards Board
IDF	Infrastructure Development Fund
IFRS	International Financial Reporting Standards
IRC	Investment Review Committee
LCY	Local currency
LGD	Loss Given Default
LIC	Low income country
MB	Management Board
MSME	Micro, small and medium-sized enterprises
NPL	Non-Performing Loans - loans in default
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PD	Probability of Default
PE	Private Equity
PIM	Public Investment Management team within FMO
SDGs	Sustainable Development Goals
SPPI	Solely Payments of Principal and Interest
WMSME	Women-owned micro, small and medium-sized enterprises

Read more about

FMO	www.fmo.nl/
ODA	www.rijksbegroting.nl/system/files/10/odaenoesodac-criteria.pdf
OECD	www.oecd.org/
SDGs	sustainabledevelopment.un.org

Annual accounts

Statement of financial position

At December 31

	Notes	2021	2020
Assets			
Banks	(1)	8,476	17,257
Current account with FMO	(2)	112	107
Short-term deposits	(3)	31,671	13,936
Loan portfolio	(4)		
- of which: Amortized cost		128,408	151,355
- of which: Fair value through profit or loss		28,288	30,867
Equity investments	(6)	270,323	252,341
Investments in associates	(7)	8,851	7,160
Other receivables	(8)	1,397	528
Accrued income	(9)	6	-
Total assets		477,532	473,551
Liabilities			
Other liabilities	(10)	20	20
Accrued liabilities	(11)	5,402	5,668
Provisions	(12)	102	39
Total liabilities		5,524	5,727
Fund capital			
Contribution DGIS previous years		352,840	350,990
Contribution DGIS current year		-	1,850
Total contribution DGIS	(13)	352,840	352,840
Initial contribution FMO		7,778	7,778
Total contribution FMO		7,778	7,778
Translation reserve		660	150
Other reserves		68,697	68,697
Undistributed results previous years		38,359	66,629
Net profit / (loss)		3,674	-28,270
Total fund capital		472,008	467,824
Total liabilities and fund capital		477,532	473,551
Effective guarantees issued	(20)	1,456	556
Irrevocable facilities	(20)	83,844	81,902
Total subsidy allocated to MASSIF (including HMA Skopje)		345,096	345,096
Total subsidy withdrawn from DGIS for MASSIF		345,096	345,096
"Total subsidy available MASSIF"		-	-
Subsidy received by G-20 SME Finance Challenge		7,744	7,744

Statement of comprehensive income

At December 31

	Notes	2021	2020
Income			
Interest income from financial instruments measured at AC		10,070	13,138
Interest income from financial instruments measured at FVPL		923	2,353
Net interest income	(14)	10,993	15,491
Fee and commission income	(15)	180	180
Results from equity investments	(17)	11,152	-5,411
Dividend income	(16)	1,592	1,386
Results from financial transactions	(18)	4,351	-17,277
Total income		28,268	-5,631
Expenses			
Remuneration FMO	(19)	-11,020	-10,680
Capacity development expenses		-3,330	-6,409
Evaluation expenses		-387	-849
Total expenses		-14,737	-17,938
Impairments on			
Loans	(4)	-8,410	-5,702
Banks		1	-
Guarantees issued		20	2
Total impairments		-8,389	-5,700
Results on associates			
Share in the result of associates	(7)	-1,468	999
Net profit / (loss)		3,674	-28,270
Other comprehensive income			
Translation reserve	(7)	510	-584
Other comprehensive income		510	-584
Total comprehensive income / (loss)		4,184	-28,854

Statement of changes in fund capital

At December 31

	Contributed Fund capital	Contribution FMO	Translation reserve	Other reserves	Undistributed results previous years	Net profit / (loss)	Total fund capital
Net balance at January 1, 2020	350,990	7,778	734	68,697	70,507	-3,878	494,828
Contribution DGIS	1,850	-	-	-	-	-	1,850
Exchange differences on translating associates	-	-	-584	-	-	-	-584
Transfer net profit/(loss) PY to Undistr. Results	-	-	-	-	-3,878	3,878	-
Results current year	-	-	-	-	-	-28,270	-28,270
Net balance at December 31, 2020	352,840	7,778	150	68,697	66,629	-28,270	467,824
Net balance at January 1, 2021	352,840	7,778	150	68,697	66,629	-28,270	467,824
Exchange differences on translating associates	-	-	510	-	-	-	510
Transfer net profit/(loss) PY to Undistr. Results	-	-	-	-	-28,270	28,270	-
Results current year	-	-	-	-	-	3,674	3,674
Net balance at December 31, 2021	352,840	7,778	660	68,697	38,359	3,674	472,008

Statement of cash flows

At December 31

	Notes	2021	2020
Cash from operating activities			
Inflows			
Interest received on loans		12,869	13,892
Repayments on loans	(4)	45,192	23,662
Sales of equity instruments (book value)		16,034	31,592
Results from equity investments		455	-
Dividends and fees received		1,771	1,559
Other received amounts		15	6,434
Outflows			
Disbursements on loans	(4)	-27,519	-43,094
Investments in equity instruments and associates	(6),(7)	-25,968	-31,752
Disbursements on grants		-3,467	-3,612
Remuneration FMO	(19)	-11,020	-10,678
Other paid amounts		-1,580	-1,311
Net cash from operating activities		6,782	-13,308
Cash flow financing activities			
Inflows			
Contribution DGIS current year	(13)	-	1,850
Net cash from financing activities		-	1,850
Net change in cash & cash equivalent		6,782	-11,458
Position of cash at January 1 ¹⁾		31,300	45,364
Foreign exchange translation		2,177	-2,606
Position of cash at end of period ¹⁾		40,259	31,300

1 Cash includes current account with FMO.

Summary of accounting policies

General information

MASSIF ("the Fund") was established in 2006 by the Dutch Ministry of Foreign Affairs to provide risk capital and local currency financing to financial intermediaries in developing countries who in turn serve micro- and small scale entrepreneurs and lower income households. FMO executes the Fund at the risk and expense to itself (2.17% equity) and the Dutch State (97.83% equity). The total subsidy received to date amounts to €353 million. The anticipated end date of the Fund is December 2026.

Basis of preparation

The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These annual accounts are based on the 'going concern' principle.

These accounts have been prepared under the historical cost convention, except for:

- Equity investments and short-term deposits are mandatorily measured at fair value through profit and loss;
- A part of the loan portfolio which is mandatorily measured at fair value;

Adoption of new standards, interpretations and amendments

The following standards, amendments to published standards and interpretations were adopted in the current year.

Interest Rate Benchmark - Reform Phase 2 - Amendments to IFRS 9, IAS 39 and IFRS 7

These amendments, mandatory and effective from 1 January 2021, provide reliefs and practical expedients on issues that affect financial reporting when an existing interest rate benchmark is replaced with a RFR. No early adoption of Phase 2 amendments is implemented by the Fund. The main IBOR rate used by the Fund is USD LIBOR for pricing of loans. The Fund will use SOFR as the successor base rate for USD LIBOR. The Fund is managing the transition in the form of the BMR&IBOR project and has planned the transition in various working streams. The Fund has prepared to originate new loans with new reference rates as from the fourth quarter of 2021. This transition did not have a material impact on the financial statements. The LIBOR SOFR transition of existing loans to the new reference rates is planned from 2022 onwards and is expected to last up to the first half-year of 2023.

The table below summarizes the maximum amount of exposures per financial instrument category impacted by IBOR reform as per December 31, 2021.

	USD Libor	Other benchmark rates	Not subject to IBOR Reform	Total
Non-derivative financial assets				
Loans to the private sector	38,415	25,189	129,920	193,525

Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond June 30, 2021 – Amendments to IFRS 16

IFRS 16 Leases has been amended to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment was effective from June 1, 2020.

In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

This does not apply to the Fund.

Issued but not yet adopted standards

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. In June 2020 IFRS 17 was amended whereby the effective date was extended to financial periods beginning on or after January 1, 2023. This standard does not have an impact on the Fund.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

These amendments affect the presentation of liabilities in the statement of financial position. They clarify the considerations that determine whether a liability should be classified as current or non-current. The amendments are not expected to have an impact on how the Fund classifies liabilities in the statement of financial position. The amendments are effective from January 1, 2023 and are applied retrospectively.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to change the way the Fund applies materiality judgements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Fund and will be considered for judgement purposes, when changes are to be applied in a reporting period.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify the application of the initial recognition exemption provided in IAS 12. The initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. The amendments are not expected to have an impact for the Fund as funds do not have tax assets or liabilities.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments to IFRS 3 update the reference to the 2018 Conceptual Framework, as well as making reference to IAS 37 when determining whether a present obligation exists as a part of an acquisition. In addition, IFRS 3 now explicitly states contingent assets acquired in a business combination are not recognised. The amendments are effective for business combinations entered into on or after 1 January 2022. They are not expected to have a significant impact on the Fund's treatment of business combinations.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. The amendments are effective for annual periods beginning on or after 1 January 2022 and are applied retrospectively. This amendment has no impact on financial statements of the Fund.

Amendments to IAS 37 - Onerous Contracts

The amendments provide clarity on which costs an entity considers in assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 and to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. There are currently no contracts recognized in the Fund which will be significantly impacted by the amendments.

Annual Improvements 2018-2020

Subsidiary as a First-Time Adopter (IFRS 1)

IFRS 1 allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. The amendment extends this relief to the cumulative translation differences for foreign operations. The amendment is effective for annual periods beginning on or after January 1, 2022. The amendment will not have an impact on the financial statements of the Fund.

Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (IFRS 9)

When considering the derecognition of a financial liability, IFRS 9 indicates that the terms of the instrument are deemed to be substantially different (and therefore qualify for derecognition) if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity should include when applying the '10 per cent' test. The amendment is effective for annual periods beginning on or after January 1, 2022 and is not expected to have a significant impact on the accounting treatment for derecognition of financial liabilities.

Taxation in fair value measurements (IAS 41)

The amendment removes the requirement for entities to exclude tax related cash flows when measuring the fair value of assets in the scope of IAS 41. The amendments apply to the financial period beginning 1 January 2022 and will have no impact on the Fund's annual financial statements.

Lease Incentives (IFRS 16)

The amendment removes an illustrative example on the reimbursement of leasehold improvements and has no impact on the financial statements of the Fund.

Significant estimates, assumptions and judgements

In preparing the annual accounts in conformity with IFRS, management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. The most relevant estimates and assumptions relate to:

- The determination of the fair value of financial instruments based on generally accepted modeled valuation techniques;
- The determination of the ECL allowance for loans to private sector, loans commitments and guarantees

Information about judgements made in applying accounting policies are related to the following:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest
- The inputs and calibration of the ECL model which include the various formulas and the choice of inputs, aging criteria and forward-looking information;

Changes in accounting estimate

Management overlay - ECL Stage 1 and Stage 2 - COVID - 19

In the first half of 2020, a management overlay ('country crisis override') was introduced to reflect the impact of significant increases in credit risk on certain exposures of the loan portfolio, as a result of COVID-19. The overlay was derived by changing the country cap applied when assessing the client's credit rating as a part of calculating the expected credit losses ('ECL'). During the second half of 2020 the Fund partially unwound the country crisis overrides on exposures where more relevant and up-to-date customer information become available for use in the regular ECL calculation process. The overall impact of the country crisis overrides in the financial results for the year ending December 2020 was an increase in impairments of € 1.53 million. During the first half of 2021, the Fund continued to substitute credit ratings previously overwritten as a part of the country crisis override as new relevant information became available. Updated information is available for most customers as of this reporting date, thereby negating the need for manually overwritten client ratings.

After taking into account updated individual client ratings, there has been a release of Stage 1 and Stage 2 allowances of approximately € 1 million for the current loan portfolio. The remaining impact of the 2020 overlay is released due to the updated individual client ratings.

Foreign currency translation

The Fund uses the euro as the unit for presenting its annual accounts. All amounts are denominated in thousands of euros unless stated otherwise. In accordance with IAS 21, foreign currency transactions are translated to euro at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities are reported using the closing exchange rate. Non-monetary assets that are not measured at cost denominated in foreign currencies are reported using the exchange rate that existed when fair values were determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the profit and loss account under 'results from financial transactions'.

