FMO

Entrepreneurial
Development
Bank

MASSIF

Annual report

2023

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. The total committed portfolio of these funds (excluding grants) amounts to € 1,217 mln as per December 31, 2023. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch government that is managed by FMO, unless reference is made to an investment made under a program.

Front Photo is from COMACO in Zambia, a social enterprise that supports wildlife conservation and small-scale farmers in Zambia. COMACO is a client of MASSIF investee MCE Social Capital.

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

LETTER FROM THE MB OF THE FUND MANAGER

Staying the course

In 2023, the volatile global economic and geo-political circumstances were aggravated by more extreme weather conditions, food crises, the collapse of several major banks, the ongoing war in Ukraine, the war in Gaza, and Sahel coups. All with direct and prolonged, devastating effects on the well-being of entire communities, in particular in FMO’s geographies. This instability is often worsened by adverse financial factors in many emerging markets such as higher interest rates, high inflation, and increased sovereign debt.

Within this context, FMO's 50+ year mission becomes more relevant by the day: enabling entrepreneurs to increase inclusive and sustainable prosperity. Over the next decade, the World Bank estimates one billion young people — a majority living in emerging markets — will try to enter the job market. If they won’t be able to find decent jobs, this will leave millions without hope for a sustainable future. FMO’s investments support jobs in local markets – around 990 thousand direct and indirect jobs in 2023 – and enhance access to energy, food and finance: crucial factors in breaking the downward cycle of poverty and migration.

Maximizing our impact towards the SDGs is the foundation of FMO’s strategy towards 2030. This past year marks the first full year dedicated to implementing and working towards these 2030 goals. Staying on course, we had similar priorities as in 2022: growing impactful business, ensuring FMO’s foundations are solid, and organizational development.

In 2023, MASSIF has stood with existing clients, on-boarded new clients and supported relevant initiatives aiming to support MSMEs and low-income end beneficiaries, including in fragile operating environments. An example is the support to the Africa Resilience Investment Accelerator ("ARIA") focused on bringing together development finance institutions to unlock investment opportunities in frontier markets in Africa. We are pleased to continue to deploy DFC (formerly OPIC) – MASSIF participation facility signed in 2021. By year end, 63% of the USD 75 mln co-financing facility (USD 50 mln contributed by DFC and USD 25 mln from MASSIF) had been committed, with a strong pipeline for 2024. In 2024, MASSIF will continue to support MSMEs across its strategic focus themes which include an ‘innovations in inclusive business’ theme under which investments in fintech and green solutions fit.

Looking ahead

Staying the course, in 2024 we will focus on the three same priorities as in 2023, continuing our work towards our 2030 goals. With regard to growing impactful business, we aim to further increase new investments in Reduced Inequalities and Green. We will take the next steps in market creation, supporting the new generation of entrepreneurs. FMO’s Public Funds and facilities will be fundamental to reach these goals.

With the fragile global economic and political situation in some of our markets, we do realize our financial result can be volatile and further growth to maximize our impact will be challenging. But given the immense climate challenge that lies ahead and the huge investments that are needed to support job creation and overall economic development in emerging markets, we see it as our role to be countercyclical and focus on the long term. We invest when others shy away, always with our mission in mind: enabling entrepreneurs to increase inclusive and sustainable prosperity.

The Hague, 25 April 2024

On behalf of the Management Board
Fatoumata Bouaré, Chief Finance & Operations Officer
Franca Vossen, Chief Risk Officer
Huib-Jan de Ruijter, Co-Chief Investment Officer
Michael Jongeneel, Chief Executive Officer
Peter Maila, Co-Chief Investment Officer

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AT A GLANCE

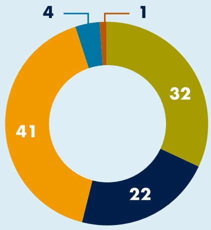
Set up in 2006 and managed on behalf of the Dutch Ministry of Foreign Affairs, MASSIF is FMO's financial inclusion fund. MASSIF enhances financial inclusion for micro-entrepreneurs and small- and medium-sized enterprises (MSMEs) that are disproportionately affected by a lack of access to financial services. 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 31-12-2023

Total committed portfolio

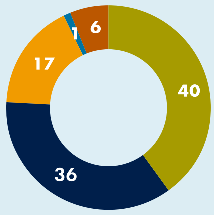
€493mln

Portfolio by product
(in % as of 31 Dec 2023)



- Loans
- Direct Equity
- Fund Investments
- Mezzanine
- Guarantees

Portfolio by customer type
(in % as of 31 Dec 2023)



- Financial Institution
- Investment Fund
- Microfinance Institutions
- Corporate
- Other diverse sectors

143
Total investments

48
Capacity Development projects

€64.5mln
Disbursements

128.23%
Revolvability

47,409
Direct jobs supported in individually supported MSME's

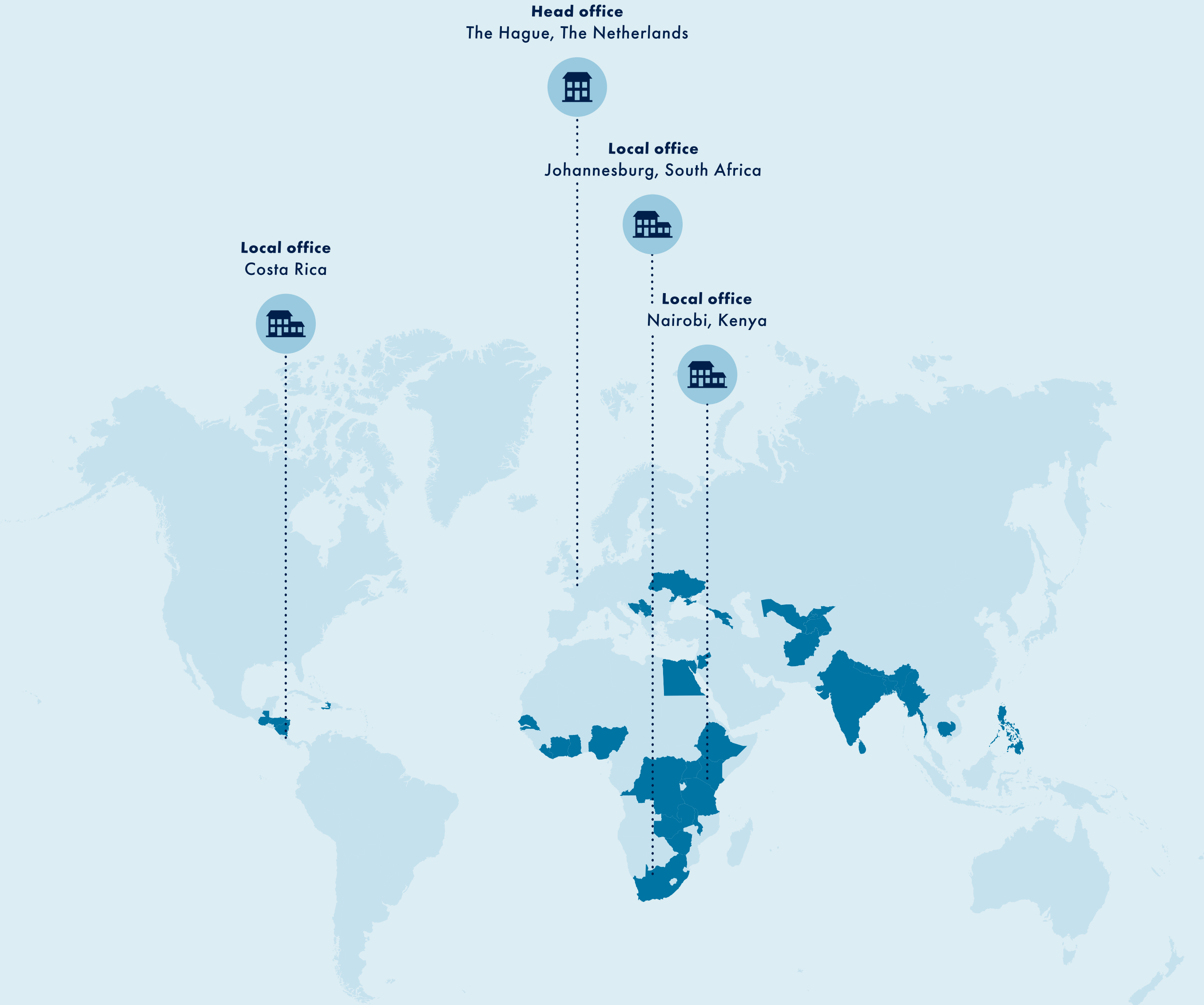
Of which women
19,493

Of which youth
3,721

15,447,555
Number of MSME's that obtain financial services

12
New investments with FMO Green or RI label

1 The figures provide a glance at the achievements of the MASSIF portfolio. Number of MSME's that obtain financial services (number of SME loans + number of micro loans) are results reported by the companies and funds within the portfolio. Number of improved or introduced new products are reported as the number of new investments with a Reducing Inequalities or Green label (according to FMO's labelling methodology). Direct jobs supported in individually supported MSME's are estimated by the Joint Impact Model. These figures are attributed to the size of MASSIF's investment as agreed with the Dutch government. The figures shown do not include new investments from 2023, as the most recent impact data available from clients pertains to the reporting year that concluded in 2022.



Total committed portfolio by region (per 31 December 2023)

Latin America & the Caribbean	Africa	Eastern Europe & Central Asia	Asia	Global
€20mln	€196mln	€45mln	€128mln	€104mln

Total committed portfolio

€493mln

PERFORMANCE ON OUR STRATEGY

Highlights

MASSIF in 2023 devoted significant attention to being able to continue to support its clients, end beneficiaries, and micro, small and medium-sized enterprises in the future and to play its part in FMO's Strategy 2030. For example, through working together with other DFIs to advance investments in fragile countries and by securing funding for future growth, also for market creation.

H.M. Queen Maxima at the Future of Finance conference

The fireside chat with H.M. Queen Máxima of the Netherlands in her capacity as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), on 3 October 2023 at FMO's Future of Finance Conference. Her Majesty discussed financial inclusion, including the progress that has been made as well as her leadership inclusive green finance and financial health.

ARIA

Along with British International Investment (BII), the UK's development finance institution, MASSIF's Technical Assistance program is supporting Africa Resilience Investment Accelerator (ARIA). This brings together 16 DFIs to unlock investments in frontier and growth markets in Africa through pipeline and investment facilitation, grants, technical assistance, and ecosystem building. In 2023, the DFIs visited DRC, Sierra Leone and Benin to understand barriers to investing and building a pipeline of investments.

Insitor Impact Asia Fund II

MASSIF invested USD 10 million in Insitor II, a sector-agnostic private equity fund targeting investments in high-growth and scalable businesses in Cambodia, India, and Pakistan. The fund exclusively invests in companies that provide solutions to low-income consumers/households. This aligns with MASSIF's objective to support early-stage companies and to support businesses that improve the livelihood and access to basic services for underserved groups. It also aligns with FMO's strategic goal to contribute to reducing inequalities.

Top-up from the Dutch Ministry of Foreign Affairs

In 2023, the Dutch Ministry of Foreign Affairs decided to top-up MASSIF with EUR 69 million. In addition, the Ministry decided to provide market creation funding to MASSIF in line with FMO's strategy.

Financial performance

MASSIF had a lower interest income than in 2022. Furthermore, 2023 saw a combination of negative impact of FX results across the board, negative Fair Value results on PE investments, write-offs and loan impairments resulting from on a combination of country-related and investee-related adverse circumstances, resulting in EUR 39 million loss at the year end. On the positive side, dividend income was up significantly in comparison to 2022.

Production

Production 2023

Dvara Kshetriya Gramin Financial Services Private Limited – USD 13.0 mln Debt

Dvara KGFS is a non-deposit taking systemically important non-bank financial institution headquartered in Chennai, India, established in 2008. The company's mission is to maximise the financial wellbeing of individuals and small enterprises in India by providing access to financial services. Dvara KGFS uses a customer-centric, technology-enabled business strategy to provide financial products to women and microenterprises in rural /semi-rural areas. MASSIF's funding of USD 13 mln will be used for the growth of Dvara's microfinance portfolio towards female or young microentrepreneurs, women-owned micro enterprises, supporting the themes of gender and inclusive finance, and climate resilient agriculture.

MCE Empowering Sustainable Agriculture Fund LLC – USD 10.0 mln Debt

MCE Empowering Sustainable Agriculture (MESA) is a recently established 9-year close-ended debt fund that aims to scale economic opportunities within local communities, enhance the climate resilience of smallholder farmers, and empower women throughout the agricultural sector in emerging markets. MESA will seek to provide capital to gender-inclusive agribusinesses throughout their lifecycle, either through direct lending or through financial services providers. FMO funds will be lent out to agricultural-focused SMEs with significant exposure to women, and rural and agricultural-focused tier 2 and 3 financial service providers in Sub-Saharan Africa, Latin America, and Southeast Asia. By investing in MESA, FMO will contribute to job creation and strengthening local communities and livelihoods, supporting vulnerable segments of the population (women and rural communities) and enhancing climate resilience of these communities.

