ANNUAL REPORT 2012

REGIONAL MSME INVESTMENT FUND FOR SUB-SAHARAN AFRICA S.A., SICAV-SIF

regmifA

CONTENTS

ABOUT REGMIFA

REGMIFA's mission is to foster economic development in Sub-Saharan Africa by supporting financial institutions which serve micro, small and medium-sized enterprises (MSMEs), while simultaneously observing the principles of additionality and sustainability.

Launched in May 2010, the Regional MSME Investment Fund for Sub-Saharan Africa SA, SICAV-SIF, is a Luxembourg-based Investment Fund which seeks to foster economic development and prosperity in Sub-Saharan Africa. To this end, the Fund provides medium to long-term debt financing in local currency to Partner Lending Institutions (PLIs) that serve MSMEs.

Complementary to the Fund's investment activities, a specific Technical Assistance Facility (TA Facility) focuses on providing technical support to client institutions. It was set up as an entity independent from the Fund and structured as a fiduciary agreement under Luxembourg law in July 2010.

Initiated at the G8 Summit in Heiligendamm, REGMIFA is a Public-Private Partnership aimed at establishing a vehicle to combine funds from public and private investors. Among the public investors are the Spanish Agency for International Cooperation for Development (AECID), the French Development Agency (AFD), the German Federal Ministry for Economic Cooperation and Development (BMZ), the Belgian Investment Company for Developing Countries (BIO), the European Investment Bank (EIB), the Netherlands Development Finance Company (FMO), the Spanish Development Bank (ICO), the International Finance Corporation (IFC), KfW Bankengruppe (also acting as the structuring agent), the Spanish Ministry of Foreign Affairs (MAEC), the Norwegian Microfinance Initiative (NMI), Oesterreichische Entwicklungsbank (OeEB), and the French Investment and Promotions Company for Economic Cooperation (PROPARCO).

Symbiotics SA, a social and microfinance investment services company based in Geneva, Switzerland, which has a specialized asset management unit, was entrusted by the Fund with the dual mandates of Investment Manager and Technical Assistance Facility Manager.

KEY FIGURES

Investment Portfolio (nominal at disbursement)
USD 77,948,155

Gross Asset Value
USD 87,927,201

Net Asset Value
USD 73,460,737

Number of micro-clients financed
155,985

Number of countries represented in portfolio
12

Number of Partner Lending Institutions financed
27

Number of investments outstanding
54

Remaining committed funding from investors
USD 85,346,704

As of December 31, 2012

GREETINGS

Letter from the Chairman

In the name of the Board of Directors, I am pleased to share with you that the positive forecasts in our previous annual report have materialized. As you will read in the following pages, the Fund is not only clearly showing its capacity to grow and distinguish itself as one of the main players in the African market, but is also demonstrating its significant potential to sustain this growth.

Because performance and sustainability are not measured solely by commercial and financial analysis, I would first like to emphasize the special attention which REGMIFA is dedicating to its social impact. In 2012 the Fund engaged CERISE, a specialized company, to conduct a social audit, which concluded that REGMIFA contributes positively to financial inclusion and that the Fund's practices are in line with its social objectives.

Furthermore, the social audit illustrated REGMIFA's strong outreach in terms of portfolio diversification by country and Partner Lending Institution (PLI), which are showing a good social performance average. Notably, the Fund's financial support benefitted more than 150,000 end borrowers (2011: 100,000). 26% were located in rural areas, 61% were women and 93% were running micro, small and medium businesses.

In 2012 the business development of REGMIFA was characterized by strong investment activity, which made it possible for the Fund to close the year with a portfolio size of almost USD 78 million, clearly surpassing its target while maintaining the same average transaction size – USD 1.4 million – as in 2011. REGMIFA achieved this growth while earning a portfolio yield higher than projected without any impairment of assets and despite the continuing low interest environment.

In 2012 REGMIFA continued its policy of growing a diversified portfolio. A total of 54 investments were outstanding, distributed to 27 PLIs in 10 different currencies among 12 Sub-Saharan countries. Despite the risky environment in which the Fund operates, its stable credit risk profile is demonstrated by an average PLI shadow credit rating of BBB- and an average country risk of BB-.