When preparing the annual accounts, the Fund's share in associates is translated at the exchange rates at the balance sheet date, while income and expense items are translated at weighted average rates for the period. Differences resulting from the use of closing and weighted average exchange rates, and from revaluation of a entity's opening net asset value at closing rate, are recognized directly in the translation reserve within fund capital. These translation differences are maintained in the translation reserves until disposal of the associate.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair value of financial instruments

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Amortized cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The *gross carrying amount* of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Assets

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through P&L (FVPL) or fair value through other comprehensive income (FVOCI)

A financial asset is measured at AC if it meets both of the following conditions and is not classified as at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not classified as at FVPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For equity investments that are not held for trading an irrevocable election exists (on an instrument-by-instrument basis) to present subsequent changes in fair value in OCI.

All financial assets not classified and measured at AC or FVOCI as described above are measured at FVPL. In addition, on initial recognition the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs related to financial assets, not measured at FVPL, are directly added to its fair value for initial recognition and therefore attributed directly to its acquisition.

Business model assessment

The Fund has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- How the performance of the portfolio is evaluated and reported to management of the Fund;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets whose performance is based on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cash flow assessment

For the purpose of the contractual cash flow assessment, related to solely payments of principal and interest (SPPI), 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund has considered the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund has considered among others:

- Contingent events that would change the amount and timing of cash flows – e.g. prepayment and extension features, loans with performance related cash flows;
- Features that modify the consideration for the time value of money – e.g. regulated interest rates, periodic reset of interest rates;
- Loans with convertibility and prepayment features;
- Terms that limit the Fund's claim to cash flows from specified assets – e.g. non-recourse assets;
- Contractually linked instruments.

Reclassification

Financial assets can be only reclassified after initial recognition in very infrequent instances. This happens if the business model for managing financial assets has changed and this change is significant to the Fund's operations.

Financial assets – Impairment

The Fund estimates an allowance for expected credit losses for the following financial assets:

- Banks;
- Loans;
- Loan commitments and financial guarantee contracts issued.

No impairment loss is recognized on equity investments.

Impairment stages: loans, banks and guarantees

The Fund groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognized, an allowance is recognized based on a 12-month expected credit loss;
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, an allowance is recorded for the lifetime expected credit loss;

- Stage 3 – a lifetime expected credit loss is recognized for these loans. In addition, in Stage 3, interest income is accrued on the AC of the loan net of allowances.

ECL measurement

The Fund's ECL model is primarily an expert based model and this model is benchmarked with other external sources if possible.

ECL measurement Stage 1 and Stage 2

ECL allowance reflects unbiased, probability-weighted estimates based on loss expectations resulting from default events over either a maximum 12-month period from the reporting date or the remaining life of a financial instrument. The method used to calculate the ECL allowances for Stage 1 and Stage 2 assets are based on the following parameters:

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. The Fund uses a scorecard model based on quantitative and qualitative indicators to determine PDs. The output of the scorecard model is mapped to the Moody's PD master scale based on idealized default rates. A point in time adjustment is made to these PDs using a z-factor approach to account for the business cycle;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected drawdowns and accrued interest from missed payments;
- LGD: the Loss Given Default is an estimate of the Fund's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows or collateral that the Fund would expect to receive;
- Z-factor: the z-factor is a correction factor to adjust the client PDs for current and expected future conditions. The z-factor adjusts the current PD and PD two years into the future. GDP growth rates per country from the IMF, both current and forecasted, are used as the macro-economic driver to determine where each country is in the business cycle. Client PDs are subsequently adjusted upward or downward based on the country where they are operating.

Macro economic scenarios in PD estimates

In addition to the country-specific z-factor adjustments to PD, the Fund applies probability-weighted scenarios to calculate final PD estimates in the ECL model. The scenarios are applied globally and are based on the vulnerability of emerging markets to prolonged economic downturn. The scenarios and their impact are based on IMF data and research along with historical default data in emerging markets.

The three scenarios applied are:

- Positive scenario: Reduced vulnerability to an emerging market economic downturn;
- Base scenario: Vulnerability and accompanying losses based on The Fund's best estimate from risk models;
- Downturn scenario: Elevated vulnerability to an emerging market economic downturn.

ECL measurement Stage 3

The calculation of the expected loss for Stage 3 is different when compared to the Stage 1 and Stage 2 calculation. Reason for this is that loan-specific impairments provide a better estimate for Stage 3 loans in the Fund's diversified loan portfolio. The following steps are taken which serve as input for the Investment Review Committee (IRC) to decide about the specific impairment level:

- Calculate probability weighted expected loss based on multiple scenarios including return to performing (and projected cash flows), restructuring, and write-off or sale;
- Based on these probability weights, a discount curve is generated and the discounted cashflow (DCF) model is used to determine the percentage to be applied on the outstanding amount of a loan;
- Take expected cash flows from liquidation processes and "firm offers" into account. The cashflows arising from these processes and "firm offers" serve as a cap for the provision (or a floor for the value of the loan).

Staging criteria and triggers

Financial instruments classified as low credit risk

The Fund considers all financial instruments with an investment grade rating (BBB- or better on the S&P scale or F10 or better on Fund's internal scale) to be classified as low credit risk. For these instruments, the low credit risk exemption is applied and irrespective of the change of credit risk (as long as it remains investment grade) a lifetime expected credit loss will not be recognized. This exemption lowers the monitoring requirements and reduces operational costs. This exemption is applied for 'Current Accounts with FMO'.

No material significant increase in credit risk since origination (Stage 1)

All loans which have not had a significant increase in credit risk since contract origination are allocated to Stage 1 with an ECL allowance recognized equal to the expected credit loss over the next 12 months. The interest revenue of these assets is based on the gross amount.

Significant increase in credit risk (Stage 2)

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognized based on their lifetime ECLs. The Fund considers whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. Interest revenue for these financial assets is based on the gross amount. This assessment is based on either one of the following items:

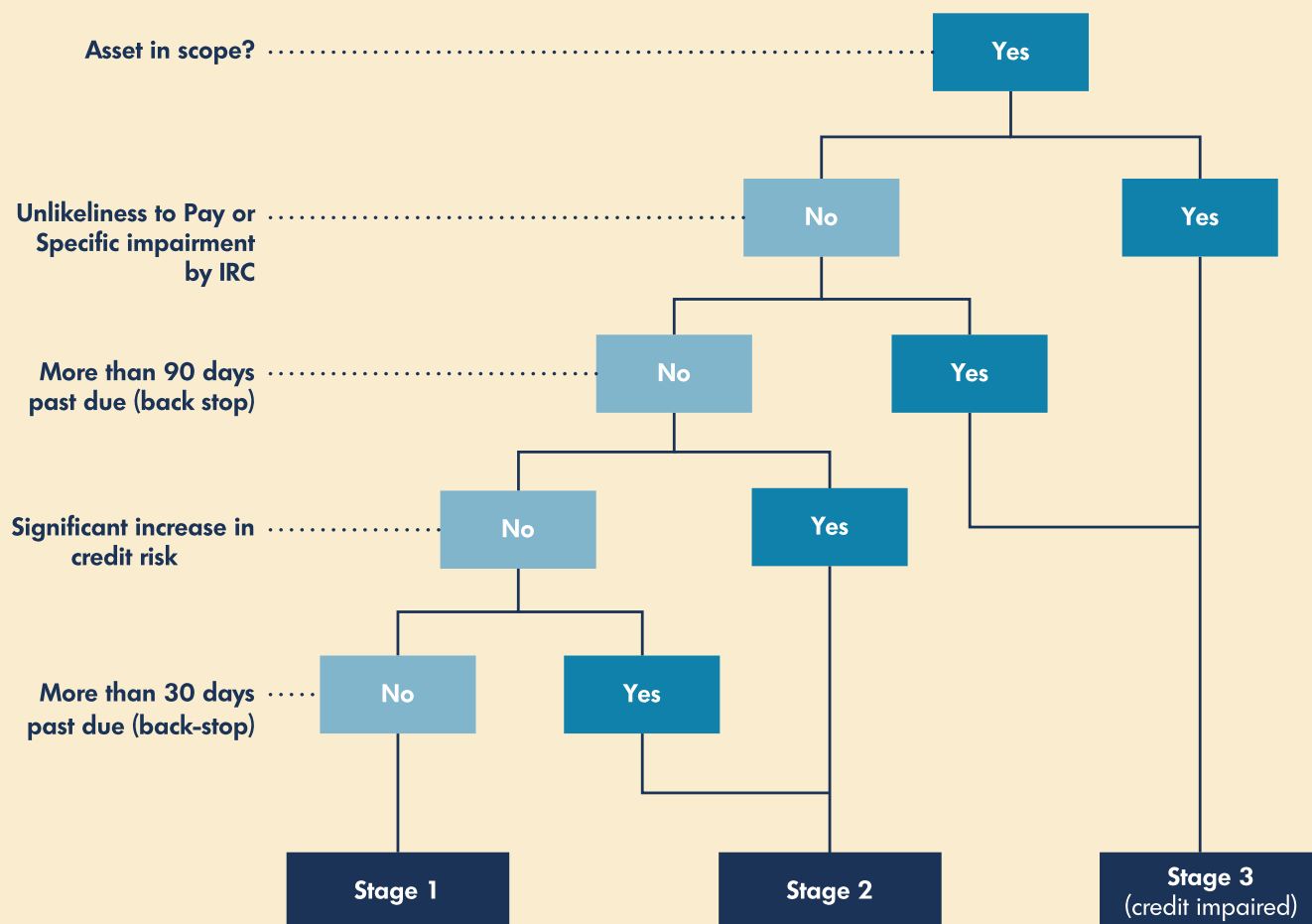
- The fact that an early warning signal has triggered financial difficulty following a transfer to the watchlist;
- The fact that the financial asset is 30 days past due or more on any material obligation, including fees and excluding on charge expenses (unless reasonable information and supportable information is available demonstrating that the client can service its debt).

Definition of default (Stage 3)

A financial asset is considered as default when any of the following occurs:

- The client is past due more than 90 days on any material obligation to the Fund, including fees (excluding on-charged expenses);
- The Fund judges that the client is unlikely to pay its credit obligation to the Fund due to occurrence of credit risk deterioration and the IRC decides on a specific impairment on individual basis. The triggers for deciding on specific impairment include among others bankruptcy, days of past due, central bank intervention, distressed restructuring or any material adverse change or development that is likely to result in a diminished recovery of debt;

The following diagram provides a high level overview of the IFRS 9 impairment approach at the Fund.



Reversed staging

Reversed staging relates to criteria which trigger a stage transfer to Stage 1 for loans which are in Stage 3 or Stage 2. The following conditions must apply for a transfer to stages representing lower risk:

- Loans which are in stage 3 will revert to stage 2 when the specific impairment is released by the IRC and there are no obligations past due for more than 90 days;
- Loans which are in stage 2 will only revert to stage 1 when there is no indication of financial difficulty and the exposure is removed from watchlist, the regulatory forbearance probation period of minimum two years has passed and no material amounts are past due for more than 30 days.

Written-off financial assets

A write-off is made when a claim is deemed non - collectible, when FMO has no reasonable prospects of recovery after, among others, enforcement of collateral or legal enforcement with means of lawsuits. Furthermore, a write-off is performed when the loan is being forgiven by the Fund. There are no automatic triggers, which would lead to a write-off of the loan; specific impaired loans are assessed on individual basis depending on their circumstances. Generally when the impairment percentage exceeds 95%, the IRC is advised to consider a write - off.

Write-offs are charged against previously booked impairments. If no specific impairment is recorded on basis of IRC decision making from the past, the write-off is included directly in the profit and loss account under 'Impairments'.

Modification of financial assets

The Fund has defined specific events-based triggers, related to the type of restructuring being carried out in order to determine whether a specific change in contractual terms gives rise to derecognition or modification, instead of relying only on a quantitative threshold related to differences in net present value (NPV).