Ameriabank CJSC - USD 1.1 mln NASIRA Guarantee

Ameriabank is a privately-owned bank in the Republic of Armenia. The bank distinguishes itself by providing an extensive range of financial and advisory services through its omni-channel distribution, with a focus on the Corporate and SME segments. The NASIRA Risk Sharing Facility (RSF) represents the next milestone to the well-established partnership with Ameriabank. Through its controlled risk environment, the NASIRA RSF will bolster Ameriabank's endeavours to expand its MSME portfolio. The facility places particular emphasis on empowering Young and Women entrepreneurs by supporting their income generating business activities, thereby aligning with FMO's goal in Reducing Inequalities. The NASIRA transaction of USD 1.1 mln guarantee will support Ameriabank in achieving its strategic goal of growing its MSME customer base.

JSC TERABANK - GEL 0.8 mln NASIRA Guarantee

JSC Terabank is a universal commercial bank in Georgia focusing on SMEs, retail, and digital channels for all banking products. We offer risk sharing facility to Terabank to support a new micro and SME loan portfolio of people from Georgia to support their income generating business activities. The risk sharing facility increases Terabank's risk appetite and incentivizes it to finance the underserved and marginalized communities in Georgia.

Dashen Bank Share Company – USD 10.0 mln Debt

Dashen Bank is the oldest and second largest privately owned bank in Ethiopia. FMO provides the bank with a senior loan facility, of which USD 10 mln is committed and USD 10 mln is uncommitted. The bank is a new client for FMO with FMO's facility providing much needed foreign currency for on-lending to the bank's agriculture/exporting clients. The funding is used for purchasing of machinery and working capital facilities to enable the clients to increase their productivity and the outputs they are exporting, as well as to increase the number of small holder farmers that they are working with. By investing in Dashen, MASSIF contributes to job creation, strengthening local communities & livelihoods and in supporting segments of the population (rural communities) that have difficulty in accessing formal financing.

Joliba Capital Fund I – EUR 10.0 mln Equity Fund

Joliba Capital Fund I is a first-time fund raised by Joliba Capital. The Fund targets EUR 150 mln in fund size and will build a diversified portfolio of 8-10 investments in consumer-driven sectors across Francophone West- & Central Africa. The private equity market development in the fund's target region lags behind many of the other large economies in the continent. The resulting funding gap hampers the growth of SMEs in the region. By contributing to the establishment of a dedicated and professional fund manager, our capital commitment supports the success of local entrepreneurs in the region. Economic growth funded by 'conscious capital' also helps to ingrain institutional quality to the benefit of all stakeholders, whilst improving the appeal of the portfolio companies to international investors. In collaboration with Joliba we expect to promote SDG5 (gender equality), SDG8 (decent work and economic growth) and SDG 10 (reduced inequalities). These objectives are aligned with the mandates of both MASSIF and Building Prospects, which both contribute to this investment (EUR 10 mln and EUR 5 mln respectively).

Insitor Impact Asia Fund II Pte. Ltd. – USD 10 mln Equity Fund

Insitor Impact Asia Fund II is a sector-agnostic Private Equity fund targeting investments in high-growth and scalable businesses active in Cambodia, India, and Pakistan. It is the second close-ended fund managed by Singapore-based Insitor Partners. The Fund will exclusively invest in companies providing solutions to low-income consumers/households along the main investment themes of better health, sustainable living, and economic growth. Insitor has been active in South/South-East Asia since 2009 with a consistent investment strategy focused on low-income households. The team has on-the-ground presence in its three target countries, while being supported by a strong senior team in Singapore and an experienced Investment Committee.

I and M Bank (Rwanda) PLC – RWF 345.4 mln NASIRA Guarantee

Incorporated in 1963, I&M Bank (Rwanda) Plc is the oldest bank in Rwanda and offers the full range of personal, business, institutional and corporate banking products throughout its locations. FMO is providing a USD 10 mln "NASIRA" portfolio guarantee with a possibility to top up to USD 20 mln within one year of effectiveness. The facility provides credit risk sharing for I&M Rwanda's MSME portfolio with a focus on MSME loans to women, youth, and agriculture clients. With this guarantee in place, FMO will be supporting I&M Rwanda to increase their lending to MSMEs by managing the potential credit risks for the underlying portfolio.

Palestinian Company for Credit and Development - FATEN – USD 5.5 mln Debt and USD 0.2 mln NASIRA Guarantee

Faten (Palestine for Credit and Development) started as a program under Save the Children in 1995 and was spun-off in 1999 into a not-for-profit company with a mission to serve the financial needs of low- and middle-income Palestinian entrepreneurs and individuals. It became licensed and monitored by the Palestine Monetary Authority in 2014 and is currently the largest microfinance institution in the West Bank and Gaza. We offer Faten USD 10 mln (USD 5.5 mln committed and USD 4.5 mln uncommitted). These additional funds will support its portfolio growth in the West Bank and Gaza, especially towards women, young people, and refugees. We also offer a risk sharing facility to support M/SMES loan portfolio growth in Gaza specifically.
Following the war in Gaza and rising tensions in the Middle East, we assessed the impact on our customers in the region. MASSIF is exposed to two clients in the Palestinian territories, we will continue to monitor the situation closely in 2024.

Babban Gona Farmer Services Nigeria Limited – USD 5.0 mln Debt

Established in 2012, Babban Gona ("Great Farm" in Hausa) is a financially sustainable and scalable agricultural enterprise co-owned by its farmers. The company provides cost effective end-to-end services to a network of franchise farmer groups on credit that is repayable at the end of the season. These services include training in sustainable farming, crop insurance, access to storage facilities, including a warehouse receipt program, marketing and distribution of products and access to credit, fertilizer and seeds. Furthermore, Babban Gona has developed a 'Last Mile' business line. This initiative provides Babban Gona members with products (e.g. fertilizer, FMCG goods) to sell to non-Babban Gona members, thus further increasing their net incomes. After a first loan provided to Babban Gona in 2017, the new facility (up to USD 15 million – consisting of a committed and an uncommitted facility) will allow Babban Gona to further expand its innovative farmer service model which is estimated to increase smallholders' yields to up to 2 times the national average. Through its model, Babban Gona creates much-needed jobs in northern Nigeria and a path out of poverty and subsistence farming for smallholder farmers. Over the past 9 years, Babban Gona has provided its services to over 200,000 smallholder farmers while maintaining a 99% loan repayment rate, showcasing that smallholder farmers can be invested in in a financially sustainable way.

NMB Bank PLC - TSZ 643.5 mln NASIRA Guarantee

NMB Bank Plc. (NMB) is one of the largest commercial banks in Tanzania, providing banking services to individuals, MSMEs, agribusinesses and corporates. NMB has an extensive network of agents, branches and ATMs spread across Tanzania and is enabling access to finance to end clients across the country. FMO is providing a USD 11 mln NASIRA Risk Sharing Facility (with a possibility to top-up to USD 25 mln within 1 year of effectiveness). The facility will be geared towards NMB's loans to MSMEs with a specific focus on the agriculture value chain being a key driver of the Tanzanian economy.

Advans S.A. Sicar- EUR 2.5 mln Equity

We support the Advans Group in order to support financial institutions, which contribute to strengthening local businesses, creating and sustaining jobs and improving clients' living standards in order to foster private sector–led economic and social development in Africa, the Middle–East and Asia. Through this investment we want to strengthen our shareholding in the Advans Group and further support the company in the markets it is active in. Additional investment in Advans S.A. Sicat equity has been made in 2023.

IDH FarmFit Fund B.V. - EUR 1.3 mln Debt

Since its inception in 2008, the Sustainable Trade Initiative ("IDH") has developed a market-based approach to smallholder value chain development. Currently, IDH works with over 600 companies, financial institutions, producer organisations, and governments in 12 value chains across 40 countries worldwide. As an evolution of its grants-based investments strategy, IDH established the Farmfit Fund (the "Fund"). To strengthen smallholder value chains and improve the livelihoods of farmers, the Fund will support a wide variety of actors ranging from traders to input providers, Agri SMEs and financial institutions across Africa, Asia, and Latin America. The Fund is an existing MASSIF client, to which in 2023 additional funding in a total amount of EUR 1.3 mln was committed.

Araratbank OJSC - USD 0.2 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 1025 staff. Araratbank is an existing client of FMO since 2014 in the area of funding and technical assistance. In 2023, additional funding using NASIRA Risk Sharing Facility has been provided to the client.

Sales and exits

There were no sales or exits in 2023.

Production capacity development

Contracts CD 2023

ACEP Burkina SA - Development Contribution EUR 29,225

Alliance de Credit et d'Epargne pour la Production (ACEP) is a young microfinance institution providing financial products and services customised for mainly micro-entrepreneurs and SMEs whose needs are not covered by commercial banks given their informal nature. This project seeks to provide an external expert to support ACEP's business continuity during its Core Banking System (CBS) migration process and advance the creation of a shared technological structure within the institution. Updating the CBS is a critical activity for ACEP as the ambition is not only to migrate to a new CBS, but to take this opportunity to respond to the ever-changing market and offer a more efficient service to their clients.

Acumen Fund Inc - Development Contribution EUR 140,000

Acumen Fund Inc. established Acumen Capital Partners which closed the Acumen Resilient Agriculture Fund, LP (ARAF) in 2019. ARAF is the first, climate adaptation focused investment fund for smallholder farmers in Africa. The purpose of FMO's contribution is to support ARAF's investment strategy of building profitable, scalable, and socially responsible climate adaptive businesses that serve base of the pyramid markets. Moreover they aim to support greater gender integration through targeted TA interventions and provide a financial return to ARAF and its investors. The contribution shall provide funding to the following types of TA interventions: (1) climate adaptation Interventions, including gender specific initiatives, (2) BDS and management and employee training projects, (3) lean data projects, and (4) TAF support projects.

Advans Côte d'Ivoire - Development Contribution EUR 144,000

Advans Côte d'Ivoire is a microfinance institution which offers affordable credit, savings products, and financial services to small businesses and low-income populations. This project aims to expedite Advans Cote d'Ivoire's digital transformation by establishing a local Project Management Office (PMO) and tailoring change management strategies. This effort supports the implementation of the harmonised digital infrastructure needed to remain a leading and agile microfinance group in the country. The integration of technology is expected to enhance Advans CI's operational efficiency and effectiveness in addressing the needs of the poorest as well as the most vulnerable and marginalised groups, including women and people with disabilities. Additionally, digital tools aim at empowering underrepresented groups to take part in meaningful financial inclusion, ultimately promoting gender equality.

AdVision Finance - Technical Assistance EUR 75,000

AdVision Finance (ADV) is a consultancy firm for the banking, microfinance, agriculture and technology sectors in Africa, Asia, and Eastern Europe. ADV provides services and tools to help financial institutions succeed in emerging markets, with the aim to increase access to finance for low-income entrepreneurs. This project will allow beneficiaries to attend the masterclass "Leadership in the digital age", which will be collaboratively delivered by INSEAD followed by an exploratory visit to the Singapore Fintech Festival.

Agora Microfinance Zambia LTD - Development Contribution USD 6,500

Agora Microfinance Zambia Limited (AMZ) is Zambia's leading rural-based microfinance institution. With a mission dedicated to enhancing the livelihoods of the poor through the provision of suitable financial services, AMZ recognizes continuous education as pivotal in bridging the gap between its workforce and the market. By advancing the skills of management teams, AMZ aims to prepare them for various challenges they may encounter in the future. This project contributes to the tuition costs for a leadership executive education training for Agora's CEO.

Babban Gona Farmer Services Nigeria - Development Contribution EUR 19,000

Babban Gona (BG) is a financially sustainable and scalable agricultural enterprise co-owned by its farmers. The funding objective is to develop and scale BG's leadership organization by financing the participation of 250 senior extension officers in the Intensive Leadership Development Program (ILDP).

Cambodia Microfinance Association - Development Contribution EUR 3,166

The Cambodian Microfinance Association (CMA) is an NGO and professional association that aims to ensure the sustainability of the microfinance sector in Cambodia. This project is focused on designing a set of responsible lending guidelines for the Cambodian microfinance sector to improve the overall performance of the Cambodian financial market and prevent challenges that could derive into unsustainable growth and client over-indebtedness.

CrossBoundary LLC - Technical Assistance EUR 28,750

CrossBoundary Group is a mission driven investment firm that unlocks the power of capital for sustainable growth and strong returns in underserved markets. This change request is to add additional TA Scope for providing support to banks and monetary financial institutions in the Democratic Republic of the Congo (DRC) to identify potential opportunities to increase their lending to agribusiness companies and contribute to food security in DRC.

CrossBoundary LLC - Technical Assistance EUR 788,750

The Africa Resilience Investment Accelerator (ARIA) is an initiative led by British International Investment (BII) and FMO, that brings together DFIs to unlock investment opportunities in transition states in Africa. The funding will support the development of the ARIA platform, ensuring alignment with FMO's strategic objectives, with the goal of ARIA becoming one of FMO's main platforms through which to – in absence of a proprietary local offices network – engage in business development, pipeline building and market creation activities.