Additionally, the PAR>30 at the Fund level was zero and 4.48% at the PLI level. Furthermore, the Fund's financial support has significantly contributed to PLIs' growth: there has been a size shift within the portfolio. One-third of the small PLIs supported increased by one size class, while roughly 20% grew into Tier 1 institutions (total assets above USD 30 million).

In terms of financial performance, after two and a half years, the Fund is now able to cover its costs through its operating activities and has reached financial self-sufficiency. Thus, the 2012 financial return will be used to reward REGMIFA shareholders' strong commitment to fostering economic growth with the payment of target dividends as well as a complimentary dividend.

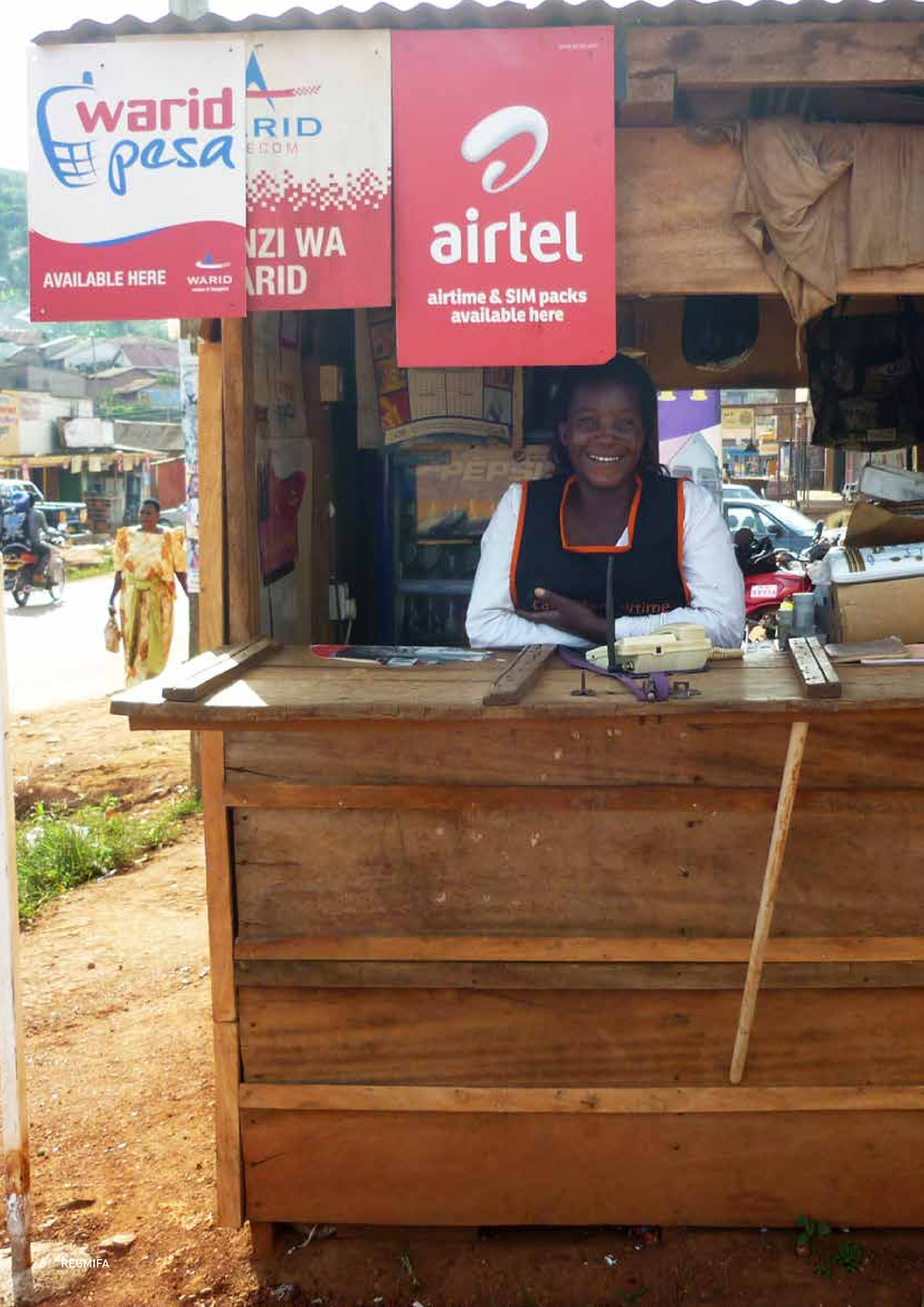
The TA Facility has completed its first projects and experienced high customer satisfaction feedback, indicating the appreciation of the TA interventions by the benefitting PLIs. Having deployed its full operational capacity, the TA Facility not only presently advises all the PLIs in the portfolio which have requested technical assistance, but has already repeatedly designed TA projects for certain PLIs.