Modification of terms and conditions arise from lending operations where the Fund enters into arrangements with clients, which implies modifications to existing contractual cash flows or terms and conditions. Such arrangements are usually initiated by the Fund when financial difficulty occurs or is expected with a borrower. The purpose of such an arrangement is usually to collect original debt over different terms and conditions from the borrower. Modifications may include extending the tenor, changing interest rate percentages or their timing, or changing of interest margin.

During the modification assessment, the Fund will evaluate whether the modification event leads to a derecognition of the asset or to a modification accounting treatment. Generally loans that are sold to a third party or are written off lead to a derecognition. When existing debt is converted into equity, a derecognition of the debt will occur and recognized again on the balance sheet as equity. For modifications in interest percentages or tenor changes of existing amortized cost loans do not pass the SPPI test, the loan will also be derecognised and will be recognised as new loans on the Fund's balance sheet according to the new classification.

When modification measures relate to changes in interest percentages or extensions of tenors and the loan is at amortized cost, the Fund will recalculate the gross carrying amount of the financial asset by discounting the modified expected cash flows using the original effective interest rate and recognizes the difference in the gross carrying amount as a modification gain or loss in profit and loss. However when the NPV of the original loan is substantially different than the NPV of the modified loan, the original loan is derecognized and re-recognized on the balance sheet. The Fund considers a variance of greater than 10% as substantially different.

Modification of contractual terms versus forbearance

Forbearance is not an IFRS term, but relates to arrangements with clients which imply modifications to existing terms and conditions due to financial difficulties of the client. Financial difficulties include, among others, prospects of bankruptcy or central bank intervention. Forbearance must include concessions to the borrower such as release of securities or changes in payment covenants that implies giving away payment rights. Forbearance measures do not necessarily lead to changes in contractual cash flows.

Theoretically modification of contractual cash flows or terms and conditions, does not necessarily apply to clients in financial difficulties or performed due to potential higher credit risk. However for the Fund, a modification of the contractual terms is usually initiated when financial difficulty occurs or is expected. Therefore only in exceptional cases, changes in modifications of contractual terms not following from credit risk related triggers, will not lead to forbearance e.g. in case of an environmental covenant breach. For the Fund, generally modifications will follow from financial difficulties of the borrower and will be classified as forborne assets.

Cash and cash equivalents

Cash and cash equivalents consist of banks, including current account with FMO and short-term deposits that usually mature in less than three months from the date of acquisition. Short-term deposits consists of money market funds, which are valued at FVPL. These financial instruments are very liquid with high credit rating and which are subject to an insignificant risk of changes in fair value. There is no restriction on these financial instruments and the Fund has on demand full access to the carrying amounts. Unrealized gains or losses on the money market funds (including foreign exchange results) are reported in the 'results from financial transactions.'

Loans

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund.

Loans on the balance sheet of the Fund include:

- Loans measured at AC which comply with the classification requirements for AC as indicated in the section Financial assets – classification. These loans are initially measured at cost, which is the fair value of the consideration paid plus incremental direct transaction costs incurred. Subsequently, the loans are measured at AC using the effective interest rate method.
- Loans mandatorily measured at FVPL which do not comply with the classification requirements for AC as indicated in the section Financial assets – classification. These are measured at fair value with changes recognized in profit and loss.

Equity investments

Equity investments on the balance sheet of the Fund include:

- Equity investments measured at FVPL. The Fund has a long-term view on these equity investments, usually selling its stake within a period of 5 to 10 years. Therefore these investments are not held for trading and are measured at fair value with changes recognized immediately in profit and loss;
- Equity investments designated as at FVOCI. The designation is made since these are held for long-term strategic purposes. These investments are measured at fair value. Dividends are recognized as income in profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in the fair value reserve (OCI) and are never reclassified to profit and loss.

Investment in associates

Equity investments in companies in which the Fund has significant influence ('associates') are accounted for under the equity accounting method. Significant influence is normally evidenced when the Fund has from 20% to 50% of a company's voting rights unless:

- The Fund is not involved in the company's operational and/or strategic management by participation in its Management, Supervisory Board or Investment Committee; and
- There are no material transactions between The Fund and the company; and
- The Fund makes no essential technical assistance available.

Investments in associates are initially recorded at cost and the carrying amount is increased or decreased after the date of acquisition to recognize the Fund's share of the investee's results or other results directly recorded in the equity of associates.

Investments in associates are reviewed and analyzed on at least a semi-annual basis. A net investment in an associate is impaired or impairment losses occur where there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the net investment and the loss event has an impact on the estimated future cash flows from the net investment that can be reliably estimated. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is considered as the primary objective evidence of impairment, in addition to other observable loss events. The Fund considers a difference between fair value and its cost of more than 10% as significant and greater than one year as prolonged. In the event of an impairment on one of these investments, the impairment is recognized in the profit and loss account under 'Share in the results on associates'.

Liabilities

Provisions

Provisions are recognized when:

- The Fund has a present legal or constructive obligation as a result of past events; and

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

Provisions are recognised for loan commitments and guarantees.

Guarantees

Issued financial guarantee contracts are measured at the higher of:

- The IFRS 9 ECL allowance or the amount of the provision under the contract; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out in sections 'Interest income' and 'Fee and commission income'. These fees are recognized as revenue on an accrual basis over the period committed.

Provisions resulting from guarantees are included in 'Provisions'.

The Fund applies the same methodology as loans for measurement of ECL allowance of guarantees. Refer to policies above.

Fund Capital

Fund capital represents the total net assets of the Fund that are attributable to the Fund's investors at the balance sheet date. The amounts are classified as equity in accordance with IAS 32.

Contributed Fund Capital

The contributed capital contains the subsidies provided by the Dutch State to finance the portfolio of loans and equity investments.

The Fund Capital is revolvable (100% revolvability) when the current value of assets is equivalent or the sum of the capital put into the Fund by the funding party.

Translation reserve

The assets, liabilities, income and expenses of foreign operations and associates are translated using the closing and weighted average exchange rates. Differences resulting from the translation are recognized in the translation reserve.

Other reserves

Other reserves includes the reserve adjustments that arose out of the transition to IFRS 9 from IAS 39 in the financial year beginning 1 January 2018. This includes the transfer of previous available-for-sale reserves as well differences in measurement arising on transition.

Undistributed results previous years

The undistributed results consist of the part of the annual results that the Fund is accumulating to maintain the recoverability of the Fund.

Profit and Loss

Net interest income: interest income and expense

Interest income and interest expenses from financial instruments measured at AC are recognized in the profit and loss account for all interest-bearing financial instruments on an accrual basis using the 'effective interest' method based on the fair value at inception. Interest income and interest expenses also include amortized discounts and premiums on financial instruments.

When a financial asset measured at AC is credit-impaired and regarded as Stage 3, interest income is calculated by applying the effective interest rate to the net carrying value of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

Interest income from loans measured at FVPL are recognized under 'Interest income from financial instruments measured at FVPL'.

Fee and commission income and expense

The Fund earns fees from a diverse range of services. The revenue recognition for financial service fees depends on the purpose for which the fees are charged and the basis of accounting for the associated financial instrument. Fees that are part of a financial instrument carried at fair value are recognized in the profit and loss account. Fee income that is part of a financial instrument carried at AC can be divided into three categories:

1. *Fees that are an integral part of the effective interest rate of a financial instrument (IFRS 9)*
These fees (such as front-end fees) are generally treated as an adjustment to the effective interest rate. When the facility is not used and the commitment period expires, the fee is recognized at the moment of expiration. However, when the financial instrument is to be measured at fair value subsequent to its initial recognition, the fees are recognized as interest-income;
2. *Fees earned when services are provided (IFRS 15)*
Fees charged by the Fund for servicing a loan (such as administration fees and agency fees) are recognized as revenue when the services are provided. Portfolio and other management advisory and service fees are recognized in line with the periods and the agreed services of the applicable service contracts;
3. *Fees that are earned on the execution of a significant act (IFRS 15)*
These fees (such as arrangement fees) are recognized as revenue when the significant act has been completed.

Dividend income

Dividends are recognized in dividend income when a dividend is declared. The dividend receivable is recorded at declaration date.

Results from equity investments

Gains and losses in valuation of the equity investment portfolio are recognized under 'Results from equity investments'. These gains and losses include foreign exchange results of equity investments which are measured at fair value.

Results from financial transactions

Results from financial transactions include foreign exchange results (excluding foreign exchange results related to equity investments measured at fair value) driven by changes in the market. Furthermore, the valuation gains and losses related to loans measured at fair value are recognized in the profit and loss immediately under 'Results from financial transactions'.

Capacity development expenses and contributions

Grants disbursed to recipients are recognised as an expense in the profit and loss account when the Fund incurs an irrevocable obligation to disburse the amount. Development contributions which contain repayment rights which meet the recognition criteria of an asset are treated in accordance with the policy on financial assets described above. Development contributions which do not contain a right to payment that meet the asset recognition criteria are recognised as an expense in the profit and loss account when the Fund incurs an irrevocable obligation to disburse the amount.

Statement of cash flows

The statement of cash flows is presented using the direct method.

Taxation

The MASSIF programme contributes to the overall income of the Ministry of Foreign Affairs and this income is considered business income subject to corporate income tax. No separate tax calculation is performed for MASSIF in the preparation of the annual financial statements. The results of the Fund are included in the Ministry's overall calculation of tax payable. The Ministry's overall calculation of tax payable is not allocated back to the Fund as an expense.

Notes to the annual accounts

1. Banks

	2021	2020
Banks	8,476	17,257
Balance at December 31	8,476	17,257

The cash on bank accounts can be freely disposed of. All bank accounts are classified as Stage 1.

2. Current accounts (assets)

	2021	2020
Current account with FMO	112	107
Balance at December 31	112	107

Current accounts can be freely disposed of and are classified as stage 1.

3. Short-term deposits

Short-term deposits are liquid accounts and are subject to an insignificant risk of changes in fair value. The Fund has on demand full access to the carrying amounts. Short-term deposits consist of MMF, which are measured at FVPL. Short-term deposits have a maturity of less than three months.

	2021	2020
Money market funds	31,671	13,936
Balance at December 31	31,671	13,936

4. Loans portfolio

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund.

	Loans measured at AC	Loans measured at FVPL	Total 2021
Balance at January 1, 2021	176,323	30,867	207,190
Disbursements	21,853	5,666	27,519
Conversion from loan to equity	-	-	-
Repayments	-39,932	-5,238	-45,170
Interest Capitalization	-	-	-
Derecognized and/or restructured loans	-62	-	-62
Changes in amortizable fees	42	-23	19
Changes in fair value	-	-2,977	-2,977
Changes in accrued income	-1,529	-304	-1,833
Exchange rate differences	6,571	297	6,868
Balance at December 31, 2021	163,266	28,288	191,554
Impairment	-34,858	-	-34,858
Total balance at December 31, 2021	128,408	28,288	156,696

	Loans measured at AC	Loans measured at FVPL	Total 2020
Balance at January 1, 2020	162,373	41,149	203,522
Disbursements	42,358	812	43,170
Conversion from loan to equity	-	-1,552	-1,552
Repayments	-17,283	-6,455	-23,738
Interest Capitalization	-	150	150
Derecognized and/or restructured loans	190	-	190
Changes in amortizable fees	152	-24	128
Changes in fair value	-	-1,193	-1,193
Changes in accrued income	1,633	-492	1,141
Exchange rate differences	-13,100	-1,528	-14,628
Balance at December 31, 2020	176,323	30,867	207,190
Impairment	-24,968	-	-24,968
Total balance at December 31, 2020	151,355	30,867	182,222

The following table summarizes the loans segmented by sector:

2021					
Loans segmented by sector	Stage 1	Stage 2	Stage 3	Fair value	Total 2021
Financial Institutions	70,838	27,462	24,422	22,058	144,780
Energy	-	4,851	-	2,637	7,488
Agribusiness	-	-	835	2,494	3,329
Multi-Sector Fund Investments	-	-	-	1,099	1,099
Net balance at December 31	70,838	32,313	25,257	28,288	156,696

2020					
Loans segmented by sector	Stage 1	Stage 2	Stage 3	Fair value	Total 2020
Financial Institutions	90,112	37,175	17,776	22,209	167,272
Energy	287	4,176	-	2,746	7,209
Agribusiness	823	1,006	-	536	2,365
Multi-Sector Fund Investments	-	-	-	5,376	5,376
Net balance at December 31	91,222	42,357	17,776	30,867	182,222

2021					
Loans segmented by geographical area	Stage 1	Stage 2	Stage 3	Fair value	Total 2021
Africa	17,942	23,890	10,339	7,736	59,907
Asia	17,884	-	14,918	5,161	37,963
Latin America & the Caribbean	20,312	3,575	-	-	23,887
Europe & Central Asia	7,782	-	-	14,867	22,649
Non - region specific	6,918	4,848	-	524	12,290
Net balance at December 31	70,838	32,313	25,257	28,288	156,696

2020					
Loans segmented by geographical area	Stage 1	Stage 2	Stage 3	Fair value	Total 2020
Africa	26,949	34,779	16,494	6,642	84,864
Asia	32,358	7,578	1,282	8,658	49,876
Latin America & the Caribbean	27,736	-	-	1,494	29,230
Europe & Central Asia	4,179	-	-	13,823	18,002
Non - region specific	-	-	-	250	250
Net balance at December 31	91,222	42,357	17,776	30,867	182,222

	2021	2020
Gross amount of loans to companies in which FMO has equity investments	8,745	10,975
Gross amount of non-performing loans	65,202	38,281
Gross amount of subordinated loans	9,095	6,046

For definition and more details on non-performing loans, we refer to section 'Credit Risk' within the Risk Management paragraph.