Dynolabs Asset Management LTD - Development Contribution EUR 28,655

Lendable MSME Fintech Credit Fund is a fund administered by Lendable Inc, an impact focussed asset manager, providing debt capital to Fintechs in emerging and frontier markets. The grant is received and managed by Dynolabs Asset Management Ltd as Advisor to the Fund Manager. Through this project, FMO will support Lendable to strengthen its Fraud Risk Framework to detect and respond to fraud, with an emphasis on prevention, as well as support them to mitigate fraud risks.

Energy Access Ventures SAS - Development Contribution EUR 10,700

Energy Access Ventures SAS (EAV) is the advisor to Energy Access Ventures Fund (EAVF I), 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 EAV's 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. FMO funding will be used to contribute to the first phase to achieve this objective which entails (1) 4-in depth reports on connectivity topics to bring knowledge to the African connectivity ecosystem, (2) roundtables, webinars and other marketing mediums for key stakeholders in the connectivity space to drive collaboration in the ecosystem, and (3) advisory support for one of its portfolio companies active in the connectivity space to help EAVF I scale-up for connectivity.

FATEN - Nasira Portfolio - Development Contribution EUR 4,819

Faten (Palestine for Credit and Development) started as a program under Save the Children in 1995 and was spun-off in 1999 into a not-for-profit company with a mission to serve the financial needs of low- and middle-income Palestinian entrepreneurs and individuals. This project is part of FMOxChange, a platform where likeminded clients are given the opportunity to learn from one another.

SAFCO Microfinance Company (Private) Limited - Technical Assistance EUR 81,780

Safco Microfinance Company Pvt Ltd ("SMCL") is a For-Profit, Non-Deposit Taking Microfinance institution, licensed and supervised by the Securities and Exchange Commission of Pakistan ("SECP"). It provides affordable microfinance services to unbanked and low-income entrepreneurs in the Sindh province where the SAFCO franchise has presence since 1986. SMCL is a wholly owned subsidiary of SAFCO Support Foundation. Via Frankfurt School of Finance & Management (FS), FMO funding will be used to contribute to SAFCO internal capacity building for risk management and corporate governance.

Frontier Techniques - Technical Assistance EUR 100,000

FMO funding will be used to contribute to provide advisory support for the second pilot phase of the Africa Resilience Investment Accelerator (ARIA). This project aims to unlock investment opportunities in transition states in Africa, including supporting the implementation of a tested working approach for DFI's collaborating in fragile contexts, resulting to country-by-country ecosystem building and a pipeline of bankable projects.

Global Private Capital Association - Technical Assistance EUR 105,879

The Global Private Capital Association (GPCA) is an independent, non-profit organization and a global industry association for private capital in emerging markets. The TA comprises two transactions. First, in-person training for GPCA's member general partners and FMO's regional general partners, focusing on raising awareness and promoting action towards climate action and adaptation. Secondly, ear-marked funding to hire a learning and development project manager for the digital education program.

Accion Venture Lab - Technical Assistance EUR 14,916

The main objectives of the assignment are to update Accion Venture Lab's (AVL) Environmental, Social and Governance (ESG) policy, develop an Environmental and Social Management System (ESMS) including tools and processes for pipeline investment and due diligence, and to provide training to AVL's staff on the newly developed ESG policy and accompanying ESMS and ESG implementation templates. AVL is a fintech venture capital fund that makes seed and early-stage venture capital investments in fintech companies that employ business models to enhance financial inclusion for the underbanked and unbanked populations in emerging markets globally.

InFrontier Limited - Development Contribution EUR 200,000

InFrontier Limited is a specialist investment firm focusing on frontier markets, and the fund manager of InFrontier AP LP which is an Afghanistan-focused, sector agnostic, first-time fund. InFrontier Limited invests in SMEs that are or have the potential to become market leaders in Afghanistan in high growth sectors such as financial services, telecom, agri-processing, healthcare, and consumer driven companies. FMO provides an emergency grant to support continued operations of InFrontier Limited's relocated offices in Uzbekistan and the United Arab Emirates (UAE). The grant will enable InFrontier to continue operations and support their portfolio companies.

INSEAD - Technical Assistance EUR 95,000

This project will allow beneficiaries to attend the masterclass "Leadership in the digital age", which will be collaboratively delivered by INSEAD followed by an exploratory visit to the Singapore Fintech Festival.

Agris Africa Limited - Development Contribution EUR 150,000

The beneficiary of development contribution is Agris Africa, an agricultural investment company and subsidiary of Maris Ltd. Agriculture (Food & Forestry). Agris specializes in the growing and distribution of fresh fruits, vegetables to local and international markets. The focus of this project is on sustainability in the packaging and management of shelf life of produce, to reduce food loss. This will both enhance market positioning of Agris and generate new and increased environmental and social impact.

MCE Empowering Sustainable Agriculture Fund - Development Contribution USD 160,000

MCE Social Capital (MCE) is a US-based non-profit impact investing firm that invests flexible capital in enterprises committed to generating sustainable livelihoods, with a focus on women and environmental and climate action, to allow these enterprises to scale and better serve their customers, their employees, and their communities. The Development Contribution Grant will benefit MCE Empowering Sustainable Agriculture Fund which focuses on achieving a sustainable agricultural ecosystem. This project will support to strengthen MCE's capabilities in two areas: (1) impact measurement and management and (2) risk management which will help boost the knowledge of MCE's existing staff and inform MCE's future staffing needs in these areas.

MCE Social Capital -Technical Assistance EUR 10,000

FMO's contribution will be used to perform an assessment on MCE Empowering Sustainable Agriculture Fund's (MESA) current operations focusing on responsible investment systems and particularly on identifying the potential gaps in their Client Protection systems (policies, practices, and processes). It is expected that results of the assessment will help to guide MESA's activities and improve its operations.

M-CRIL Limited - Technical Assistance EUR 150,929

Micro-Credit Ratings International Limited (M-CRIL) is a social enterprise that provides professional services for the economic enhancement of the lives and livelihoods of low-income families. FMO funding will be used to provide continued direct support to the portfolio companies (funds and MFIs) in Myanmar with the aim to preserve impact and enhance operational resilience amidst the prolonged economic and political crisis. Moreover, the funding aims to facilitate access to requisite resources and timely guidance to enhance the ability of FMO and BII as well as their portfolio companies to proactively anticipate and mitigate evolving risks.

O.C.N. Microinvest - Development Contribution EUR 14,405

Microinvest is one of the largest microfinance companies in the Republic of Moldova. FMO funding will be used to support Microinvest in the adherence to Client Protection Principles and ensure adoption through the obtention of the CERISE+SPTF certification.

Watu Credit Limited - Technical Assistance EUR 10,875 (Kenya) and Development Contribution EUR 10,875 (Uganda)

Watu Credit Limited is a customer-centric company that offers lease to own asset financing for motorcycles and three-wheelers that are used as taxis, creating an income generating business opportunity for mostly young male borrowers in rural areas across East Africa. FMO funding will be used to support Watu Credit Limited in the adherence to Client Protection Principles and ensure adoption through the obtention of the CERISE+SPTF certification.

M-Kopa Kenya Limited - Technical Assistance EUR 18,450

M-KOPA is an asset financing platform that offers millions of underbanked customers access to life-enhancing products and services. The company provides solar home systems and appliances, cookstoves, smartphones and digital financial services on a 'pay-as-you-go' basis, enabling customers in Kenya, Uganda, and Nigeria to access products that they would otherwise not be able to afford on a cash basis. FMO funding will be used to conduct a CPP assessment.

Alliance Finance Company PLC and Citizens Development Business Finance PLC - Technical Assistance EUR 10,500

Alliance Finance Company PLC (AFC) and Citizens Development Business Finance Plc (CDB) are financial institutions based in Sri Lanka. FMO funding will be used to conduct a CPP assessment.

Milliman INC - Technical Assistance EUR 181,118

Milliman is an international actuarial and consulting firm. This project aims to identify interventions to build resilience of MASSIF's current and future portfolio of clients and investees and their end beneficiaries. The first phase focusses on a scoping exercise involving various activities such as desk research, interviews with specific clients and partners, and internal stakeholder engagement within FMO. The primary objective of this phase is to identify key learning questions that need to be addressed throughout the project, as well as to determine the feasibility of conducting grant-funded pilots to achieve the project's overall objective.

Stichting Global Alliance for Banking on Values - Development Contribution EUR 39,850

The Global Alliance for Banking on Values (GABV) is the contracting party. It is a network of independent banks using finance to deliver sustainable economic, social, and environmental development. The GABV member banks - many of them also FMO clients in emerging markets - and their clients as ultimate beneficiaries, need to be able to access correspondent banking efficiently and at affordable terms. While the GABV cannot deliver this impact directly, it can help create the framework conditions so that access of its member banks to the international payments system will improve over time.

African Rivers Fund III - Development Contribution EUR 250,000

Development Contribution was granted to Stichting SME Business Support which is the Grantee Vehicle of FMO's investee fund African Rivers Fund III (ARF III). AFR III is a private equity fund that provides scarce capital to SMEs mainly in Angola, the Democratic Republic of the Congo and Uganda. FMO's contribution will be used to provide business support services to SME Portfolio Companies of ARF III via a Technical Assistance Facility.

Tech Accelerator (PTY) LTD - Technical Assistance EUR 180,000

The objective of the assignment is to support SBC AfriTech to expand their existing "ASIP Accelerator Program" to source from and include ventures from more challenging, second-tier markets than where they would focus without FMO funding. In addition, by becoming a key partner of this program, FMO has the opportunity to help prioritize selection criteria of the final 2 (of 4 total) cohorts around the sectors, sub-sectors, and issues deemed of interest.

The Lebanese Association for Development - Development Contribution USD 1,500,000

The Lebanese Association for Development – Al Majmoua (AM) is a large microfinance institution (non-deposit taking) in Lebanon, which was founded by Save the Children in 1994, and started its activities by providing group-loans to women in urban and rural areas. The objective of the funding is to provide support to AM to ensure business continuity by providing operational support and capital to build a "fresh" USD portfolio.

Value for Women - Technical Assistance EUR 95,000

Value for Women is a specialized advisory firm that helps organizations advance gender inclusion. The project will provide an opportunity for FMO to offer a set of investees in its portfolio, technical support that will help them integrate gender into their operations and track the business and impact benefits of those changes. Additionally, the project will contribute to building an emerging body of evidence that points to the business case for the inclusion of women across business operations.

Takura - Technical Assistance EUR 75,165

This assignment sets out to include gender inclusion as part of a larger impact framework and to update the fund's impact policy. Moreover, it aims to developing corresponding GLI tools and build the capacity of the Takura team on gender. Technical assistance is carried out via Value for Women Ltd.

Joliba Capital Fund I - Technical Assistance EUR 14,250

The objective of the assignment is to carry out a lean gender diagnostic, and co-create a Gender Action Plan to outline and document Joliba Capital's commitment to gender-inclusive practices - at both fund and portfolio levels. These commitments will amount at minimum to alignment with the 2X Challenge Criteria thresholds and will outline how Joliba Capital commits to striving to deeper gender inclusion beyond 2X minimum thresholds. Technical assistance is carried out via Value for Women Ltd.

Board Excellence Ltd - Technical Assistance EUR 4,240

The assignment is aimed to design and facilitate an interactive 3-hour 'Corporate Governance' workshop, to be hosted at the FMO office in The Hague. Target audience is the FMO Ventures Team and other relevant FMO colleagues and target beneficiaries (indirectly) are the FMO Ventures companies.

VILCAP, INC. - Development Contribution USD 1,791,290

Village Capital is an organization that supports impact-driven seed-stage start-up companies. They strategically partner with locally led organizations to ensure a tailored approach to the existing needs and resources in the ecosystem. As part of the Reducing Inequalities Catalyst project, the funding objective is to support FMO's ambition in scaling inclusive businesses that contribute to reducing inequalities. Through this partnership FMO will work with Village Capital as a service provider for the end-end grant management under the project as well as bring in thought leadership and experience of using innovative finance models to increase impact – an important component for FMO's market creation ambition.

Dalberg Consulting US LLC - Technical Assistance EUR 47,500

Dalberg will lead a scoping study to develop a practical and scalable mechanism to finance social enterprises as per the effort started by the Catalyst 2030 working group on this topic. Over a 12-week period, Dalberg will 1) synthesize existing knowledge and develop capital provider archetypes based on financial return expectations; then 2) conduct a series of workshops with institutional capital providers to understand and ideate solutions on what it would take to place capital into these different social enterprise capital provider archetypes. The final deliverable will be an action plan to bring to life a scalable financing mechanism working closely with the Catalyst 2030 working group members.

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. These commitments are not prescribed by law but have been made on a voluntary basis by FMO N.V.