REGMIFA has thus been able to successfully implement its mission to actively contribute to the economic development in Sub-Saharan Africa while maintaining the common spirit and objectives of the renowned investors who founded REGMIFA. The Fund has ambitious plans for enlarging its outreach in 2013, in line with high market potential and the forecast that Sub-Saharan Africa is set to continue its robust growth path into 2013. The primary risks remain, such as the fragility of the global economy as well as global risks such as political, civil and social unrest and the potential impact of the climate on the all-important agricultural sector.

Finally, many thanks to all REGMIFA stakeholders, who made it possible to further consolidate and develop the Fund towards achieving its developmental objectives in 2012.

Sincerely,

Wolfgang Kroh,
Chairman of the Board of Directors



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ARID
airtel
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Letter from the Investment Manager

Dear Readers,

2012 has been a year in which REGMIFA reaffirmed its visibility and distinguished itself as a respected market player with exceptional performance and significant gains in efficiency, both in the Fund and the TA Facility.

Compared to 2011, investment activity reached USD 78 million and the Fund disbursed a total of USD 49.5 million, gaining a net portfolio growth of USD 34.5 million and adding 7 PLIs and 1 country to the portfolio. In terms of portfolio diversification, speaking to the Chairman`s comments, we`d like to note that Senegal, Nigeria and Kenya shared the top country exposure at year-end.

In line with the Fund's mission, 99% of the transactions in 2012 were denominated in local currency, proving that REGMIFA counts to the handful of investors that can provide highly demanded local-currency financing to African MFIs. Thus, the Fund hedged 95% of its transactions against foreign exchange and interest rate risks with four renowned hedge counterparties.

This above-average business performance translated into financial achievements that led to the Fund's financial self-sufficiency, as well as a significant increase in net profit that will be shared by REGMIFA's supporting investors.

Over the past two years the TA Facility has been able to gain the trust of its Partner Lending Institutions (PLIs) as well as a deeper knowledge of their challenges. Likewise, it's built up a solid track record of projects and a knowledge base for future work, while remaining focused on the quality of the services delivered.

In 2012 the TA Facility approved 21 projects with an average size of EUR 43,000. In terms of outreach, 52% of the approved volume went to Tier 2 and Tier 3 institutions. The primary focus was set on implementing two types of projects: single, customized TA projects and training projects with established training institutes.

Future growth for REGMIFA and the TA Facility looks promising in light of experts` predictions of strong medium-term growth expectations for Sub-Saharan Africa. A 4.9% average growth forecast for 2013 has prompted the Investment Manager to identify good market opportunities in the region. The forecast from today's perspective predicts that no severe political, social and economic disturbances should prevent the Fund from continued investments in key markets. Possible disruptions through the elections scheduled in 2013 should be temporary and spill-over problems into key markets are unlikely.

Nigeria, Senegal, Kenya and Ghana are expected to remain the main markets for REGMIFA, with Nigeria demonstrating the highest potential. At the same time, the increasing recognition of REGMIFA in Africa and the positive developments in countries like Zimbabwe, Niger, Sierra Leone and Chad will create new business opportunities for the Fund in a number of countries.