The movements in the gross carrying amounts and ECL allowances for the loans at AC are as follows:

Changes in loans to the private sector at AC in 2021	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
At December 31, 2020	93,909	-2,687	44,133	-1,776	38,281	-20,505	176,323	-24,968
Additions	19,923	-1,142	198	-332	1,732	-	21,853	-1,474
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-16,025	147	-20,836	415	-3,071	505	-39,932	1,067
Transfers to Stage 1	8,253	-820	-8,253	820	-	-	-	-
Transfers to Stage 2	-21,253	1,028	21,253	-1,028	-	-	-	-
Transfers to Stage 3	-16,490	292	-3,378	1,244	19,868	-1,536	-	-
Modifications of financial assets (including derecognition)	-429	-	-1,671	-	2,038	-	-62	-
Changes in risk profile not related to transfers	-	2,273	-	-382	-	-9,840	-	-7,949
Changes in amortizable fees	-67	-	115	-	-6	-	42	-
Changes in accrued income	114	-	-342	-	-1,301	-	-1,529	-
Foreign exchange adjustments	3,863	-51	2,198	-65	510	-1,418	6,571	-1,534
At December 31, 2021	71,798	-960	33,417	-1,104	58,051	-32,794	163,266	-34,858

Changes in loans to the private sector at AC in 2020	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
At December 31, 2019	113,742	-1,881	13,695	-572	34,936	-17,609	162,373	-20,062
Additions	37,559	-1,328	4,723	-559	-	-	42,358	-1,887
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-13,201	482	-4,006	224	-76	2	-17,283	708
Transfers to Stage 1	115	-4	-	-	-115	4	-	-
Transfers to Stage 2	-33,516	373	33,383	-373	133	-	-	-
Transfers to Stage 3	-3,792	141	-	-	3,792	-141	-	-
Modifications of financial assets (including derecognition)	-	-	190	-	-	-	190	-
Changes in risk profile not related to transfers	-	-757	-	-571	-	-3,525	-	-4,853
Changes in amortizable fees	34	-	92	-	26	-	152	-
Changes in accrued income	802	-	147	-	684	-	1,633	-
Foreign exchange adjustments	-7,834	287	-4,091	75	-1,175	764	-13,100	1,126
At December 31, 2020	93,909	-2,687	44,133	-1,776	38,281	-20,505	176,323	-24,968

Total impairments on loans in the profit and loss account

	2021	2020
Additions	-8,410	-5,702
Balance at December 31	-8,410	-5,702

5. ECL allowances - assessment

ECL allowances are calculated for Interest bearing Securities, Loans at private sector at AC (including off balance loan commitments) and Guarantees Given to customers. The movement in ECL allowances for each of these items is presented in their relevant notes.

To demonstrate the sensitivity of the SICR criteria, the tables below presents the distribution of stage 2 impairments by the criteria that triggered the migration to stage 2.

December 31, 2021

ECL allowance - Stage 2 trigger assessment	Loans to private sector	Loan commitments	Total
More than 30 days past due	-	-	-
Forbearance	-711	-11	-722
Deterioration in credit risk rating - financial difficulties	-394	-	-394
Total	-1,105	-11	-1,116

December 31, 2020

ECL allowance - Stage 2 trigger assessment	Loans to private sector	Loan commitments	Total
More than 30 days past due	-64	-	-64
Forbearance	-794	-3	-797
Deterioration in credit risk rating - financial difficulties	-918	-	-918
Total	-1,776	-3	-1,779

The following table shows the values of the IMF GDP forecasts used in each of the economic scenarios for the ECL calculations for 2021 and 2022. The upside and downside scenario calculations are derived from the base case scenario, adjusted based on an indicator of public debt to GDP in emerging markets.

The macroeconomic scenarios' model was updated following the publication of the new macroeconomic outlook data by the International Monetary Fund (IMF) in 2021. The updates of the model based on more optimistic GDP forecast, caused new point-in-time adjustments to probability of defaults in the impairment model, leading to a release in combined stage-1 and stage-2 impairment charge.

IMF GDP % Growth Forecasts	2021	2022
Africa	-1.0%	4.0%
Nicaragua	-0.5%	3.5%
Cote d'Ivoire	6.2%	6.5%
Zimbabwe	4.2%	3.1%
Kenya	4.7%	6.0%
Georgia	7.7%	-5.0%
Myanmar	5.7%	-0.1%
Philippines	3.2%	6.3%
Senegal	5.2%	5.5%
Bangladesh	4.4%	6.5%

Note that macroeconomic scenarios have been updated by using the latest available information by the IMF, as published in October 2021.

December 31, 2021	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector	Guarantees	Total
ECL Scenario:					
Upside	34,154	2%	683	-	683
Base case	34,960	50%	17,474	6	17,480
Downside	36,406	48%	17,465	10	17,475
Total		100%	35,621	16	35,638

December 31, 2020	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector	Guarantees	Total
ECL Scenario:					
Upside	23,334	2%	466	1	467
Base case	25,007	50%	12,488	16	12,504
Downside	28,406	48%	13,617	18	13,635
Total		100%	26,571	35	26,606

6. Equity investments

The equity investments in developing countries are for the Fund's account and risk. The movements in fair value of the equity investments are summarized in the following table. Equity investments are measured at FVPL.

	Equity measured at FVPL
Net balance at January 1, 2021	252,341
Purchases and contributions	23,319
Reclassification from loans	-
Return of Capital	-17,535
Changes in fair value	12,198
Net balance at December 31, 2021	270,323

	Equity measured at FVPL
Net balance at January 1, 2020	256,042
Purchases and contributions	31,752
Reclassification from loans	1,550
Return of Capital	-34,280
Changes in fair value	-2,723
Net balance at December 31, 2020	252,341

The following table summarizes the equity investments segmented by sector:

	2021	2020
Financial Institutions	144,579	155,220
Energy	1,827	1,563
Agribusiness	5,850	7,697
Multi-Sector Fund Investments	106,506	77,121
Infrastructure, Manufacturing and Services	11,561	10,740
Net balance at December 31	270,323	252,341

7. Investments in associates

The movements in net book value of the associates are summarized in the following table:

	2021	2020
Net balance at January 1	7,160	6,746
Purchases and contributions	2,649	-
Share in net results	-1,468	999
Exchange rate differences	510	-585
Net balance at December 31	8,851	7,160

Investments in associates are valued based on the equity accounting method.

The following table summarizes the associates segmented by sector.

	2021	2020
Financial Institutions	8,851	7,160
Net balance at December 31	8,851	7,160

The following table summarizes the share in the total assets, liabilities, total income and total net profit/loss of the associates

Associate	Carrying amount	Economic ownership %	Total assets	Total liabilities	Total income	Total profit/loss
Teak Tree Investments	4,777	29%	19,406	14,629	2,096	420
SFC Finance Limited	4,074	30%	15,517	10,425	560	182

8. Other receivables

	2021	2020
Receivables related to equity disposals and dividends	1,341	476
Fee receivables	56	52
Balance at December 31	1,397	528

9. Accrued income

	2021	2020
Accrued income guarantee fee	6	-
Balance at December 31	6	-

10. Other liabilities

	2021	2020
Amortized costs related to guarantees	20	20
Balance at December 31	20	20

11. Accrued liabilities

	2021	2020
Suspense account	-1	128
Accrued costs capacity development	5,403	5,540
Balance at December 31	5,402	5,668

12. Provisions

	2021	2020
Allowance for loan commitments	89	8
Allowance for guarantees	13	31
Balance at December 31	102	39

13. Contributed fund capital and reserves

	2021	2020
Contributed Fund Capital	352,840	350,990
Initial contribution FMO	7,778	7,778
Contribution DGIS current year	-	1,850
Balance at December 31	360,618	360,618

The fund capital is revolvable (100% revolvability) when the current value of assets is equivalent or above the sum of the capital put into the fund by shareholders.

	2021	2020
Other reserves	68,697	68,697
Balance at December 31	68,697	68,697

Undistributed results	2021	2020
Balance at January 1	38,359	66,629
Net profit / (loss)	3,674	-28,270
Balance at December 31	42,033	38,359

14. Net interest income

Interest income

	2021	2020
Interest on loans measured at AC	10,070	13,179
Total interest income from financial instruments measured at AC	10,070	13,179
Interest on loans measured at FVPL	914	2,193
Interest on short-term deposits	9	160
Total interest income from financial instruments measured at FVPL	923	2,353
Total interest income	10,993	15,532

Interest expense

	2021	2020
Interest expenses related to banks (assets) ¹	-31	-41
Total interest expense	-31	-41

15. Net fee and commission income

	2021	2020
Administration fees	147	173
Other fees (arrangement, cancellation and waiver fees)	33	7
Net fee and commission income	180	180

16. Dividend income

Dividend income relates to income from equity investments including associates.

	2021	2020
Dividend income direct investments	1,100	527
Dividend income fund investments	492	859
Total dividend income	1,592	1,386

17. Results from equity investments

	2021	2020
Results from equity investments:		
Unrealized results from FX conversions - cost price	13,042	10,469
Unrealized results from FX conversions - capital results	-460	118
Unrealized results from capital results	-383	-13,309
Results from Fair value re-measurements	12,199	-2,722
Results from sales & distributions:		
Realized results	-1,304	-498
Release unrealized results	257	-2,191
Net results from sales	-1,047	-2,689
Total results from equity investments	11,152	-5,411

18. Results from financial transactions

	2021	2020
Results on sales and valuations of FVPL loans	-2,977	-1,193
Foreign exchange results	7,328	-16,084
Total results from financial transactions	4,351	-17,277

19. Expenses

	2021	2020
Remuneration FMO	-11,020	-10,680
Capacity development expenses	-3,330	-6,409
Evaluation expenses	-387	-849
Total operating expenses	-14,737	-17,938

Remuneration FMO relates to management fees paid to FMO.

Capacity development expenses relate to contracted contributions to beneficiaries in terms of the fund's objectives. Evaluation costs relate to expenses made during frequent investigations and controls of existing investments and costs related to due diligence of new projects.

20. Off-Balance Sheet information

To meet the financial needs of borrowers, the Fund enters into various irrevocable commitments (loan commitments, equity commitments and guarantee commitments) and contingent liabilities. These contingent liabilities consist of financial guarantees, which commit the Fund to make payments on behalf of the borrowers in case the borrower fails to fulfill payment obligations. Though these obligations are not recognized on the balance sheet, they do obtain Credit Risk similar to loans to private sector. Therefore, provisions are calculated for financial guarantees and loan commitments according to ECL measurement methodology.