2X Global	FMO is a member of 2X Global, a field building organization for gender finance. Since 2018 FMO has also been a participant in the 2X Challenge, now an initiative of 2X Global. The 2X Challenge is a collective commitment of DFIs to mobilise gender lens investment in developing country markets.	Member
Accelerating Investment in Adaptation and Resilience	We are a signatory member to the Adaptation and Resilience Investors Collaborative, an international partnership of development finance organizations. We have committed to substantially increase investments in climate adaptation and resilience to support vulnerable developing and emerging countries.	Signatory
Client Protection Principles	FMO has adopted the CPP which set the minimum standards that end-customers should expect to receive when doing business with a financial service provider.	Adopter
Consultative Group to Assist the Poor	We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.	Member
COP26 Joint Statement on Public Finance	We commit to supporting the clean energy transition and end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.	Signatory
Corporate Governance Development Framework	We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.	Adopter
Dutch Climate Accord	We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord. In 2022, we published our Climate Action Plan, which is available on our website.	Signatory
EDFI Principles for Responsible Financing of Sustainable Development	FMO upholds the EDFI Principles for Responsible Financing of Sustainable Development.	Signatory
EDFI statement on climate and energy finance	We commit to this statement where EDFI group outlines shared commitments to phase out fossil fuels and mobilise private sector climate finance, aligning with Paris Agreement and high disclosure standards.	Signatory
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. 1	Signatory
European Microfinance Platform	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.	Member
Financial Action Task Force	We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.	Adopter
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 and resources production.	Member
Global Private Capital Association	We are a member of the GPCA. This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.	Member

	Global Reporting Initiative (GRI) 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.	Adopter
	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 customer in relation to project-level activities.	Adopter
	ILO Standards We follow the set of ILO legal instruments that set out basic principles and rights at work.	Adopter
	IFRS Foundation - Integrated Reporting Framework 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.	Adopter
	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
	Netherlands Advisory Board on Impact Investing FMO is an active member of the Netherlands Advisory Board (NAB) on Impact Investing - a foundation 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.	Member
	OECD Guidelines for Multinational Enterprises We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.	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. FMO publishes a report every year to disclose how it has interpreted and applied these nine principles. These reports are available on our website.	Signatory
	Partnership for Carbon Accounting Financials 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 and investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.	Signatory
	Principles of Repsonsible Investment FMO applies the six principles of the PRI: 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). FMO's latest report is available on the PRI website.	Signatory
	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
	Task Force on Climate-Related Financial Disclosures | TCFD We have been reporting in line with TCFD guidelines since 2019, disclosing climate related risks and opportunities for FMO, as well as our work to embed climate related risks within FMO's risk framework. Please refer to the latest TCFD report available on our website for more information.	Signatory
	The Paris Development Banks Statement on Gender Equality and Women's Empowerment This statement calls for accelerating the realization of gender equality and the empowerment of all women and girls through the international financial system. We recognize our substantive role in the achievement of the SDGs.	Signatory
	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
	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

UNEP FI | Principles for responsible banking	**UNEP FI | Principles for responsible banking** FMO reports every year on how it has progressed towards implementing these principles. These reports are available on our website	Signatory

1 After participating as an active member for more than 18 years in the Equator Principles, FMO has decided to discontinue its membership. More details can be found on the FMO website.

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
FRC	Financial Risk 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	2023	2022
Assets			
Banks	(1)	5,363	9,545
Current account with FMO	(2)	-	147
Short-term deposits	(3)	102,200	59,833
Loan portfolio	(4)		
- of which: Amortized cost		78,693	107,616
- of which: Fair value through profit or loss		21,415	27,050
Equity investments	(6)	219,269	213,593
Investments in associates	(7)	10,463	9,955
Other financial assets at FV	(8)	24,601	32,872
Other receivables	(9)	1,411	34,926
Accrued income	(10)	19	3,089
Total assets		**463,434**	**498,626**
Liabilities			
Current account with FMO	(11)	5	-
Other liabilities	(12)	22	14
Accrued liabilities	(13)	10,319	6,854
Provisions	(14)	639	200
Total liabilities		**10,985**	**7,068**
Fund capital			
Contribution DGIS previous years		352,840	352,840
Contribution DGIS current year		-	-
Total contribution DGIS	**(15)**	**352,840**	**352,840**
Initial contribution FMO		7,778	7,778
Total contribution FMO	**(15)**	**7,778**	**7,778**
Translation reserve		807	1,148
Other reserves		68,697	68,697
Undistributed results previous years		61,095	42,033
Net profit / (loss)		-38,768	19,062
Total fund capital	**(15)**	**452,449**	**491,558**
Total liabilities and fund capital		**463,434**	**498,626**
Effective guarantees issued	(22)	3,636	2,228
Irrevocable facilities	(22)	94,437	94,801
Total subsidy allocated to MASSIF (including HMA Skopje)		414,096	345,096
Total subsidy withdrawn from DGIS for MASSIF		345,096	345,096
"Total subsidy available MASSIF"		**69,000**	**-**
Subsidy received by G-20 SME Finance Challenge		7,744	7,744

Statement of comprehensive income

At December 31

	Notes	2023	2022
Income			
Interest income from financial instruments measured at AC		5,163	11,589
Interest income from financial instruments measured at FVPL		5,370	1,634
Interest expenses from financial instruments measured at AC		-	-11
Net interest income	**(16)**	**10,533**	**13,212**
Fee and commission income	(17)	197	235
Results from equity investments	(19)	-10,471	5,594
Dividend income	(18)	2,854	222
Results from financial transactions	(20)	-16,263	18,501
Total income		**-13,150**	**37,764**
Expenses			
Remuneration FMO		-10,073	-11,518
Capacity development expenses		-6,299	-4,653
Evaluation expenses		-178	-133
Other operating expenses		-1	-1
Total expenses	**(21)**	**-16,551**	**-16,305**
Impairments on			
Loans	(4)	-9,465	-2,935
Loan commitments		-79	-68
Guarantees issued		-368	-10
Total impairments		**-9,912**	**-3,013**
Results on associates			
Share in the result of associates	(7)	845	616
Net profit / (loss)		**-38,768**	**19,062**
Other comprehensive income			
Translation reserve	(7)	-341	488
Other comprehensive income		**-341**	**488**
Total comprehensive income / (loss)		**-39,109**	**19,550**

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, 2022	**352,840**	**7,778**	**660**	**68,697**	**38,359**	**3,674**	**472,008**
Exchange differences on translating associates	-	-	488	-	-	-	488
Transfer net profit/(loss) PY to Undistr. Results	-	-	-	-	3,674	-3,674	-
Results current year	-	-	-	-	-	19,062	19,062
Net balance at December 31, 2022	**352,840**	**7,778**	**1,148**	**68,697**	**42,033**	**19,062**	**491,558**
Net balance at January 1, 2023	**352,840**	**7,778**	**1,148**	**68,697**	**42,033**	**19,062**	**491,558**
Exchange differences on translating associates	-	-	-341	-	-	-	-341
Transfer net profit/(loss) PY to Undistr. Results	-	-	-	-	19,062	-19,062	-
Results current year	-	-	-	-		-38,768	-38,768
Net balance at December 31, 2023	**352,840**	**7,778**	**807**	**68,697**	**61,095**	**-38,768**	**452,449**

Statement of cash flows

At December 31

	Notes	2023	2022
Cash from operating activities			
Inflows			
Interest received on loans		8,094	10,840
Repayments on loans	(4)	52,468	57,204
Repayments on development contributions		-	312
Sales of equity instruments (book value)		5,253	17,985
Results from equity investments		2,239	3,615
Results from sale to FMO		-	33,260
Dividends and fees received		2,470	447
Other received amounts [2]		46,370	760
Outflows			
Disbursements on loans	(4)	-34,854	-31,606
Investments in equity instruments and associates	(6),(7)	-23,643	-13,782
Disbursements on development contributions		-6,051	-3,514
Other financial assets investment		-1,165	-
Management fees FMO	(21)	-10,073	-11,518
Other paid amounts		-183	-37,079
Net cash from operating activities		**40,925**	**26,924**
Cash flow financing activities			
Contribution DGIS current year	(15)	-	-
Net cash from financing activities		**-**	**-**
Net change in cash & cash equivalent		**40,925**	**26,924**
Position of cash at January 1 [1]		69,525	40,259
Foreign exchange translation		-2,892	2,342
Position of cash at end of period [1]		**107,558**	**69,525**

1 Cash includes current account with FMO.

2 Other received amounts includes a payment of 33 million for the Hamkorbank transfer to FMO at the end of 2022.

Summary of material 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 (2.16% equity) and the Dutch State (97.84% 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, short-term deposits and other financial assets are mandatorily measured at fair value through profit and loss;
- A part of the loan portfolio is mandatorily measured at fair value (refer to business model assessment and contractual cash flow assessment in this chapter below).

The material accounting policies adopted are set out below.

Adoption of new standards, interpretations and amendments

There are no new standards, interpretations or amendments adopted that have an impact on MASSIF.

Issued but not yet adopted standards

MASSIF has assessed the amendments and new standards and does not expect them to have a significant impact on these financial statements.

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 expected credit loss allowance in accordance with IFRS 9;

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;

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 statement of financial position 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 statement of profit or loss under ‘Results from financial transactions’.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. When a gain or loss for non-monetary financial asset is recognized through FVOCI (fair value through other comprehensive income), any foreign exchange component of the gain or loss is also recognized through FVOCI.

When preparing the annual accounts, the Fund's share in associates is translated at the exchange rates at the reporting 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 an entity’s opening net asset value at closing rate, are recognized directly in the translation reserve within the Fund's 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 statement of financial position 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.

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.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Fund accounts for the Day 1 profit or loss.

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.

Cash and cash equivalents
Cash and cash equivalents consist of balances with banks, current account with FMO and short-term deposits that mature in less than three months from the date of acquisition. Short-term deposits consist 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 statement of financial position 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 the statement of profit or loss.

Equity investments

Equity investments on the statement of financial position 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 the statement of profit or 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 the statement of profit or loss.

Other financial assets at FV

Other financial assets reflect the Dutch State's investment in the Ventures Program. The Program is a structured entity and is a co-investment between FMO, the Dutch Government and the European Commission. Following the specific conditions the investment of the State Funds in the asset is classified as “Other financial assets at fair value”.

These financial assets are accounted for at fair value through profit or loss. The underlying equity investments (financial assets) in the Ventures Program are measured mandatorily at FVPL and the valuation of these assets form the basis of the value attributable to the program's co-investors. Refer to the 'Fair value of financial assets and liabilities' note for the description of the valuation technique applied to these financial liabilities.

Revaluation of other financial assets is reported under 'Results from financial transactions'.

Financial assets – Impairment

The Fund estimates an allowance for expected credit losses for all financial assets and financial guarantee contracts issued (off balance items) in scope of IFRS 9 impairment assessment.

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-weighed 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 Financial Risk Committee (FRC) 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).

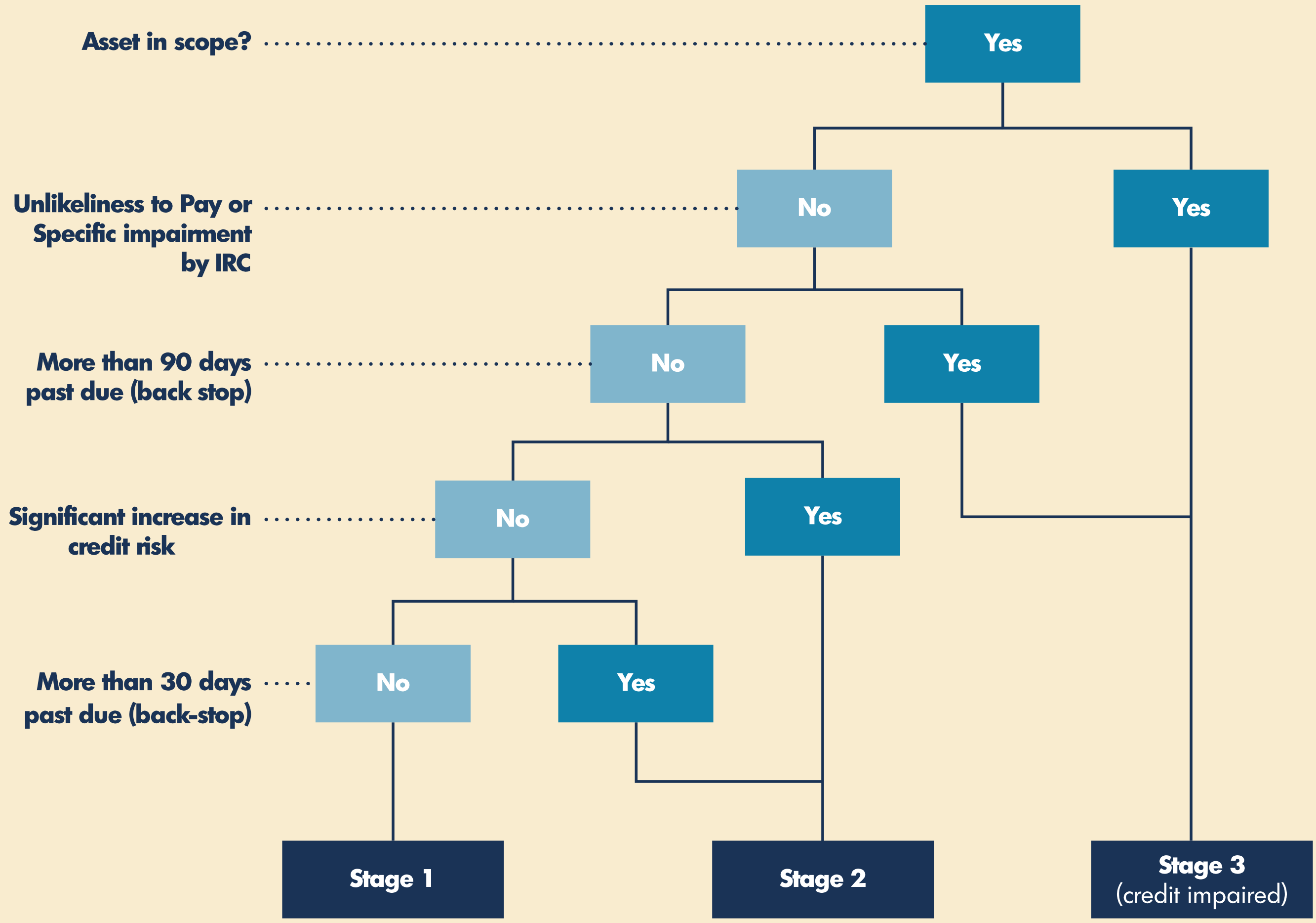
Definition of default (Stage 3)

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 FRC 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 FRC 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 FRC is advised to consider a write-off.