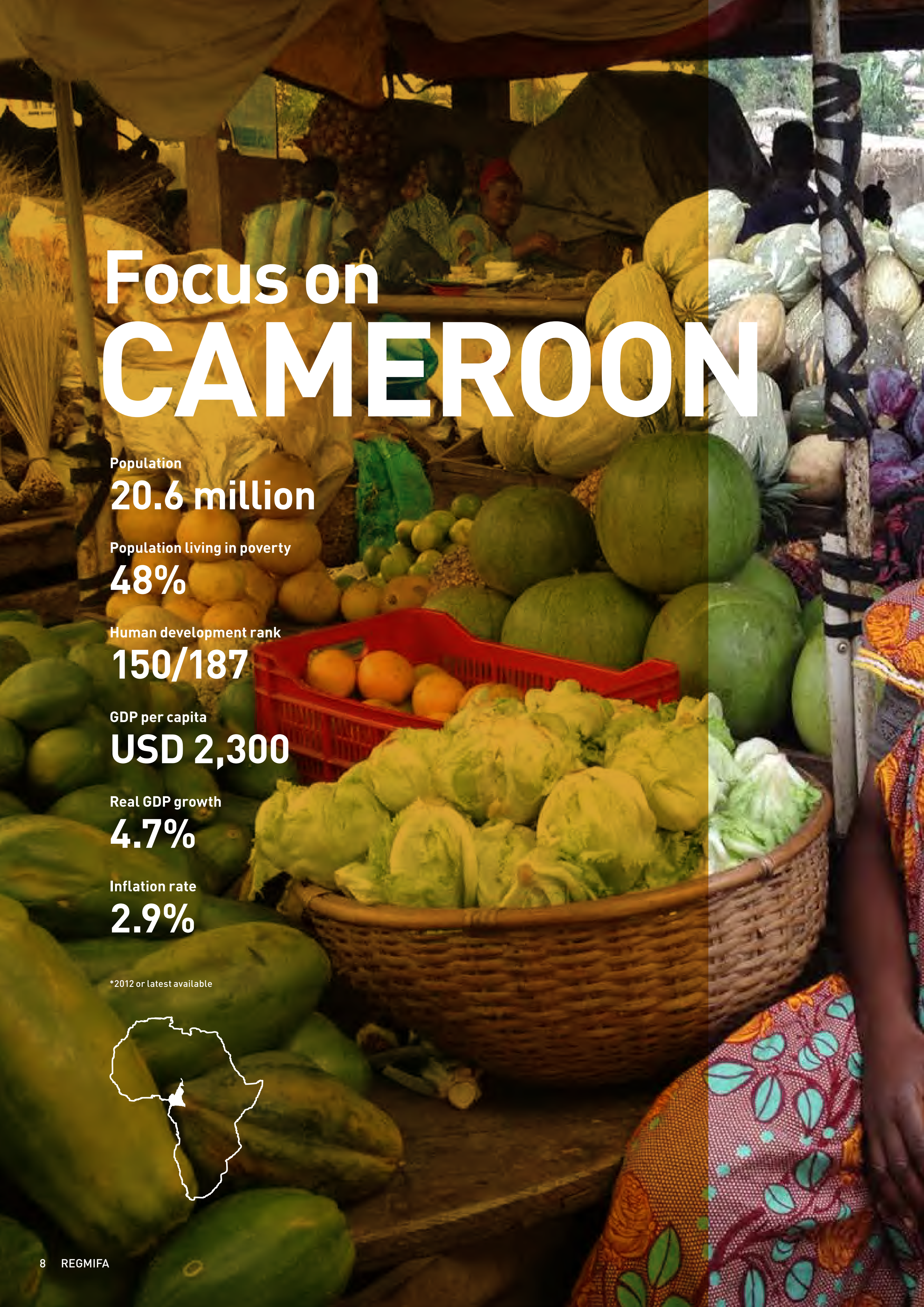
In regard to its PLIs, REGMIFA will expand its financial and technical assistance to its existing partners and, in line with its social mission, further strengthen its business outreach by delving deeper into the market and gaining access to more small PLIs, primarily in rural areas. Thus, REGMIFA will deploy tailor-made strategies to add additional Tier 2 and Tier 3 institutions to the portfolio, while also better addressing their needs (in 2012, 57% of new PLIs were Tier 2 and Tier 3).