The outstanding amount for financial guarantees issued by the Fund is as follows:

	2021	2020
Contingent liabilities		
Effective guarantees issued	1,456	556
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities/provisions)	-34	-51
Total guarantees issued	1,422	505

As agreed with the Dutch Ministry of Foreign Affairs, the fund shall maintain 1 euro for each euro of guarantee issued. The total amount of cash as per 31 December 2021 is adequately covering the total guarantees issued and hence meets the requirement set out by the Dutch Ministry of Foreign Affairs.

Nominal amounts for irrevocable facilities are as follows:

	2021	2020
Irrevocable facilities		
Contractual commitments for disbursements of:		
- Loans	23,857	10,150
- Development contributions	250	2,396
- Equity investments and associates	57,467	69,356
Contractual commitments for financial guarantees given	2,270	-
Total irrevocable facilities	83,844	81,902

The movement in exposure for the financial guarantees issued (including contractual commitments) and ECL allowance is as follows:

Movement financial guarantees in 2021	Stage 1		Stage 2		Stage 3		Total	
	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance
At January 1, 2021	2,694	-31	-	-	-	-	2,694	-31
Additions	2,368	-15	-	-	-	-	2,368	-15
Exposures matured (excluding write-offs)	-1,486	14	-	-	-	-	-1,486	14
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	20	-	-	-	-	-	20
Foreign exchange adjustments	150	-1	-	-	-	-	150	-1
At December 31, 2021	3,726	-13	-	-	-	-	3,726	-13

Movement financial guarantees in 2020	Stage 1		Stage 2		Stage 3		Total	
	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance
At January 1, 2020	2,699	-37	-	-	-	-	2,699	-37
Additions	1,019	-6	-	-	-	-	1,019	-6
Exposures matured (excluding write-offs)	-802	-	-	-	-	-	-802	-
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	9	-	-	-	-	-	9
Foreign exchange adjustments	-222	3	-	-	-	-	-222	3
At December 31, 2020	2,694	-31	-	-	-	-	2,694	-31

The movement in exposure for the loan commitments is as follows:

Movement of loans commitments in 2021	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2021	650	-5	859	-3	-	-	1,509	-8
Additions	44,948	-647	4,648	-27	6,187	-	55,783	-674
Exposures derecognised or matured (excluding write- offs)	-38,640	486	-4,072	22	-1,732	-	-44,444	508
Transfers to Stage 1	-	77	-	162	-	-	-	239
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	29	-	-166	-	-	-	-137
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	512	-18	122	1	378	-	1,012	-17
At December 31, 2021	7,470	-78	1,557	-11	4,833	-	13,860	-89

Movement of loans commitments in 2020	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2020	18,541	-289	1,508	-63	-	-	20,049	-352
Additions	-	-	-	-	-	-	-	-
Exposures derecognised or matured (excluding write- offs)	-16,163	549	-1,243	126	-	-	-17,406	675
Transfers to Stage 1	240	-6	-240	6	-	-	-	-
Transfers to Stage 2	-859	5	859	-5	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-275	-	-71	-	-	-	-346
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-1,109	11	-25	4	-	-	-1,134	15
At December 31, 2020	650	-5	859	-3	-	-	1,509	-8

21. Analysis of financial assets and liabilities by measurement basis

The significant accounting policies summary describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized. The following table gives a breakdown of the carrying amounts of the financial assets and financial liabilities by category as defined in under IFRS 9 and by balance sheet heading.

December 31, 2021	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	31,671	-	31,671
Loans to the private sector	28,288	-	28,288
Equity investments	270,323	-	270,323
Total	330,282	-	330,282
Financial assets not measured at fair value			
Banks	-	8,476	8,476
Loans to the private sector	-	128,408	128,408
Current accounts	-	112	112
Other receivables	-	1,397	1,397
Total	-	138,393	138,393
Financial liabilities not measured at fair value			
Other liabilities	-	20	20
Accrued liabilities	-	5,402	5,402
Total	-	5,422	5,422
December 31, 2020	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	13,936	-	13,936
Loans to the private sector	30,867	-	30,867
Equity investments	252,341	-	252,341
Total	297,144	-	297,144
Financial assets not measured at fair value			
Banks	-	17,257	17,257
Loans to the private sector	-	151,355	151,355
Current accounts	-	107	107
Other receivables	-	528	528
Total	-	169,247	169,247
Financial liabilities not measured at fair value			
Other liabilities	-	20	20
Accrued liabilities	-	5,668	5,668
Total	-	5,688	5,688

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation process

For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the Fund has a valuation process in place to decide its valuation policies and procedures and analyze changes in fair value measurement from period to period.

The Fund's fair value methodology and governance over its methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the Investment Review Committee (IRC). The IRC approves the fair values measured including the valuation techniques and other significant input parameters used.

Valuation technique

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument (level 1). A market is regarded as active if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Valuation techniques include:

- Recent broker / price quotations
- Discounted cash flow model
- Option-pricing models

The techniques incorporate current market and contractual prices, time to expiry, yield curves and volatility of the underlying instrument. Inputs used in pricing models are market observable (level 2) or are not market observable (level 3). A substantial part of fair value (level 3) is based on net asset values.

Equity investments are measured at fair value when a quoted market price in an active market is available or when fair value can be estimated reliably by using a valuation technique. The main part of the fair value measurement related to equity investments (level 3) is based on net asset values of investment funds as reported by the fund manager and are based on advanced valuation methods and practices. When available, these fund managers value the underlying investments based on quoted prices, if not, multiples are applied as input for the valuation. For the valuation process of the equity investments we further refer to the accounting policies within these Annual Accounts as well as section 'Equity Risk', part of the Risk Management chapter. The determination of the timing of transfers is embedded in the quarterly valuation process, and therefore recorded at the end of each reporting period.

The table below presents the carrying value and estimated fair value of financial assets and liabilities not measured at fair value.

Carrying value financial assets	2021		2020	
At December 31	Carrying value	Fair value	Carrying value	Fair value
Banks	8,476	8,476	17,257	17,257
Loans to the private sector at AC	128,408	119,601	151,355	142,915
Total non fair value financial assets	136,884	128,077	168,612	160,172

The following table gives an overview of the financial instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	31,671	-	-	31,671
Loans to the private sector mandatory at FVPL	-	-	28,288	28,288
Equity investments	13,928	-	256,395	270,323
Total financial assets at fair value	45,599	-	284,683	330,282
December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	13,936	-	-	13,936
Loans to the private sector mandatory at FVPL	-	-	30,867	30,867
Equity investments	13,145	-	239,196	252,341
Total financial assets at fair value	27,081	-	270,063	297,144

The following table shows the movements of financial assets measured at fair value based on level 3.

	Loans to the private sector	Equity investments	Total
Balance at January 1, 2021	30,867	239,196	270,063
Total gains or losses			
· In profit and loss (changes in fair value)	-2,977	-755	-3,732
Purchases/disbursements	5,666	22,884	28,550
Sales/repayments	-5,238	-17,535	-22,773
Accrued income	-304	-	-304
Exchange rate differences	297	12,605	12,902
Changes in amortizable fees	-23	-	-23
Reclassification Loans versus Equity	-	-	-
Balance at December 31, 2021	28,288	256,395	284,683

	Loans to the private sector	Equity investments	Total
Balance at January 1, 2020	41,149	244,962	286,111
Total gains or losses			
· In profit and loss (changes in fair value)	-1,217	9,750	8,533
Purchases/disbursements	812	30,805	31,617
Sales/repayments	-6,455	-34,280	-40,735
Accrued income	-492	-	-492
Exchange rate differences	-1,528	-13,591	-15,119
Interest Capitalization	150	-	150
Reclassification Loans versus Equity	-1,552	1,550	-2
Balance at December 31, 2020	30,867	239,196	270,063

Type of debt investment	Fair value at December 31, 2021	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	991	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result in a higher/lower fair value of approx €1k.
	439	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch will result 1% increase/decrease
	3,331	Credit impairment	n/a	n/a
Debt Funds	23,527	Net Asset Value	n/a	n/a
Total	28,288			

Type of equity investment	Fair value at Dec 31, 2021	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	155,069	Net Asset Value	n/a	n/a
Private equity direct investments	50,792	Book multiples	1.0	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €51 million.
	36,588	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 1.3)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €37million.
	5,898	Put option	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €6 million.
	8,048	Firm offers	Based on offers received from external parties	n/a
Total	256,395			

22. Related party information

Dutch Government:

The Dutch Ministry of Foreign Affairs, Directoraat-generaal internationale Samenwerking sets up and administers the investments funds ("State Funds"), including MASSIF, according to the Dutch Government's development agenda. Directoraat-generaal internationale Samenwerking is the main contributor to MASSIF, providing funding upon FMO's request.

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in agribusiness, food & water, energy, financial institutions, Dutch business focus areas to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO's shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor's.

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO")

FMO has been entrusted by the Dutch Government to execute the mandates of the State Funds: Currently MASSIF, Building Prospects, Access to Energy – I, FOM, FOM-OS, Dutch Fund for Climate and Development Land Use Facility are under FMO's direct management; the execution of Access to Energy – II and the other facilities of the Dutch Fund for Climate and Development are performed by third parties under FMO's supervision.

FMO charges a management fee to the Dutch Ministry of Foreign Affairs and it is reimbursed accordingly from MASSIF's subsidy amount (2021: € 11 million; 2020: € 11 million). FMO is also a minor contributor to the fund with a total contribution of € 8 million in 2021 (2020: € 8 million)

23. Subsequent events

On February 24, 2022 the Russian Federation started to invade Ukraine. At reporting date, the fund has no direct exposure to Ukraine, the Russian Federation or Belarus, therefore no material impact is expected on the financial statements.

There has been no significant subsequent event between the balance sheet date and the date of approval of these accounts which should be reported by the Fund.

Risk management

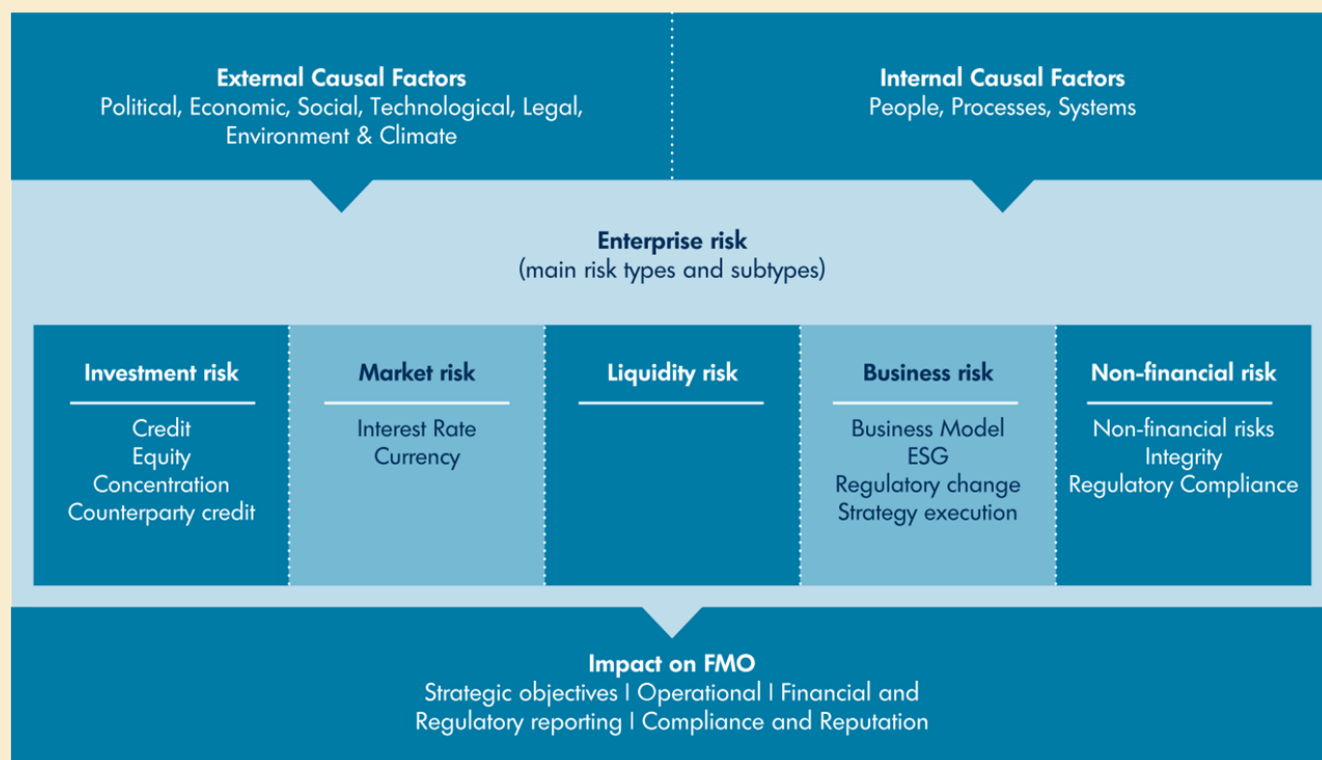
Organization of risk management

For FMO, acting in its role as Fund Manager (hereafter 'FMO'), to be able to carry out the Fund's strategy, it is essential to have an adequate risk management system in place to identify, measure, monitor and mitigate financial risks. MASSIF (hereafter 'the Fund') has a pre-defined risk appetite translated into limits for group, customer, country, region and currency exposures. Limit usages are monitored on a monthly basis and for each proposed transaction.