Write-offs are charged against previously booked impairments. If no specific impairment is recorded on basis of FRC 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 be recognized again on the statement of financial position as equity. For modifications in interest percentages or tenor changes of existing amortized cost loans that do not pass the SPPI test, the loan will also be derecognised and will be recognised as new loans on the Fund's statement of financial position 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 statement of financial position. 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.

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'.

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 'Net interest income: interest income and expense' and 'Fee and commission income and expense'. These fees are recognized as revenue on an accrual basis over the period committed.

Provisions resulting from guarantees are included in the 'Provisions' line item.

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.

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 and the investment in the Ventures Program are recognized in the profit and loss immediately under 'Results from financial transactions'.

Capacity development expenses and contributions

Development contributions disbursed to recipients are recognized 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 recognized as an expense in the profit and loss account when the Fund incurs an irrevocable obligation to disburse the amount.

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.

Statement of cash flows

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

Undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Fund is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL allowances are disclosed in Note 21.

Notes to the annual accounts

1. Banks

	2023	2022
Banks	5,363	9,545
Balance at December 31	**5,363**	**9,545**

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

2. Current accounts (assets)

	2023	2022
Current account with FMO	-	147
Balance at December 31	**-**	**147**

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 money market funds, which are measured at FVPL. Short-term deposits have a maturity of less than three months.

	2023	2022
Money market funds	102,200	59,833
Balance at December 31	**102,200**	**59,833**

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 2023
Balance at January 1, 2023	**142,984**	**27,050**	**170,034**
Disbursements	28,973	5,881	34,854
Repayments	-43,647	-8,821	-52,468
Write-offs / disposed	-7,305	-1,592	-8,897
Derecognized and/or restructured loans	-98	-	-98
Changes in amortizable fees	29	-9	20
Changes in fair value	-	-387	-387
Changes in accrued income	-2,285	-3	-2,288
Exchange rate differences	-1,485	-704	-2,189
Balance at December 31, 2023	**117,166**	**21,415**	**138,581**
Impairment	-38,473	-	-38,473
Total balance at December 31, 2023	**78,693**	**21,415**	**100,108**

	Loans measured at AC	Loans measured at FVPL	Total 2022
Balance at January 1, 2022	163,266	28,288	191,554
Disbursements	27,312	4,294	31,606
Loan Participation/Sale Post Disbursement	-6,322	-	-6,322
Repayments	-46,909	-3,973	-50,882
Write-offs / disposed	-4,194	-4,718	-8,912
Derecognized and/or restructured loans	-	-	-
Changes in amortizable fees	72	-26	46
Changes in fair value	-	1,577	1,577
Changes in accrued income	1,460	9	1,469
Exchange rate differences	8,299	1,599	9,898
Balance at December 31, 2022	**142,984**	**27,050**	**170,034**
Impairment	-35,368	-	-35,368
Total balance at December 31, 2022	**107,616**	**27,050**	**134,666**

The following table summarizes the loans segmented by sector:

	2023				
Loans segmented by sector	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
Financial Institutions	45,358	6,694	20,485	16,384	88,921
Energy	-	-	-	-	-
Agribusiness	6,156	-	-	5,031	11,187
Net balance at December 31	**51,514**	**6,694**	**20,485**	**21,415**	**100,108**

	2022				
Loans segmented by sector	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
Financial Institutions	71,172	6,853	20,503	21,608	120,136
Energy	-	5,828	-	-	5,828
Agribusiness	3,260	-	-	5,442	8,702
Net balance at December 31	**74,432**	**12,681**	**20,503**	**27,050**	**134,666**

	2023				
Loans segmented by geographical area	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
Africa	24,420	2,377	11,119	9,372	47,288
Asia	2,921	4,317	9,221	4,792	21,251
Latin America & the Carribbean	6,533	-	145	-	6,678
Europe & Central Asia	8,743	-	-	6,837	15,580
Non - region specific	8,897	-	-	414	9,311
Net balance at December 31	**51,514**	**6,694**	**20,485**	**21,415**	**100,108**

	2022				
Loans segmented by geographical area	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
Africa	19,535	11,014	12,689	5,933	49,171
Asia	9,747	382	7,814	3,574	21,517
Latin America & the Carribbean	21,716	1,285	-	-	23,001
Europe & Central Asia	13,015	-	-	15,263	28,278
Non - region specific	10,419	-	-	2,280	12,699
Net balance at December 31	**74,432**	**12,681**	**20,503**	**27,050**	**134,666**

	2023	2022
Gross amount of loans to companies in which FMO has equity investments	1,042	-
Gross amount of subordinated loans	15,042	10,563

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 2023	**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, 2022	**75,287**	**-855**	**12,956**	**-275**	**54,741**	**-34,238**	**142,984**	**-35,368**
Additions	20,833	-601	3,089	-139	-	-	23,922	-740
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-25,814	32	-6,545	85	-7,086	3,597	-39,445	3,714
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-2,285	99	2,285	-99	-	-	-	-
Transfers to Stage 3	-13,548	100	-	-	13,548	-100	-	-
Modifications of financial assets (including derecognition)	8	-	-4,307	-	5,051	-	752	-
Changes in risk profile not related to transfers	-	399	-	-235	-	-12,699	-	-12,535
Amounts written off	-	-	-	-	-7,305	7,305	-7,305	7,305
Changes in amortizable fees	-30	-	32	-	28	-	30	-
Changes in accrued income	-188	-	139	-	-2,237	-	-2,286	-
Foreign exchange adjustments	-1,949	26	-303	11	766	-886	-1,486	-849
At December 31, 2023	**52,314**	**-800**	**7,346**	**-652**	**57,506**	**-37,021**	**117,166**	**-38,473**

Changes in loans to the private sector at AC in 2022	**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, 2021	71,798	-960	33,417	-1,104	58,051	-32,794	163,266	-34,858
Additions	26,495	-435	752	-85	-	-	27,247	-520
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-39,759	177	-9,630	55	-3,842	429	-53,231	661
Transfers to Stage 1	16,324	-497	-16,324	497	-	-	-	-
Transfers to Stage 2	-3,942	77	3,942	-77	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Modifications of financial assets (including derecognition)	-714	-	778	-	-	-	64	-
Changes in risk profile not related to transfers	-	856	-	469	-	-4,446	-	-3,121
Amounts written off	-	-	-	-	-4,194	4,194	-4,194	4,194
Changes in amortizable fees	-37	-	54	-	54	-	71	-
Changes in accrued income	-27	-	-181	-	1,668	-	1,460	-
Foreign exchange adjustments	5,149	-73	148	-30	3,004	-1,621	8,301	-1,724
At December 31, 2022	**75,287**	**-855**	**12,956**	**-275**	**54,741**	**-34,238**	**142,984**	**-35,368**

Total impairments on loans in the profit and loss account	**2023**	**2022**
Additions	-740	-520
Exposure derecognised or matured/lapsed (excluding write - offs)	-3,591	661
Changes in risk profile (including changes in accounting estimates)	-5,230	-3,121
Recoveries (written off loans)	-	-
Other	96	45
Balance at December 31	**-9,465**	**-2,935**

5. ECL allowances - assessment

ECL allowances are calculated for Banks, 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, 2023

ECL allowance - Stage 2 trigger assessment	Loans to private sector	Guarantees	Loan commitments	Total
More than 30 days past due	-	-	-	-
Forbearance	-	-	-	-
Deterioration in credit risk rating - financial difficulties	-652	-21	-	-673
Total	**-652**	**-21**	**-**	**-673**

December 31, 2022

ECL allowance - Stage 2 trigger assessment	Loans to private sector	Guarantees	Loan commitments	Total
More than 30 days past due	-	-	-	-
Forbearance	-	-	-	-
Deterioration in credit risk rating - financial difficulties	-275	-	-2	-277
Total	**-275**	**-**	**-2**	**-277**

The following table shows the values of the IMF GDP forecasts used in each of the economic scenarios for the ECL calculations for 2023 and 2024. 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 2023. 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	2024	2023
Sub-Saharan Africa	4.0%	3.3%
Ethiopia	6.2%	6.1%
Nigeria	3.1%	2.9%
Georgia	4.8%	6.2%
Zimbabwe	3.6%	4.1%
Palestine	2.7%	3.0%
Myanmar	2.6%	2.6%
Cote D Ivoire	6.6%	6.2%
Cambodia	6.1%	5.6%
Kenya	5.3%	5.0%

Note that macroeconomic scenarios have been updated by using the latest available information by the IMF, as published in October 2023.

December 31, 2023	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector	Guarantees	Total
ECL Scenario:					
Upside	42,281	2%	838	8	846
Base case	42,918	50%	21,256	203	21,459
Downside	44,108	48%	20,965	207	21,172
Total		**100%**	**43,059**	**418**	**43,477**

December 31, 2022	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector	Guarantees	Total
ECL Scenario:					
Upside	35,076	2%	701	-	701
Base case	35,567	50%	17,772	11	17,784
Downside	36,331	48%	17,421	18	17,439
Total		**100%**	**35,894**	**29**	**35,924**

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, 2023	**213,593**
Purchases and contributions	23,643
Reclassification from loans	-
Return of Capital	-6,727
Changes in fair value	-11,240
Other	-
Net balance at December 31, 2023	**219,269**

	Equity measured at FVPL
Net balance at January 1, 2022	**270,323**
Purchases and contributions	11,509
Reclassification from loans	-
Return of Capital	-55,857
Changes in fair value	6,602
Other	-18,984
Net balance at December 31, 2022	**213,593**

The following table summarizes the equity investments segmented by sector:

	2023	2022
Financial Institutions	117,756	107,671
Energy	2,192	1,914
Agribusiness	2,597	3,444
Multi-Sector Fund Investments	82,491	85,523
Infrastructure, Manufacturing and Services	14,233	15,041
Net balance at December 31	**219,269**	**213,593**

7. Investments in associates

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

	2023	2022
Net balance at January 1	9,955	8,851
Purchases and contributions	-	-
Share in net results	845	616
Exchange rate differences	-337	488
Net balance at December 31	**10,463**	**9,955**

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

The following table summarizes the associates segmented by sector.

	2023	2022
Financial Institutions	10,463	9,955
Net balance at December 31	**10,463**	**9,955**

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	6,120	40%	6,120	-	-	-
SFC Finance Limited	4,343	31%	10,209	5,866	829	277

8. Other financial assets

	2023	2022
Other financial assets at FV [1]	24,601	32,872
Balance at December 31	**24,601**	**32,872**

1 Other financial assets at FV relate to FMO's Ventures Program

9. Other receivables

	2023	2022
Receivables related to equity disposals and dividends	1,183	34,719
Fee receivables	228	207
Balance at December 31	**1,411**	**34,926**

Other receivables related to equity disposals 2022 relates to the equity transfer of JSCB Hamkorbank from MASSIF to FMO of €32 million.

10. Accrued income

	2023	2022
Suspense account	-	3,077
Accrued income guarantee fee	19	12
Balance at December 31	**19**	**3,089**

11. Current accounts (liabilities)

	2023	2022
Current account FMO	5	-
Balance at December 31	**5**	**-**

12. Other liabilities

	2023	2022
Amortized costs related to guarantees	22	14
Balance at December 31	**22**	**14**

13. Accrued liabilities

	2023	2022
Bank suspense account	412	-
Accrued costs capacity development	7,019	6,854
Prepayments Ventures/Nasira	888	-
Prepayment Market Creation Platform	2,000	
Balance at December 31	**10,319**	**6,854**

14. Provisions

	2023	2022
Allowance for loan commitments	232	177
Allowance for guarantees	407	23
Balance at December 31	**639**	**200**

15. Contributed fund capital and reserves

	2023	2022
Contributed Fund Capital	352,840	352,840
Initial contribution FMO	7,778	7,778
Contribution DGIS current year	-	-
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.

	2023	2022
Other reserves	68,697	68,697
Balance at December 31	**68,697**	**68,697**

Undistributed results	2023	2022
Balance at January 1	61,095	42,033
Net profit / (loss)	-38,768	19,062
Balance at December 31	**22,327**	**61,095**

16. Net interest income

Interest income

	2023	2022
Interest on loans measured at AC	4,741	11,589
Interest income related to banks	422	-
Total interest income from financial instruments measured at AC	5,163	11,589
Interest on loans measured at FVPL	862	927
Interest on short-term deposits	4,508	707
Total interest income from financial instruments measured at FVPL	5,370	1,634
Total interest income	**10,533**	**13,223**

Interest expense

	2023	2022
Interest expenses related to banks (assets)	-	-11
Total interest expense	**-**	**-11**

17. Net fee and commission income

	2023	2022
Administration fees	79	123
Guarantee fees related to unfunded risk participants	24	112
Other fees (arrangement, cancellation and waiver fees)	94	-
Net fee and commission income	**197**	**235**

18. Dividend income

Dividend income relates to income from equity investments.

	2022	2022
Dividend income direct investments	2,739	82
Dividend income fund investments	115	140
Total dividend income	**2,854**	**222**

19. Results from equity investments

	2023	2022
Results from equity investments:		
Unrealized results from FX conversions - cost price	-5,607	8,992
Unrealized results from FX conversions - capital results	539	2,017
Unrealized results from capital results	-6,175	-4,408
Results from Fair value re-measurements	**-11,243**	**6,601**
Results from sales & distributions:		
Realized results	-3,937	29,684
Release unrealized results	4,709	-30,691
Net results from sales	**772**	**-1,007**
Total results from equity investments	**-10,471**	**5,594**

20. Results from financial transactions

	2023	2022
Results on sales and valuations of FVPL loans	-1,479	-3,140
Foreign exchange results	-5,349	10,015
Results on Ventures Program	-9,435	11,626
Total results from financial transactions	**-16,263**	**18,501**

21. Expenses

	2023	2022
Remuneration FMO	-10,073	-11,518
Capacity development expenses	-6,299	-4,653
Evaluation expenses	-178	-133
Other operating expenses	-1	-1
Total operating expenses	**-16,551**	**-16,305**

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.

22. 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:

	2023	2022
Contingent liabilities		
Effective guarantees issued	3,636	2,228
Total guarantees issued	**3,636**	**2,228**

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 2023 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:

	2023	2022
Irrevocable facilities		
Contractual commitments for disbursements of:		
- Loans	32,030	27,733
- Development contributions	45	-
- Equity investments and associates	60,445	65,330
Contractual commitments for financial guarantees given	1,917	1,738
Total irrevocable facilities	**94,437**	**94,801**

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

Movement financial guarantees in 2023	**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, 2023	3,966	-23	-	-	-	-	3,966	-23
Additions	4,023	-23	-	-	187	-	4,210	-23
Exposures matured (excluding write-offs)	-1,978	10	-53	-	-	-	-2,031	10
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-743	5	743	-5	-	-	-	-
Transfers to Stage 3	-467	4	-	-	467	-4	-	-
Changes to models and inputs used for ECL calculations	-	4	-	-16	-	-363	-	-375
Foreign exchange adjustments	-462	4	-109	-	-21	-	-592	4
At December 31, 2023	**4,339**	**-19**	**581**	**-21**	**633**	**-367**	**5,553**	**-407**

Movement financial guarantees in 2022	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, 2022	3,726	-13	-	-	-	-	3,726	-13
Additions	2,807	-15	-	-	-	-	2,807	-15
Exposures matured (excluding write-offs)	-2,661	9	-	-	-	-	-2,661	9
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-4	-	-	-	-	-	-4
Foreign exchange adjustments	94	-	-	-	-	-	94	-
At December 31, 2022	**3,966**	**-23**	**-**	**-**	**-**	**-**	**3,966**	**-23**

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

Movement of loans commitments in 2023	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, 2023	16,291	-175	120	-2	-	-	16,411	-177
Additions	44,261	-363	4,942	-58	-	-	49,203	-421
Exposures derecognised or matured (excluding write-offs)	-31,381	302	-8,150	158	-	-	-39,531	460
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-3,085	52	3,085	-52	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-55	-	-44	-	-	-	-99
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-770	7	3	-2	-	-	-767	5
At December 31, 2023	**25,316**	**-232**	**-**	**-**	**-**	**-**	**25,316**	**-232**

Movement of loans commitments in 2022	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, 2022	7,470	-78	1,557	-11	4,833	-	13,860	-89
Additions	63,912	-476	1,103	-198	-	-	65,015	-674
Exposures derecognised or matured (excluding write-offs)	-55,751	465	-2,641	184	-5,411	-	-63,803	649
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-78	-	35	-	-	-	-43
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	660	-8	101	-12	578	-	1,339	-20
At December 31, 2022	**16,291**	**-175**	**120**	**-2**	**-**	**-**	**16,411**	**-177**

23. 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, 2023	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	102,200	-	102,200
Loans to the private sector	21,415	-	21,415
Equity investments	219,269	-	219,269
Other financial assets at FV	24,601	-	24,601
Total	**367,485**	**-**	**367,485**
Financial assets not measured at fair value			
Banks	-	5,363	5,363
Loans to the private sector	-	78,693	78,693
Current accounts	-	-	-
Other receivables	-	1,411	1,411
Accrued income	-	19	19
Total	**-**	**85,486**	**85,486**
Financial liabilities not measured at fair value			
Current accounts	-	5	5
Other liabilities	-	22	22
Accrued liabilities	-	10,319	10,319
Provisions	-	639	639
Total	**-**	**10,985**	**10,985**

December 31, 2022	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	59,833	-	59,833
Loans to the private sector	27,050	-	27,050
Equity investments	213,593	-	213,593
Other financial assets at FV	32,872	-	32,872
Total	**333,348**	**-**	**333,348**
Financial assets not measured at fair value			
Banks	-	9,545	9,545
Loans to the private sector	-	107,616	107,616
Current accounts	-	147	147
Other receivables	-	34,926	34,926
Accrued income	-	3,089	3,089
Total	**-**	**155,323**	**155,323**
Financial liabilities not measured at fair value			
Other liabilities	-	14	14
Accrued liabilities	-	6,854	6,854
Provisions	-	200	200
Total	**-**	**7,068**	**7,068**

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 Financial Risk Committee (FRC). The FRC 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.

Other financial assets carried at FVPL represent amounts attributable to the Dutch State in return for their co-investment in the FMO Ventures Program. The amount attributable to co-investors is based on a predefined value sharing waterfall which utilizes the values of the underlying investments in the program. The underlying investments in the program are valued using the existing equity investment fair valuation techniques described in the paragraphs above. The waterfall calculation defines the timing and amount of distributions to respective co-investors and is therefore applied to estimate the fair values of the related financial asset.

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	**2023**		**2022**	
At December 31	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Banks	5,363	5,363	9,545	9,545
Loans to the private sector at AC	78,693	76,266	107,616	101,270
Total non fair value financial assets	**84,056**	**81,629**	**117,161**	**110,815**

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, 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	102,200	-	-	102,200
Loans to the private sector mandatory at FVPL	-	-	21,415	21,415
Equity investments	13,036	-	206,233	219,269
Other financial assets at FV [1]	-	-	24,601	24,601
Total financial assets at fair value	**115,236**	**-**	**252,249**	**367,485**

1 The valuation of the Other financial assets is related to VC and the valuation is derived from the waterfall.

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits mandatory at FVPL	59,833	-	-	59,833
Loans to the private sector mandatory at FVPL	-	-	27,050	27,050
Equity investments	5,877	-	207,716	213,593
Other financial assets at FV	-	-	32,872	32,872
Total financial assets at fair value	**65,710**	**-**	**267,638**	**333,348**

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, 2023	**27,050**	**207,716**	**234,766**
Total gains or losses			
· In profit and loss (changes in fair value)	-387	-13,299	-13,686
Purchases/disbursements	5,881	23,643	29,524
Sales/repayments	-8,821	-6,724	-15,545
Write-offs	-1,592	-	-1,592
Accrued income	-12	-	-12
Exchange rate differences	-704	-5,103	-5,807
Changes in amortizable fees	-	-	-
Reclassification Loans versus Equity	-	-	-
Other	-	-	-
Balance at December 31, 2023	**21,415**	**206,233**	**227,648**

	Loans to the private sector	Equity investments	Total
Balance at January 1, 2022	**28,288**	**256,395**	**284,683**
Total gains or losses			
· In profit and loss (changes in fair value)	1,577	3,034	4,611
Purchases/disbursements	4,294	11,509	15,803
Sales/repayments	-3,973	-55,857	-59,830
Write-offs	-4,718	-	-4,718
Accrued income	-17	-	-17
Exchange rate differences	1,599	11,619	13,218
Changes in amortizable fees	-	-	-
Reclassification Loans versus Equity	-	-	-
Other	-	-18,984	-18,984
Balance at December 31, 2022	**27,050**	**207,716**	**234,766**

Type of debt investment	Fair value at December 31, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	414	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/lower fair value of approx €40k.
	330	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch wil result 1.5% increase/decrease
	1,174	Credit impairment	n/a	n/a
Debt Funds	19,497	Net Asset Value	n/a	n/a
Total	**21,415**			

Type of equity investment	Fair value at Dec 31, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	122,602	Net Asset Value	n/a	n/a
Private equity direct investments	77,693	Book multiples	1.0	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €8 million.
	5,289	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 €1 million.
	649	Firm offers	Based on offers received from external parties	n/a
Total	**206,233**			

24. 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 and 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 (2023: €10.1 million; 2022: €11.5 million). FMO is also a minor contributor to the fund with a total contribution of €7.8 million in 2023 (2022: €7.8 million)

25. Subsequent events

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

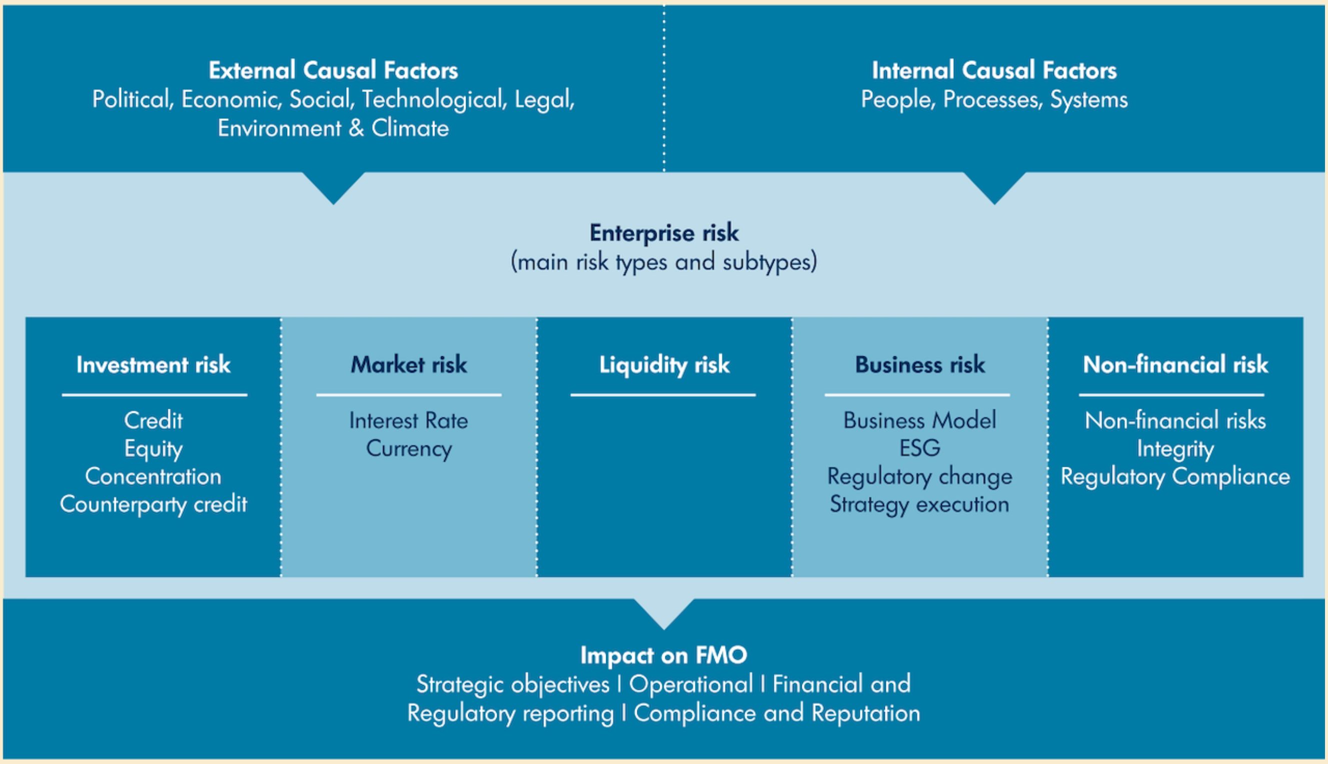
Organization of risk management

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 Financial Risk Committee (FRC). The larger and higher risk exposures are accompanied by the advice of the Credit department. If the Financial Risk 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 ≥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 (97.84%) and a contribution from FMO (2.16%). Total contribution from the Dutch government is €352,8 million on 31 December 2023. 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 €452.4 million in 2023 (2022: €491.6 million).

Financial risk

Credit risk

Definition

Credit risk is defined as the risk that the bank will suffer an economic loss because a customer fails to meet its obligations in accordance with agreed terms.