The Fund Manager reviews each transaction and provides consent to eligible proposals. The Investment Committee, comprising of senior representatives of several departments, reviews financing proposals for new transactions. Each financing proposal is assessed in terms of specific counterparty, product risk as well as country risk. All financing proposals are accompanied by the advice of the Credit department. This department is responsible for credit risk assessment of both new transactions and the existing portfolio. For small exposures, the Credit department has the authority to review new transactions.

In addition, financial exposures in emerging markets are subject to a periodic review, which are in general executed annually. Exposures that require specific attention are reviewed by the Investment Review Committee. The larger and higher risk exposures are accompanied by the advice of the Credit department. If the Investment Review Committee concludes that a customer has difficulty in meeting its payment obligations, the customer is transferred to the Special Operations department – responsible for the management of distressed assets – where it is intensely monitored.

Risk Taxonomy Framework FMO



Risk profile & appetite

The Fund actively seeks to take risk stemming from debt and equity investments in private institutions in developing countries. This risk profile is supported by maintaining prudent levels of capital and liquidity and strong diversification of the portfolio across regions and sectors.

Capital management

The Fund's aim is to optimize development impact. This can only be achieved with a sound financial framework in place, combining a healthy long-term revolvability of $\geq 100\%$ and sound capital adequacy. Therefore, FMO seeks to maintain a strong capital position for the Fund. The Fund's structure is based on a contribution from the Dutch government (97.83%) and a contribution from FMO (2.17%). Total contribution from the Dutch government is €352,8 million on 31 December 2021. FMO contributed €7.8 million to the Fund. Total fund capital – which is the sum of the contribution by the government, the contribution by FMO, undistributed results from previous years, results from the current year is €472.0 million in 2021 (2020: €467.8 million).

Financial risk

Investment risk

Investment risk is defined as the risk that actual investment returns will be lower than expected returns, and includes credit, equity, concentration, and counterparty credit risks.

Credit risk

Credit risk is defined as the risk that the Fund will suffer economic loss because a counterparty cannot fulfill its financial or other contractual obligations arising from a financial contract. Credit risk is the main risk within the Fund and occurs in two areas of its operations: (i) credit risk in investments in emerging markets and off-balance instruments such as loan commitments and guarantees; and (ii) credit risk in the treasury portfolio, only consisting of bank accounts and money market instruments.

Management of credit risk is FMO's core business, both in the context of project selection and project monitoring. In this process, a set of investment criteria per sector is used that reflects benchmarks for the required financial strength of FMO's customers. This is further supported by internal scorecards that are used for risk classification and the determination of economic capital use per transaction. As to project monitoring, the Fund's customers are subject to periodic reviews. Credit policies and guidelines are reviewed regularly and approved by the IRC.

Developments

FMO has embarked on an overhaul of its credit risk policy and processes. The objective is to implement a more aligned and effective portfolio management framework across the organization. Implementation has started in 2021 via the Investment Risk Project, which will continue further in 2022.

In the first half of 2020, a management overlay ('country crisis override') was introduced to reflect the impact of significant increases in credit risk on certain exposures of the loan portfolio, as a result of COVID-19. The overlay has been removed in 2021.

Credit risk in the emerging markets loan portfolio

The Fund offers loans in emerging market countries. Strong diversification within the Fund's emerging market portfolio is ensured through stringent limits on individual counterparties (single customer limit of 7.5% of the Fund's capital, and economic group limit of 10% of the Fund's capital), countries (20% of the Fund's capital), continents (40% of the Fund's capital, and at least 40% in Africa), local currency (20% of the Fund's capital) and in fund investments (40% of the Fund's capital).

Internal credit approval process

Credit risk from loans in emerging market countries arises from a combination of counterparty risk, country risk and product specific risks. These types of risk are assessed during the credit approval and credit review process and administrated via internal scorecards. The lending process is based on formalized and strict procedures. Decisions on authorizations depend on both the amount of economic capital and the risk profile of the financing instrument. For distressed assets, the Special Operations department applies an advanced workout and restructuring approach.

In measuring the credit risk of the emerging market portfolio at counterparty level, the main parameters are the credit quality of counterparties and the expected recovery ratio in case of defaults. Counterparty credit quality is measured by scoring counterparties on various dimensions of financial strength. Based on these scores, FMO assigns ratings to each counterparty on an internal scale from F1 (lowest risk) to F20 (default), equivalent from AAA to C ratings.

Maximum exposure to credit risk

	2021	2020
On balance		
Banks	8,476	17,257
Short-term deposits	31,671	13,936
Loans to private sector		
- of which: Amortized cost	160,314	174,825
- of which: Fair value through profit or loss	31,239	32,741
Current accounts	112	107
Other receivables	1,397	528
Total on-balance	233,209	239,394
Off-balance		
Contingent liabilities	1,456	556
Irrevocable facilities	26,127	10,150
Total off-balance	27,583	10,706
Total credit risk exposure	260,792	250,100

Credit quality analysis

In addition to on balance loans, irrevocable facilities (off-balance) represent commitments to extend finance to customers and consist of contracts signed but not disbursed yet which are usually not immediately and fully drawn.

The following tables provide insights in the credit risk allocation of loan portfolio, loan commitments and financial guarantees according to internal ratings.

Loans to the private sector at December 31, 2021 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	18,079	4,976	-	4,677	27,732
F14-F16 (B-,B,B+)	48,898	10,168	6,269	20,763	86,098
F17 and lower (CCC+ and lower)	5,208	18,408	51,898	7,474	82,988
Sub-total	72,185	33,552	58,167	32,914	196,818
Less: amortizable fees	-387	-134	-117	-	-638
Less: ECL allowance	-960	-1,105	-32,793	-	-34,858
FV adjustments	-	-	-	-4,626	-4,626
Carrying value	70,838	32,313	25,257	28,288	156,696

Loans commitments at December 31, 2021 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other 1)	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	2,500	2,500
F14-F16 (B-,B,B+)	6,152	1,557	-	7,497	15,206
F17 and lower (CCC+ and lower)	1,318	-	4,833	-	6,151
Total nominal amount	7,470	1,557	4,833	9,997	23,857
ECL allowance	-78	-11	-	-	-89
Total	7,392	1,546	4,833	9,997	23,768

Financial guarantees at December 31, 2021 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Total
F1-F10 (BBB- and higher)	149	-	-	149
F11-F13 (BB-,BB,BB+)	3,002	-	-	3,002
F14-F16 (B-,B,B+)	575	-	-	575
F17 and lower (CCC+ and lower)	-	-	-	0
Sub-total	3,726	-	-	3,726
ECL allowance / group impairments under IAS 39	-13	-	-	-13
Total	3,713	-	-	3,713

1 Other loan commitments consist of transactions for which no ECL is calculated.

Loans to the private sector at December 31, 2020 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	15,080	6,198	-	13,314	34,592
F14-F16 (B-,B,B+)	65,499	24,018	-	13,265	102,782
F17 and lower (CCC+ and lower)	13,809	14,059	38,300	5,816	71,984
Sub-total	94,388	44,275	38,300	32,395	209,358
Less: amortizable fees	-479	-142	-20	-	-641
Less: ECL allowance	-2,687	-1,776	-20,504	-	-24,967
FV adjustments	-	-	-	-1,528	-1,528
Carrying value	91,222	42,357	17,776	30,867	182,222

Loans commitments at December 31, 2020 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other (1)	Total
F1-F10 (BBB- and higher)	-	-	-	408	408
F11-F13 (BB-,BB,BB+)	-	-	-	-	-
F14-F16 (B-,B,B+)	409	190	-	8,234	8,833
F17 and lower (CCC+ and lower)	240	669	-	-	909
Total nominal amount	649	859	-	8,642	10,150
ECL allowance	-5	-3	-	-	-8
Total	644	856	-	8,642	10,142

Financial guarantees at December 31, 2020 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Total
F1-F10 (BBB- and higher)	-	-	-	-
F11-F13 (BB-,BB,BB+)	501	-	-	501
F14-F16 (B-,B,B+)	2,193	-	-	2,193
F17 and lower (CCC+ and lower)	-	-	-	0
Sub-total	2,694	-	-	2,694
ECL allowance / group impairments under IAS 39	-31	-	-	-31
Total	2,663	-	-	2,663

1 Other loan commitments consist of transactions for which no ECL is calculated.

Non-Performing loans

Non-Performing Loans (NPL) are defined when any of the following occur:

- When FMO judges that the customer is "unlikely to pay" its credit obligation to FMO and IRC decides on a specific impairment on a loan (Stage 3);
- Loans with interest, principal or fee payments that are past due for more than 90 days (Stage 3);
- One of the loans is classified as non-performing due to criteria mentioned above, all loans of the customer will be identified as non-performing (Stage 3);
- Forborne exposures which are economically performing but are still in probation (curing) period due to Regulatory Standards (Stage 2). Probation period before returning to performing status is one year;
- Additional forbearance measures are applied for forborne performing loans which have exited the NPL probation (Stage 2);
- Performing forborne loans which have exited the NPL probation period have past due amounts for more than 30 days (Stage 2).

Defaulted loans

Unlikely to pay triggers - specific impairment IRC
(Stage 3)



More than 90 days past due but not impaired
(Stage 3)



Economically performing loans but in probation
period due to Regulatory Standards:
Initially forborne impaired,
but at reporting period not impaired
(Stage 2)



Non - Performing loans

The Fund's NPL ratio increased from 18.3% to 33.1%. In 2021 there were no write-offs (2020:0 million).

Loans past due and impairments 2021

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	72,185	33,552	13,012	28,226	146,975
Loans past due:					
-Past due up to 30 days	-	-	6,269	-	6,269
-Past due 30-60 days	-	-	-	294	294
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	38,886	4,394	43,280
Subtotal	72,185	33,552	58,167	32,914	196,818
Less: amortizable fees	-387	-134	-117	-	-638
Less: ECL allowance	-960	-1,105	-32,793	-	-34,858
Less: FV adjustments	-	-	-	-4,626	-4,626
Carrying amount	70,838	32,313	25,257	28,288	156,696

Loans past due and impairments 2020

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	93,657	43,205	-	32,395	169,257
Loans past due:	-	-	-	-	-
-Past due up to 30 days	731	-	-	-	731
-Past due 30-60 days	-	1,070	-	-	1,070
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	38,301	-	38,301
Subtotal	94,388	44,275	38,301	32,395	209,359
Less: amortizable fees	-479	-142	-20	-	-641
Less: ECL allowance	-2,687	-1,776	-20,505	-	-24,968
Plus FV adjustments	-	-	-	-1,528	-1,528
Carrying value	91,222	42,357	17,776	30,867	182,222

Stage 3 credit impairment distributed by regions and sectors

At December 31, 2021	Financial Institutions	Energy	Agribusiness	Multi-sector Funds Investment	Infrastructure, Manufacturing, Services	Total
Africa	26,672	-	-	-	-	26,672
Asia	6,105	-	16	-	-	6,121
Latin America & the Caribbean	-	-	-	-	-	-
Europe & Central Asia	-	-	-	-	-	-
Non-region specific	-	-	-	-	-	-
Total	32,777	-	16	-	-	32,793

Stage 3 credit impairment distributed by regions and sectors

At December 31, 2020	Financial Institutions	Energy	Agribusiness	Multi-sector Funds Investment	Infrastructure, Manufacturing, Services	Total
Africa	18,034	-	-	-	-	18,034
Asia	2,471	-	-	-	-	2,471
Latin America & the Caribbean	-	-	-	-	-	-
Europe & Central Asia	-	-	-	-	-	-
Non-region specific	-	-	-	-	-	-
Total	20,505	-	-	-	-	20,505

Modified financial assets

Changes in terms and conditions usually include extending the maturity, changing the interest margin and changing the timing of interest payments. When the terms and conditions are modified due to financial difficulties, these loans are qualified as forborne. Refer to paragraph related to 'Modification of financial assets' in the Accounting Policies chapter.