Risk appetite and governance

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 FRC.

Exposures and credit scoring

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).

The following table shows massif's total gross exposure to credit risk at year-end. The exposures, including derivatives, are shown gross, before impairments and the effect of mitigation using third-party guarantees, master netting, or collateral agreements. Regarding derivative financial instruments, only the ones with positive market values are presented. The maximum exposure to credit risk decreased during the year to € 289.2 million at year-end 2023 (2022: €309.9 million).

Maximum exposure to credit risk

	2023	2022
On balance		
Banks	5,363	9,545
Short-term deposits	102,200	59,833
Loans to private sector		
- of which: Amortized cost	117,719	143,584
- of which: Fair value through profit or loss	24,906	30,201
Current accounts	-	147
Other receivables	1,411	34,894
Total on-balance	**251,599**	**278,204**
Off-balance		
Contingent liabilities	3,636	2,228
Irrevocable facilities	33,992	29,471
Total off-balance	**37,628**	**31,699**
Total credit risk exposure	**289,227**	**309,903**

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.

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, 2023 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+)	30,603	-	-	14,879	45,482
F14-F16 (B-,B,B+)	21,271	-	-	6,559	27,830
F17 and lower (CCC+ and lower)	870	7,387	57,588	3,468	69,313
Sub-total	**52,744**	**7,387**	**57,588**	**24,906**	**142,626**
Less: amortizable fees	-430	-41	-82	-	-553
Less: ECL allowance	-800	-652	-37,021	-	-38,473
FV adjustments	-	-	-	-3,491	-3,491
Carrying value	**51,514**	**6,694**	**20,485**	**21,415**	**100,108**

Loans commitments at December 31, 2023 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+)	-	-	-	-	-
F14-F16 (B-,B,B+)	25,316	-	-	6,713	32,030
F17 and lower (CCC+ and lower)	-	-	-	-	-
Total nominal amount	**25,316**	**-**	**-**	**6,713**	**32,030**
ECL allowance	-232	-	-	-	-232
Total	**25,084**	**-**	**-**	**6,713**	**31,798**

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

Financial guarantees at December 31, 2023 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+)	4,339	190	-	4,529
F14-F16 (B-,B,B+)	-	392	-	392
F17 and lower (CCC+ and lower)	-	-	633	633
Sub-total	4,339	582	633	5,554
ECL allowance	-19	-21	-367	-407
Total	**4,320**	**561**	**266**	**5,147**

Loans to the private sector at December 31, 2022 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+)	24,282	-	-	14,792	39,074
F14-F16 (B-,B,B+)	48,489	9,740	-	10,111	68,340
F17 and lower (CCC+ and lower)	3,019	3,243	54,811	5,298	66,371
Sub-total	**75,790**	**12,983**	**54,811**	**30,201**	**173,785**
Less: amortizable fees	-503	-27	-70	-	-599
Less: ECL allowance	-855	-275	-34,238	-	-35,368
FV adjustments	-	-	-	-3,151	-3,151
Carrying value	**74,432**	**12,681**	**20,503**	**27,050**	**134,666**

Loans commitments at December 31, 2022 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+)	9,350	-	-	2,167	11,517
F14-F16 (B-,B,B+)	6,170	120	-	9,154	15,444
F17 and lower (CCC+ and lower)	771	-	-	-	771
Total nominal amount	**16,291**	**120**	**-**	**11,321**	**27,733**
ECL allowance	-175	-2	-	-	-177
Total	**16,116**	**118**	**-**	**11,321**	**27,556**

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

Financial guarantees at December 31, 2022 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+)	3,499	-	-	3,499
F14-F16 (B-,B,B+)	467	-	-	467
F17 and lower (CCC+ and lower)	-	-	-	-
Sub-total	3,966	-	-	3,966
ECL allowance	-23	-	-	-23
Total	**3,943**	**-**	**-**	**3,943**

Non-performing exposures

A customer is considered non-performing when it is not probable that the customer will be able to pay his payment obligations in full without realization of collateral or calling on a guarantee, regardless of the existence of any past-due amount or the number of days past due.

This situation is considered to have occurred when one or more of the following conditions apply:

- The customer is past due more than 90 days on any outstanding facility;
- An unlikeliness to pay (UTP) trigger is in place that automatically leads to NPE;
- An impairment analysis, done upon a UTP trigger that possibly leads to NPE, results in an impairment higher than 12.5% on any outstanding facility;
- There are additional criteria for a customer to enter NPE status in case of Forbearance. If a customer with (No) Financial Difficulty - Forbearance status under probation is extended additional forbearance measures/ concessions or becomes more than 30 days past-due, it shall be classified as non-performing. This only applies if the customer has been non-performing while it was forborne.

- NPE is applied at customer level.

The Fund's NPL ratio increased from 34.6% in 2022 to 42.8% in 2023. In 2023 there were four write-offs for an aggregate amount of €8.9 million (2022: €8.9 million).

Loans past due and impairments 2023

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	47,180	9,749	14,503	24,906	96,338
Loans past due:					
-Past due up to 30 days	5,564	-	-	-	5,564
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	40,723	-	40,723
Subtotal	**52,744**	**7,387**	**57,588**	**24,906**	**142,625**
Less: amortizable fees	-430	-41	-82	-	-553
Less: ECL allowance	-800	-652	-37,021	-	-38,473
Less: FV adjustments	-	-	-	-3,491	-3,491
Carrying amount	**51,514**	**6,694**	**20,485**	**21,415**	**100,108**

Loans past due and impairments 2022

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	68,274	7,062	5,219	30,201	110,756
Loans past due:					
-Past due up to 30 days	7,516	5,921	-	-	13,437
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	49,592	-	49,592
Subtotal	**75,790**	**12,983**	**54,811**	**30,201**	**173,785**
Less: amortizable fees	-503	-27	-70	-	-599
Less: ECL allowance	-855	-275	-34,238	-	-35,368
Less: FV adjustments	-	-	-	-3,151	-3,151
Carrying amount	**74,432**	**12,681**	**20,503**	**27,050**	**134,666**

Stage 3 credit impairment distributed by regions and sectors

At December 31, 2023	Financial Institutions	Energy	Agribusiness	Multi-sector Funds Investment	Infrastructure, Manufacturing, Services	Total
Africa	26,093	-	-	-	-	26,093
Asia	8,066	-	-	-	-	8,066
Latin America & the Caribbean	2,863	-	-	-	-	2,863
Europe & Central Asia	-	-	-	-	-	-
Non-region specific	-	-	-	-	-	-
Total	**37,022**	**-**	**-**	**-**	**-**	**37,022**

Stage 3 credit impairment distributed by regions and sectors

At December 31, 2022	Financial Institutions	Energy	Agribusiness	Multi-sector Funds Investment	Infrastructure, Manufacturing, Services	Total
Africa	27,727	-	-	-	-	27,727
Asia	6,511	-	-	-	-	6,511
Latin America & the Caribbean	-	-	-	-	-	-
Europe & Central Asia	-	-	-	-	-	-
Non-region specific	-	-	-	-	-	-
Total	**34,238**	**-**	**-**	**-**	**-**	**34,238**

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.

	2023		
	Loans to the private sector (Amortised Cost)	**Loans to the private sector (Fair value)**	**Total**
Performing	60,131	21,438	81,569
of which: performing but past due > 30 days and <=90 days	-	-	-
of which: performing forborne	17,826	1,428	19,254
Non Performing	57,588	3,468	61,056
of which: non performing forborne	15,153	1,428	16,581
of which: impaired	15,153	-	15,153
Gross exposure	**117,719**	**24,906**	**142,625**
Less: amortizable fees	-553	-	-553
Less: ECL allowance	-38,473	-	-38,473
Plus: fair value adjustments	-	-3,491	-3,491
Carrying amount at December 31	**78,693**	**21,415**	**100,108**

	2022		
	Loans to the private sector (Amortised Cost)	**Loans to the private sector (Fair value)**	**Total**
Performing	88,772	24,903	113,675
of which: performing but past due > 30 days and <=90 days	-	-	0
of which: performing forborne	5,118	-	5,118
Non Performing	54,811	5,298	60,109
of which: non performing forborne	23,097	3,258	26,355
of which: impaired	23,097	-	23,097
Gross exposure	**143,583**	**30,201**	**173,784**
Less: amortizable fees	-599	-	-599
Less: ECL allowance	-35,368	-	-35,368
Plus: fair value adjustments	-	-3,151	-3,151
Carrying amount at December 31	**107,616**	**27,050**	**134,666**

There were no movements of gross outstanding amount and ECL impact of Stage 2 and Stage 3 loans that were restored during 2023.

Equity risk

Definition

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

Risk appetite and governance

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 FRC in terms of specific obligor as well as country risk. The Financial risk 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, 2023, amounted to €229.7 million (2022: €223.5 million).

Equity portfolio including Associates distributed by region and sector

At December 31, 2023	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	4,344	4,931	-	2,192	-	2,597	-	53,857	14,233	-	18,577	63,577
Asia	9,435	1,090	-	-	-	-	-	26,092	-	-	9,435	27,182
Latin America & the Caribbean	9,391	-	-	-	-	-	-	362	-	-	9,391	362
Europe & Central Asia	17,086	3,822	-	-	-	-	-	1,297	-	-	17,086	5,119
Non-region specific	57,500	20,620	-	-	-	-	-	883	-	-	57,500	21,503
Total	**97,756**	**30,463**	**-**	**2,192**	**-**	**2,597**	**-**	**82,491**	**14,233**	**-**	**111,989**	**117,743**

Equity portfolio including Associates distributed by region and sector

At December 31, 2022	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	4,394	5,013	-	1,914	-	1,538	-	62,804	15,041	-	19,435	71,269
Asia	9,410	1,602	-	-	-	-	-	19,729	-	-	9,410	21,331
Latin America & the Caribbean	5,831	-	-	-	-	1,907	-	529	-	-	5,831	2,436
Europe & Central Asia	16,636	3,979	-	-	-	-	-	942	-	-	16,636	4,921
Non-region specific	43,773	26,987	-	-	-	-	-	1,519	-	-	43,773	28,506
Total	**80,044**	**37,581**	**-**	**1,914**	**-**	**3,445**	**-**	**85,523**	**15,041**	**-**	**95,085**	**128,463**

Concentration risk

Definition

Concentration risk is the risk that the fund's exposures are too concentrated within or across different risk categories. Concentration risk may trigger losses large enough to threaten the fund's health or ability to maintain its core operations or trigger a material change in our risk profile.

Risk appetite and governance

Strong diversification within the fund's emerging market portfolio is ensured through stringent limits on individual counterparties (single and group risk limits), sectors, countries, and regions. These limits are monitored by Risk, reviewed regularly, and approved by the FRC, the Managing Board, and the Supervisory Board. Diversification across countries, sectors, and individual counterparties is a key strategy to safeguard the credit quality of the portfolio.

Country, regional and sector exposures

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. Noteworthy changes in country ratings include upgrades of the Europe & Central Asia region to F14 (2022: F15), Latin America & The Caribbean region to F13 (2022: F14), Global region to F14 (2022: F15). Furthermore, the country ratings have been downgraded for Bangladesh to F14 (2022: F13), Ethiopia to F20(2022: F18), Palestine to F19 (2022: F17) and Pakistan to F18 (2022: F17). MASSIF has several investments which cover multiple countries, which are labeled as regional investments. Therefore, the one-notch upgrades of the regions Europe & Central Asia, Global and Latin America & the Caribbean are noteworthy as well.

The following tables present how the Fund's loan portfolio is concentrated according to country ratings.

Overview country ratings

Indicative external rating equivalent 2023	MASSIF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	3.0	3.8
F10 (BBB-)	-	7.2
F11 (BB+)	-	2.9
F12 (BB)	10.7	8.6
F13 (BB-)	9.0	18.5
F14 (B+)	24.6	13.1
F15 (B)	10.1	17.9
F16 (B-)	22.3	13.9
F17 and lower (CCC+ and lower ratings)	20.3	14.1
Total	**100.0**	**100.0**

Overview country ratings

Indicative external rating equivalent 2022	MASSIF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	3.5	3.9
F10 (BBB-)	-	6.4
F11 (BB+)	-	2.6
F12 (BB)	11.3	10.9
F13 (BB-)	10.9	8.6
F14 (B+)	12.3	13.7
F15 (B)	30.0	29.6
F16 (B-)	18.2	8.8
F17 and lower (CCC+ and lower ratings)	13.8	15.5
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, 2023						
Africa	71,407	-	3,053	-	-	74,460
Asia	26,565	-	3,933	-	-	30,498
Latin America & the Caribbean	6,387	-	3,230	-	-	9,617
Europe & Central Asia	16,716	-	-	-	-	16,716
Non-region specific	9,043	-	2,291	-	-	11,334
Total	**130,118**	**-**	**12,507**	**-**	**-**	**142,625**
At December 31, 2022						
Africa	71,983	5,921	-	-	-	77,904
Asia	27,134	-	2,906	-	-	30,040
Latin America & the Caribbean	20,031	-	3,286	-	-	23,317
Europe & Central Asia	29,703	-	-	-	-	29,703
Non-region specific	10,541	-	2,280	-	-	12,821
Total	**159,392**	**5,921**	**8,472**	**-**	**-**	**173,785**

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
Definition
Liquidity risk is defined as the risk for fund not being able to fulfill its financial obligations due to insufficient availability of liquid means.