The watch-list process and the Credit department review modified loans periodically. When a loan is deemed no longer collectible, it is written off against the related loss allowance.

The following table provides a summary of the Fund's forborne assets, both classified as performing and not, as of December 31, 2021.

December 31, 2021	Performing	of which: performing but past due > 30 days and <=90 days	of which: performing forborne	Non Performing	of which: non performing forborne	of which: impaired	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loans to the private sector (Amortised Cost)	105,737	-	21,838	58,167	17,140	16,289	163,904	-638	-34,858	-	128,408
Loans to the private sector (Fair value)	25,879	-	-	7,035	2,347	-	32,914	-	-	-4,626	28,288
Total	131,616	-	21,838	65,202	19,487	16,289	196,818	-638	-34,858	-4,626	156,696

December 31, 2020	Performing	of which: performing but past due > 30 days and <=90 days	of which: performing forborne	Non Performing	of which: non performing forborne	of which: impaired	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loans to the private sector (Amortised Cost)	138,663	-	27,850	38,300	3,319	3,319	176,963	-641	-24,967	-	151,355
Loans to the private sector (Fair value)	32,395	-	-	-	-	-	32,395	-	-	-1,528	30,867
Total	171,058	-	27,850	38,300	3,319	3,319	209,358	-641	-24,967	-1,528	182,222

Equity risk

Equity risk is the risk that the fair value of an equity investment decreases. It also includes exit risk, which is the risk that Fund's stake cannot be sold for a reasonable price and in a sufficiently liquid market.

The Fund takes long-term view on its equity portfolio, usually selling its equity stake within a period of five to ten years. The Fund can accommodate an increase in the average holding period of its equity investments and wait for markets to improve again to realize exits. The fund has no deadlines regarding the exit date of our equity investments. Equity investments are assessed by the Investment Committee in terms of specific obligor as well as country risk. The Investment Review Committee assesses the valuation of the majority of equity investments quarterly. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio including investments in associates on December 31, 2021, amounted to €279.2 million (2020: €259.5 million).

Equity portfolio including Associates distributed by region and sector

At December 31, 2021	Financial Institutions		Energy		Agribusiness		Multi-Sector Fund Investments		Infrastructure, Manufacturing, Services		Total	
	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds
Africa	5,362	8,362	-	1,827	-	895	-	57,669	11,561	-	16,923	68,753
Asia	9,873	1,780	-	-	-	-	-	41,561	-	-	9,873	43,341
Latin America & the Caribbean	46,429	4,294	-	-	-	-	-	2,911	-	-	46,429	7,205
Europe & Central Asia	47,200	24,098	-	-	-	-	-	2,032	-	-	47,200	26,130
Non-region specific	3,679	2,353	-	-	-	4,955	-	2,333	-	-	3,679	9,641
Total	112,543	40,887	-	1,827	-	5,850	-	106,506	11,561	-	124,104	155,070

Equity portfolio including Associates distributed by region and sector

At December 31, 2020	Financial Institutions		Energy		Agribusiness		Multi-Sector Fund Investments		Infrastructure, Manufacturing, Services		Total	
	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds	Direct	Funds
Africa	36,830	10,336	-	1,563	-	774	-	43,486	10,740	-	47,570	56,159
Asia	18,365	1,576	-	-	-	-	-	30,165	-	-	18,365	31,741
Latin America & the Caribbean	37,645	3,049	-	-	-	-	-	2,095	-	-	37,645	5,144
Europe & Central Asia	4,611	8,113	-	-	-	4,915	-	1,375	-	-	4,611	14,403
Non-region specific	21,195	20,660	-	-	-	2,008	-	-	-	-	21,195	22,668
Total	118,646	43,734	-	1,563	-	7,697	-	77,121	10,740	-	129,386	130,115

Concentration risk

Country risk

Country risk arises from country-specific events that adversely impact the Fund's exposure in a specific country. Within FMO country risk is broadly defined. It includes all relevant factors that have a common impact on the Fund's portfolio in a country such as economic, banking and currency crises, sovereign default and political risk events. The assessment of the country rating is based on a benchmark of external rating agencies and other external information.

In the fund's risk appetite, the country risk exposure is set at a maximum of 20% of the total portfolio.

FMO recognizes that the impact of country risk differs across the financial products it offers. Multiple countries and regions were subject to a downgrade throughout 2021. In 2021 Afghanistan, Ethiopia, Kenya, Myanmar, Nepal and Sri Lanka were downgraded by one or more notches, in which MASSIF's exposure amounted around 10% of the total committed portfolio. MASSIF has several investments which cover multiple countries, which are labeled as regional investments. Therefore, the downgrades of the regions Asia and Africa are noteworthy as well, as circa 30% of the total committed portfolio is labeled as regional investments in these two regions.

The following tables present how the Fund's loan portfolio is concentrated according to country ratings. The comparison with FMO demonstrates that loan portfolio of the Fund is concentrated in countries with higher ratings and is relatively prone to higher credit risk.

Overview country ratings

Indicative external rating equivalent 2021	MASSIF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	4.6	2.5
F10 (BBB-)	2.7	7.3
F11 (BB+)	0.0	2.2
F12 (BB)	5.0	5.3
F13 (BB-)	17.0	11.5
F14 (B+)	22.0	26.6
F15 (B)	10.6	21.9
F16 (B-)	21.7	10.4
F17 and lower (CCC+ and lower ratings)	16.4	12.3
Total	100.0	100.0

Overview country ratings

Indicative external rating equivalent 2020	MASSIF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	2.2	3.4
F10 (BBB-)	4.1	8.5
F11 (BB+)	0.0	2.3
F12 (BB)	2.3	5.9
F13 (BB-)	11.1	7.5
F14 (B+)	29.2	30.1
F15 (B)	27.1	24.2
F16 (B-)	12.3	8.1
F17 and lower (CCC+ and lower ratings)	11.7	10.0
Total	100.0	100.0

Gross exposure of loans distributed by region and sector

	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
At December 31, 2021						
Africa	79,149	7,557	-	4,394	-	91,100
Asia	42,230	-	3,140	-	-	45,370
Latin America & the Caribbean	24,363	-	-	-	-	24,363
Europe & Central Asia	23,434	-	-	-	-	23,434
Non-region specific	12,027	-	524	-	-	12,551
Total	181,203	7,557	3,664	4,394	-	196,818
At December 31, 2020						
Africa	85,033	7,024	833	4,188	-	97,078
Asia	51,840	293	1,957	-	-	54,090
Latin America & the Caribbean	30,228	-	-	-	-	30,228
Europe & Central Asia	18,930	-	-	-	-	18,930
Non-region specific	9,032	-	-	-	-	9,032
Total	195,063	7,317	2,790	4,188	-	209,358

Single and group risk exposures

In the fund risk appetite the maximum customer exposure for MASSIF is set at 7.5% of the total portfolio.

Counterparty credit risk

Counterparty credit risk in the treasury portfolio stems from bank account holdings and placements in money market funds to manage the liquidity in the Fund. The Risk department approves each obligor to which the Fund is exposed through its treasury activities and sets a maximum limit to the credit exposure of that obligor. Depending on the obligor's short and long-term rating, limits are set for the total and long-term exposure. The Fund pursues a conservative investment policy.

Liquidity risk

Liquidity risk is the risk of not being able to fulfil the financial obligations and meet financial commitments due to insufficient availability of liquid means. The Fund aims to maintain adequate liquidity buffers, enough to support the implementation of the Fund's development agenda and impact objectives while avoiding putting pressure on Dutch Ministry of Foreign Affairs DGIS subsidy budget allocated to the Fund. To realize this ambition, the Fund benefits from the experience of FMO's treasury and risk management functions in managing the liquidity risk, which primarily involves periodical forecasting of the Fund's liquidity position under normal and stress scenarios. During these periodical exercises, the assumptions underlying the liquidity model are reviewed. Changes in expected cashflows, stemming from updated portfolio management strategies and changes in the Fund's operating environment, are reflected in the said assumptions. As a result of the forecasting activity, the predicted liquidity shortfall is avoided through arrangements in investments portfolio. If possible this is done through the utilisation of the subsidies available from the budget allocated to the Fund by the Dutch Ministry of Foreign Affairs DGIS ('beschikkingsruimte'); and lastly, through the request of a loan from FMO, not exceeding 10% of the Fund's net committed portfolio. In requesting subsidies that will be made available to the Fund's utilization from Dutch Ministry of Foreign Affairs, the Fund administrators strictly follow the Ministry's directives.

Market risk

Market risk can be divided into interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly have an effect on the fair value of fixed interest balance sheet items. Given the balance sheet and capital structure of the Fund interest rate risks are considered limited.

Interest re-pricing characteristics

December 31, 2021	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	8,476	-	-	-	-	8,476
Short-term deposits						-
-of which: Amortized cost	-	-	-	-	-	-
-of which: Fair value through profit or loss	31,671	-	-	-	-	31,671
Loans to the private sector						-
-of which: Amortized cost	11,797	39,701	75,641	1,302	-	128,442
-of which: Fair value through profit or loss	3,083	18,623	2,157	4,391	-	28,254
Equity investments						
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	-	-	-	-	270,323	270,323
Investments in associates	-	-	-	-	8,851	8,851
Current accounts with State funds and other programs	-	-	-	-	112	112
Other receivables	-	-	-	-	1,397	1,397
Accrued income	-	-	-	-	6	6
Total assets	55,028	58,324	77,798	5,693	280,689	477,532
Liabilities and Fund Capital						
Other liabilities	-	-	-	-	20	20
Accrued liabilities	-	-	-	-	5,402	5,402
Provisions	-	-	-	-	102	102
Fund Capital	-	-	-	-	472,008	472,008
Total liabilities and Fund capital	-	-	-	-	477,532	477,532
Interest sensitivity gap 2021	55,028	58,324	77,798	5,693	-196,843	-

Interest re-pricing characteristics

December 31, 2020	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	17,257	-	-	-	-	17,257
Short-term deposits						-
-of which: Amortized cost	-	-	-	-	-	-
-of which: Fair value through profit or loss	13,936	-	-	-	-	13,936
Loans to the private sector						
-of which: Amortized cost	15,352	45,794	88,650	1,559	-	151,355
-of which: Fair value through profit or loss	1,693	15,800	11,354	2,020	-	30,867
Equity investments						
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	-	-	-	-	252,341	252,341
Investments in associates	-	-	-	-	7,160	7,160
Current accounts with State funds and other programs		-	-	-	107	107
Other receivables		-	-	-	528	528
Accrued income	-	-	-	-	-	-
Total assets	48,873	61,594	100,004	3,579	259,501	473,551
Liabilities and Fund Capital						
Other liabilities		-	-	-	20	20
Accrued liabilities		-	-	-	5,668	5,668
Provisions	-	-	-	-	39	39
Fund Capital	-	-	-	-	467,824	467,824
Total liabilities and Fund capital	5,688	-	-	-	467,863	473,551
Interest sensitivity gap 2020	43,185	61,594	100,004	3,579	-208,362	-

Currency risk

Currency risk is defined as the risk of having an adverse effect on the value of the Fund's financial position and future cash flows due to changes in foreign currency exchange rates. The Fund offers debt, equity and guarantee instruments in denominated in USD, EUR and partly in emerging market currencies, while the main source of funding to the Fund, subsidies received from Dutch Ministry of Foreign Affairs is in EUR. The Fund targets to invest in USD as a risk-averse alternative to investing in local currencies when possible; additionally, cash inflows denominated in local currencies are converted to hard currencies when received. Due to its commitment to the implementation of the Fund's development agenda and impact objectives, the Fund does not exclusively look for investments that counter-balance this currency risk exposure in its portfolio; the Fund also does not use derivatives and other financial instruments to hedge against the currency risk, and avoids bearing the cost of these engineered measures. The Fund does not take active positions in any currency for the purpose of making a profit.