Risk appetite and governance
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 is the risk that the value and/or the earnings of the bank decline because of unfavorable market movements. At FMO, this includes interest rate risk and currency risk.

Interest rate risk in the banking book
Definition
Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly influence the fair value of fixed interest balance sheet items and affect fund's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).

Exposures
The interest rate risk limits were not breached in 2023. The following table summarizes the interest repricing characteristics for Fund's assets and liabilities.

Interest re-pricing characteristics

December 31, 2023	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	5,363	-	-	-	-	5,363
Short-term deposits	102,200	-	-	-	-	102,200
Derivative financial instruments	-	-	-	-	-	-
Loans to the private sector						
-of which: Amortized cost	9,045	39,039	30,608	-	-	78,693
-of which: Fair value through profit or loss	-	722	19,788	905	-	21,415
Equity investments	-	-	-	-	219,269	219,269
Investments in associates	-	-	-	-	10,463	10,463
Other receivables	-	-	-	-	1,411	1,411
Accrued income	-	-	-	-	19	19
Other financial assets at FV	-	-	-	-	24,601	24,601
Total assets	**116,608**	**39,761**	**50,396**	**905**	**255,763**	**463,434**
Liabilities and Fund Capital						-
Current account with FMO	-	-	-	-	5	5
Other liabilities	-	-	-	-	22	22
Accrued liabilities	-	-	-	-	10,319	10,319
Provisions	-	-	-	-	639	639
Fund Capital	-	-	-	-	452,449	452,449
Total liabilities and Fund capital	**-**	**-**	**-**	**-**	**463,434**	**463,434**
Interest sensitivity gap 2023	**116,608**	**39,761**	**50,396**	**905**	**-207,671**	

Interest re-pricing characteristics

December 31, 2022	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	9,545	-	-	-	-	9,545
Short-term deposits	59,833	-	-	-	-	59,833
Derivative financial instruments	-	-	-	-	-	-
Loans to the private sector						
-of which: Amortized cost	1,970	60,848	44,798	-	-	107,616
-of which: Fair value through profit or loss	-	18,895	8,155	-	-	27,050
Equity investments					213,593	213,593
Investments in associates	-	-	-	-	9,955	9,955
Current accounts with State funds and other programs	-	-	-	-	147	147
Other receivables	-	-	-	-	34,926	34,926
Accrued income	-	-	-	-	3,089	3,089
Other financial assets at FV	-	-	-	-	32,872	32,872
Total assets	**71,348**	**79,743**	**52,953**	**-**	**294,582**	**498,626**
Liabilities and Fund Capital						
Short-term credits	-	-	-	-	-	-
Other liabilities	-	-	-	-	14	14
Accrued liabilities	-	-	-	-	6,854	6,854
Provisions	-	-	-	-	200	200
Fund Capital	-	-	-	-	491,558	491,558
Total liabilities and Fund capital	**-**	**-**	**-**		**498,626**	**498,626**
Interest sensitivity gap 2022	**71,348**	**79,743**	**52,953**	**-**	**-204,044**	

Currency risk

Definition

Currency risk is defined as the risk that changes in foreign currency exchange rates have an adverse effect on the value of the Fund's financial position and future cash flows. The Fund also reviews currency risk in terms of impact on the capital ratios.

Risk appetite and governance

The Fund offers debt, equity and guarantee instruments 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.

Exposures

Individual and total open currency positions were within risk appetite in 2023. The table below illustrates that the currency risk sensitivity gap per December 2023 is almost completely part of fund's equity investments and investments in associates.

Currency risk exposure (at carrying values)

December 31, 2023	EUR	USD	HNL	GEL	Other	Total
Assets						
Banks	2,564	2,799	-	-	-	5,363
Current account with FMO						
Short-term deposits	29,867	72,333	-	-	-	102,200
Derivative financial instruments	-	-	-	-	-	-
Loan portfolio						-
-of which: Amortized cost	-	49,735	-	8,786	20,172	78,693
-of which: Fair value through profit or loss	1,743	19,497	-	-	175	21,415
Equity investments	93,728	108,832	8,451	-	8,258	219,269
Investments in associates	-	10,463	-	-	-	10,463
Other financial assets at FV	24,601	-	-	-	-	24,601
Other receivables	538	839	-	-	34	1,411
Accrued income	19	-	-	-	-	19
Total assets	**153,060**	**264,498**	**8,451**	**8,786**	**28,639**	**463,434**
Liabilities and Fund Capital						**-**
Current account with FMO	5	-	-	-	-	5
Other liabilities	-	22	-	-	-	22
Accrued liabilities	9,448	871	-	-	-	10,319
Provisions	-	607	-	-	32	639
Fund Capital	452,449	-	-	-	-	452,449
Total liabilities and Fund capital	**461,902**	**1,500**	**-**	**-**	**32**	**463,434**
Currency sensitivity gap 2023		262,998	8,451	8,786	28,607	
Currency sensitivity gap 2023 excluding equity investments and investments in associates		143,703	-	8,786	20,349	-

Currency risk exposure (at carrying values)

December 31, 2022	EUR	USD	UZS	XOF	Other	Total
Assets						
Banks	3,614	5,931	-	-	-	9,545
Short-term deposits	-	59,833	-	-	-	59,833
Derivative financial instruments	-	-	-	-	-	-
Loans to the private sector						
-of which: Amortized cost	-63	56,455	-	14,776	36,498	107,616
-of which: Fair value through profit or loss	3,660	22,978	-	-	412	27,050
Equity investments	77,165	123,131	-	-	13,297	213,593
Investments in associates	-	9,955	-	-	-	9,955
Current accounts with State funds and other programs	147	-	-	-	-	147
Other receivables	37	2,165	32,713	-	11	34,926
Other financial assets at FV	32,872	-	-	-	-	32,872
Accrued income	3,089	-	-	-	-	3,089
Total assets	**120,521**	**280,398**	**32,713**	**14,776**	**50,218**	**498,626**
Liabilities and Fund Capital						
Short-term credits	-	-	-	-	-	-
Other liabilities	-	14	-	-	-	14
Accrued liabilities	6,333	521	-	-	-	6,854
Provisions	-	185	-	-	15	200
Fund Capital	491,558	-	-	-	-	491,558
Total liabilities and Fund capital	**497,891**	**720**	**-**	**-**	**15**	**498,626**
Currency sensitivity gap 2022		279,678	32,713	14,776	50,203	
Currency sensitivity gap 2022 excluding equity investments and investments in associates		146,592	32,713	14,776	36,906	

Sensitivity of profit & loss account and capital to main foreign currencies

December 31, 2023

Change of value relative to the euro	Sensitivity of profit & loss account
USD value increase of 10%	26,300
USD value decrease of 10%	-26,300
HNL value increase of 10%	845
HNL value decrease of 10%	-845
GEL value increase of 10%	879
GEL value decrease of 10%	-879

Sensitivity of profit & loss account and capital to main foreign currencies

December 31, 2022

Change of value relative to the euro	Sensitivity of profit & loss account
USD value increase of 10%	27,968
USD value decrease of 10%	-27,968
UZS value increase of 10%	3,271
UZS value decrease of 10%	-3,271
XOF value increase of 10%	1,478
XOF value decrease of 10%	-1,478

The sensitivities employ simplified scenarios. The sensitivity of profit and loss account and shareholders' equity to possible changes in the main foreign currencies is based on the immediate impact on the financial assets and liabilities held at year-end. This includes the effect of hedging instruments.

Business risk

Environmental, social and governance risk

Definition

Environmental & Social (E&S) risk refers to the risk posed by (potential) adverse impact of the FMO investments on the environment, their employees and workers, communities, and other stakeholders which may affect FMO's customers. Corporate Governance (CG) risks refer primarily to risk to customers' business and - as a result - to FMO.

Risk appetite and governance

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.

Non-financial risk

Operational risk

Definition

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. This is the Basel definition of operational risk, which covers a wide range of non-financial risks.

FMO adopted the Operational Risk Data Exchange Association (ORX) risk taxonomy to structure all non-financial risk types, such as people, data, model, technology, third party, information and cyber security, business continuity, statutory reporting, transaction execution, et cetera. FMO uses the terms operational risk and non-financial risk interchangeably.

Risk appetite and governance

FMO is cautious about non-financial risks. We do not seek them as they have no direct material reward in terms of return/ income generation, but they are inherent to our business. We prefer safe options, with low inherent risk, even if they limit rewards or lead to higher costs. There is no appetite for high residual risk.

First and second line functions work closely together to understand the full and varied spectrum of non-financial risks, and to focus their risk and control efforts on meaningful and material risks. Risk identification and assessment draws on multiple sources of data, such as topic-specific risk-assessments, results of half-yearly control monitoring and testing rounds, internal loss data and root cause analysis, audit results, supervisory findings, and key risk indicators. Policies and operating procedures clarify control standards, accountabilities, and mandate training on key risks.

Management of the first line is responsible for understanding risks and implementing and operating internal controls in the day-to-day business processes. Key controls are monitored and tested twice a year. The first line performs these responsibilities in line with the risk management framework, using the methods and tools provided by the second-line Operational Risk function. The Operational Risk function challenges and advises the first line, performs oversight and maintains the Integrated Control Framework.

Risk events will occur, despite the implementation of internal controls. Risk events can result in losses, non-compliance, misstatements in the financial reports, and reputational damage. Risk events are centrally registered and reviewed and classified by the Operational Risk team. Root cause analyses of high-concern risk events require approval by the Non-financial Risk Committee and follow-up of remediating actions is tracked and reported.

Non-financial Risk metrics are reported on a quarterly basis. These metrics cover operational risks, such as the amount of loss per quarter, timely follow-up of remediating actions by management, and specific metrics for all non-financial risk subtypes. All departmental directors evaluate the operational risks in their area of responsibility and sign a departmental in control statement at year end.

Financial economic crime risk

Definition

Financial Economic Crime Risk is the risk that FMO, its subsidiaries, investments, customers and/or employees are involved or used for any non-violent crime that has a financial component, even though at times such transactions may be hidden or not socially perceived as criminal.

During 2023, FMO continued to enhance the maturity of its financial economic crime (FEC) framework through building the team, strengthening our policies and procedures and continuous monitoring of performance.

Financial economic crime framework

FMO's financial economic crime (FEC) 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 verifying the ultimate beneficial owners of the customer we finance, identifying politically exposed persons and screening against mandatory international sanction lists. These checks are also performed regularly during the relationship with existing customers. FMO Fund's customers are included in FMO's procedures to mitigate the financial economic crime risk.

In January, FMO received the results of DNB's assessment of the effectiveness and efficiency of FMO's sanctions screening systems. Based on the results of the examination, DNB assessed that the overall functioning of these screening systems is currently 'sufficient'. FMO is also conducting training programs for its employees to raise awareness on sanctions. Further, FMO continues to remind its customers of the importance of sanctions compliance.

Also, in 2023, FMO has reviewed its Systematic Integrity Risk Analysis (SIRA) framework based on lessons learned from past SIRAs. This review resulted in an adjusted approach for 2023 and 2024: the (companywide) SIRA will be data driven and will enable FMO to identify its top integrity risks, level of risk mitigation and need for follow up actions.

FMO continues to work on strengthening the risk culture and creating awareness on FEC, (intended) unusual transactions and anti-bribery and corruption practices. In 2023, all FMO employees were required to complete the compliance e-learning that addresses personal integrity topics, such as bribery and corruption. In addition, new investment staff were also required to complete the KYC e-learning as part of their onboarding. All new investment staff were also required to undertake additional training related to the FEC program and remediation project.

In August of 2023, it was reported that, as a result of late notifications of unusual transactions to the Financial Intelligence Unit (FIU) in 2021 and 2022, DNB decided on enforcement measures. DNB is currently re-assessing these measures upon request of FMO (by means of objection). FMO's related Financial Economic Crime (FEC) framework enhancement program – which involved a full KYC file remediation – was finalized at the end of 2021. During 2023, FMO focused on continuous improvement of its FEC framework, through (amongst others) periodic review of policies and procedures, training, and monitoring of performance.

General Data Protection Act (GDPR)

The follow-up GDPR project, which was initiated in January 2023, has been finalized. Additional technical and organizational controls have been implemented to further strengthen personal data security. To keep risk awareness on top of mind, several training sessions were organized, for departments across the three lines. This will continue in 2024. The outcome of the 2023 GDPR pillar reassessment by EY Belgium on behalf of the EC is positive. FMO fulfils the requirements with regard to the protection of personal data. Overseas representative offices are fully in scope.

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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 for the year ended 31 December 2023 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2023 of MASSIF (hereinafter: 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 2023, and of its result and its cash flows for the year ended 31 December 2023 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 2023
- The Statement of Comprehensive Income for the year ended 31 December 2023
- The Statement of Changes in Fund Capital
- The Statement of Cash Flows for the year ended 31 December 2023
- 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 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.

Management is responsible for the preparation of the other information.

Description of responsibilities regarding 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 framework 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

Communication

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, 25 April 2024

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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