Currency risk exposure (at carrying values)

December 31, 2021	EUR	USD	UZS	XOF	Other	Total
Assets						
Banks	3,243	5,233	-	-	-	8,476
Short-term deposits						-
-of which: Amortized cost	-	-	-	-	-	-
-of which: Fair value through profit or loss	34	31,637	-	-	-	31,671
Loans to the private sector						-
-of which: Amortized cost	-	62,076	-	21,978	44,354	128,408
-of which: Fair value through profit or loss	1,995	23,104	-	-	3,189	28,288
Equity investments						-
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	99,216	126,933	33,087	-	11,087	270,323
Investments in associates	-	8,851	-	-	-	8,851
Current accounts with State funds and other programs	112	-	-	-	-	112
Other receivables	5	1,392	-	-	-	1,397
Accrued income					6	6
Total assets	104,605	259,226	33,087	21,978	58,636	477,532
Liabilities and Fund Capital						
Other liabilities	-	20	-	-	-	20
Accrued liabilities	5,402	-	-	-	-	5,402
Provisions	-	90	-	-	12	102
Fund Capital	472,008	-	-	-	-	472,008
Total liabilities and Fund capital	477,410	110	-	-	12	477,532
Currency sensitivity gap 2021		259,116	33,087	21,978	58,624	
Currency sensitivity gap 2021 excluding equity investments and investments in associates		123,332	-	21,978	47,537	-

Currency risk exposure (at carrying values)

December 31, 2020	EUR	USD	UZS	XOF	Other	Total
Assets						
Banks	11,789	5,468	-	-	-	17,257
Short-term deposits						
-of which: Amortized cost	-	-	-	-	-	-
-of which: Fair value through profit or loss	34	13,902	-	-	-	13,936
Loans to the private sector						
-of which: Amortized cost	1,327	64,730	-	22,327	62,971	151,355
-of which: Fair value through profit or loss	232	20,471	-	1	10,163	30,867
Equity investments						
-of which: Fair value through OCI	-	-	-	-	-	-
-of which: Fair value through profit or loss	82,354	131,398	26,010	1,143	11,436	252,341
Investments in associates	-	7,160	-	-	-	7,160
Current accounts with State funds and other programs	107	-	-	-	-	107
Other receivables	5	495	-	28	-	528
Accrued income						
Total assets	95,848	243,624	26,010	23,499	84,570	473,551
Liabilities and Fund Capital						
Other liabilities	-	20	-	-	-	20
Accrued liabilities	5,668	-	-	-	-	5,668
Provisions	-	24	-	-	15	39
Fund Capital	467,824	-	-	-	-	467,824
Total liabilities and Fund capital	473,492	44	-	-	15	473,551
Currency sensitivity gap 2020		243,580	26,010	23,499	84,555	
Currency sensitivity gap 2020 excluding equity investments and investments in associates		105,022	-	22,356	73,119	

Sensitivity of profit & loss account and capital to main foreign currencies
December 31, 2021

Change of value relative to the euro	Sensitivity of profit & loss account
USD value increase of 10%	25,912
USD value decrease of 10%	-25,912
UZS value increase of 10%	3,309
UZS value decrease of 10%	-3,309
XOF value increase of 10%	2,198
XOF value decrease of 10%	-2,198

Sensitivity of profit & loss account and capital to main foreign currencies
December 31, 2020

Change of value relative to the euro	Sensitivity of profit & loss account
USD value increase of 10%	24,358
USD value decrease of 10%	-24,358
UZS value increase of 10%	2,601
UZS value decrease of 10%	-2,601
XOF value increase of 10%	2,350
XOF value decrease of 10%	-2,350

Non-financial risk

Environmental, social and governance risk

Environmental & Social (E&S) risk refers to potential adverse impacts of the Fund's investments on the environment, employees, communities, or other stakeholders. Corporate Governance (G) risks refers primarily to risk to customer business. ESG risks can lead to non-compliance with applicable regulation, NGO and press attention or reputation damage. These risks stem from the nature of the Fund's projects in difficult markets, where regulations on ESG are less institutionalized.

The Fund has an appetite for managed risk in portfolio, accepting ESG performance below standards when starting to work with a customer, with the goal that performance is brought in line with our ESG risk mitigation requirements within a credible and reasonable period. ESG risks are mitigated through environmental and social action plans and monitoring. The risk appetite for deviations from the exclusion list and human rights violations is zero.

As part of the investment process, all clients are screened on ESG risk and categorizes them according to the ESG risk that their activities represent. FMO assesses in detail customers with a high ESG risk category to identify ESG impact and risks and to assess the quality of existing risk management and mitigation measures. Due diligence also includes an analysis of contextual and human rights risk. In case of gaps in ESG risk management, FMO works with customers to develop and implement an Action Plan to avoid adverse ESG impacts and/or to improve ESG risk management over time. Key ESG risk items are tracked during the tenor of the engagement. FMO's ESG risk management support to customers is an important part of development impact ambitions.

In addition, for customers with a high ESG category, FMO monitors customer performance on key ESG risk themes (against the IFC Performance Standards) using the ESG Performance Tracker (ESG-PT). The ESG-PT keeps track of key ESG risks and customer performance level, enabling FMO to have a portfolio-wide view of its ESG risks.

Compliance risk

Compliance Risk is the risk of failure to comply with laws, regulations, rules, related self-regulatory organization, standards and codes of conduct applicable to FMO's services and activities.

Fund's customers follow FMO's procedures to mitigate compliance risk. FMO's standards and policies and good business practices foster acting with integrity. FMO's standards and policies and good business practices foster acting with integrity. FMO is committed to its employees, customers, and counterparties, adhering to high ethical standards. FMO has a Compliance framework which entails identifying risks, designing policies, monitoring, training, and providing advice. FMO has policies on topics such as financial economic crime (including KYC, sanctions, anti-bribery, and corruption) conflicts of interest, anti-fraud, private investments, protection of personal data and speak-up. FMO also regularly trains its employees to raise awareness by means of e.g., virtual classroom trainings and mandatory compliance related e-learnings. Employees are also encouraged to speak up in case of suspected integrity violations conducted by a FMO employee.

Management is periodically informed via the Compliance Committee or when required on an ad-hoc basis, on integrity related matters at customer or employee level. In case of signals of violations, e.g., money laundering, fraud or corruption, management will take appropriate actions. For example, initiating a dialogue with the customer, if possible and appropriate given the circumstances, to understand the background to be able to assess and investigate the severity. When FMO is of the opinion that there is a breach of law that cannot be remedied or that no improvement by the customer will be achieved (e.g. awareness, implementing controls) or that the risk to FMO's reputation is unacceptably high, FMO may be able to exercise certain remedies under the contract such as the right to cancel a loan or suspend upcoming disbursements and will report to regulatory authorities if deemed necessary.

The governance of compliance also entails the following key risks:

Financial Economic Crime, incl. sanctions

FMO's financial economic crime procedures include, amongst others, screening of customers on compliance with applicable anti-money laundering, counter financing of terrorism and international sanctions laws and regulations. Due diligence is performed on customers, which includes checks such as identifying and verifying the ultimate beneficial owners of the customer we finance, identifying politically exposed persons, and screening against relevant international sanctions lists. These checks are also performed regularly during the relationship with existing customers.

In 2021, FMO continued the FEC Enhancement program initiated in 2019 and met the agreed deadline with DNB to finalize the remediation project on December 31, 2021. All active KYC-files are remediated – using a new KYC tool - and meet the standards of the renewed CDD-AML Policy and CDD-AML Manual. In the second half of 2021, the renewed KYC organization was implemented in the front-office (first line) and business as usual processes were restarted, amongst others periodic reviews of KYC-files. Independent external validation confirmed that the remediated efforts and KYC files are demonstrably compliant with the relevant requirements, after which the Management Board provided a compliance statement to DNB end of 2021. The validation identified several recommendations that FMO will follow up on in 2022.

There is always a risk that a customer is involved or alleged to be involved in illicit acts (e.g., money laundering, fraud, or corruption). If such an event occurs, FMO will initiate a dialogue with the customer, if possible and appropriate given the circumstances, to understand the background to be able to assess and investigate the severity. When FMO is of the opinion that there is a breach of law that cannot be remedied or that no improvement by the customer will be achieved (e.g. awareness, implementing controls) or that the risk to FMO's reputation is unacceptably high, FMO may be able to exercise certain remedies under the contract such as the right to cancel a loan or suspend upcoming disbursements and will report to regulatory authorities if deemed necessary.

General Data Protection Act (GDPR)

After the implementation of the GDPR in 2018, FMO continued its effort towards the protection of personal data related to its employees, customers, and other stakeholders. The data protection officer (DPO) monitors FMOs compliant behaviour periodically. The DPO is involved in i.e., change management activities to advise on data protection risks and risk mitigation

Corruption

Corruption is a global problem, requiring a global response. FMO is guided by the OECD Convention on Combating Bribery and the UN Convention against Corruption, and is dedicated to fighting corruption and bribery not only to adhere to the law, but also because such acts undermine sustainable development and the achievement of higher levels of economic and social welfare. Good governance, fair business practices and public trust in the private sector is necessary to unlock the full potential of an economy and its citizens. Corruption can be best prevented collaboratively and FMO actively supports the Transparency International's Netherlands branch and the International Chamber of Commerce to share best practices and stimulate the dialogue between Dutch corporates on best practices in doing international business

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, including legal risks, excluding strategic risks. Operational risks are not actively sought and have no direct material upside in terms of return/income generation, yet operational risk events are inherent in operating a business. Operational risk events can result in non-compliance with applicable (internal and external) standards, losses, misstatements in the financial reports, and reputational damage.

Overall, FMO is cautious with operational risks. Safe options, with low inherent risk are preferred, despite consequence of limited rewards (or higher costs). There is no appetite for high residual risk. Risk metrics are reported on a quarterly basis. These metrics cover operational risks in general, such as the amount of loss per quarter and timely follow-up of management actions, and specific metrics for risk-(sub)types.

Management of the first line of defence is primarily responsible for managing (embedded) risks in the day-to-day business processes. The first line acts within the risk management framework and supporting guidelines defined by specialized risk functions that make up the second line of defense. Internal Audit in its role of the third line of defense provides independent assurance on the effectiveness of the first and second lines.

Departmental risk control self-assessments are conducted annually to identify and assess risks and corresponding controls. The strategy and business objectives are also reviewed annually by the Directors in a risk perspective. Based on among others these Risk and Control Self Assessments, the Directors sign a departmental In Control Statement at the year-end, which provides the underpinning for the management declaration in the Annual Report. Despite all preventive measures, operational risk events will occur. FMO systematically collects risk event information and analyses such events to take appropriate actions.



Independent auditor's report

To: the management board of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of MASSIF (hereafter: MASSIF or the Fund), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of MASSIF as at 31 December 2021, and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:

- ▶ The Statement of Financial Position as at 31 December 2021
- ▶ The following statements for 2021:
 - ▶ The Statement of Comprehensive Income
 - ▶ The Statement of Changes in Fund Capital
 - ▶ The Statement of Cash Flows
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of MASSIF in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ The management report
- ▶ At a glance
- ▶ Performance on our strategy
- ▶ International principles
- ▶ List of abbreviations
- ▶ Annexes

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements 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. Management should disclose events and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- ▶ Obtaining 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.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management'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 a fund to cease to continue as a going concern.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 28 April 2022

Ernst & Young Accountants LLP

signed by J.G. Kolsters

Colophon

Contact details Should you have any feedback or questions, please feel free to contact us.

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