Following past performance, the Fund will continue to promote good governance, best practices and socially responsible lending among the PLIs in the region. This includes help in reaching the large but scattered rural population who has no access to financial services. The Fund also has the potential to be key in the development of smaller rural PLIs' portfolios by providing access to funding and TA support. Additionally, REGMIFA aims to pave the way for commercial funders by establishing a funding collaboration with PLIs in countries where those investors are largely absent.

We are proud to affirm REGMIFA`s notable track record in microfinance investments on the continent. Additionally, we are confident in the capability of the Fund to further expand its market role in the years ahead.

With kind regards,

The Investment Manager Team



Focus on CAMEROON

Population
20.6 million

Population living in poverty
48%

Human development rank
150/187

GDP per capita
USD 2,300

Real GDP growth
4.7%

Inflation rate
2.9%

*2012 or latest available

MEET MARIE NJENGUE, FRUIT SELLER

Marie Njengue is 50 years old and has seven children, four grand-children and three other people in her care. Thanks to a small inheritance from her parents that she put aside, she was able to start selling seasonal fruits and vegetables in a market in Yaoundé. In 1999 Mrs. Njengue joined a women's group and was able to access a loan of 50,000 CFA Francs (approximately 100 US Dollars) from ACEP. This first loan allowed her to increase her stock and she successfully paid it back. Step by step, she applied for several bigger loans of 1,000,000 CFA Francs (approximately 2,000 US Dollars), which she always paid back on time. This financial support helped her to diversify the range of her products and she moved from being a retailer to being a wholesaler. Most importantly, Mrs. Njengue, explains, "Because of the loan, I was able to cover my entire family's living costs and pay for my children's education. I also built a house for my family with a rental apartment that gives us an income." The loans she received from ACEP have made a significant impact in the quality of her family's life and the opportunities for her children.

The Republic of Cameroon is a country that boasts relatively high political and social stability. This has encouraged the development of agriculture, roads, railways, and large petroleum and timber industries. Though there are many registered microfinance institutions in the country, it is a highly concentrated market. MFIs in Cameroon are mostly split between cooperatives and non-bank financial institutions and are mostly self-funded through deposits.

The "Agence de Crédit pour l'Entreprise Privée" (ACEP) in Cameroon was established in 1999 as a project of the government of Cameroon with the Agence Française de Development and European Union support. ACEP is one of the leaders in the Non-Bank Financial Institutions' segment in Cameroon. It quickly became sustainable and after 10 years of operations, ACEP continues to experience solid growth. ACEP's portfolio remains focused exclusively on trading and services in urban areas. Its plans for the future include the establishment of two new branches and products such as agricultural and group loans that are oriented towards rural areas.

REGMIFA is supporting ACEP Cameroon with a senior debt investment of USD 3.2m and through a customized technical assistance project in the areas of risk and operational risk management, savings mobilization and mobile banking strategy and development, as well as financial management and reporting. ACEP Cameroon is one of the participants in the REGMIFA impact study.

> "Because of the loan, I was able to cover my entire family's living costs and pay for my children's education."

STRATEGY

In accordance with its mission, REGMIFA`s strategy is to foster economic development and prosperity, as well as employment creation, income generation and poverty alleviation in Sub-Saharan Africa (SSA) through the provision of innovative financial products and, where applicable, technical assistance support to eligible Partner Lending Institutions (PLIs) which serve micro-entrepreneurs and small and medium sized businesses (MSMEs).

REGMIFA's development goal is to reach and support MSMEs through active partnerships with PLIs. The Fund is founded on the principles of the Paris Declaration; it seeks to increase donor effectiveness by pooling resources and harmonizing standards in REGMIFA's investment and technical assistance support activities. Thus, the Fund observes the principles of sustainability and additionality, combining public mandate and market orientation. Moreover, removing the obstacles to African MSMEs and unlocking the potential of local capital markets is a priority for our investors.

MSMEs form the backbone of every economy; they are the engines of growth and income generation. A lack of financial resources constrains African MSMEs from realizing their full potential. Removing these obstacles and unlocking the potential of local capital markets is a priority for REGMIFA donors and investors.

Fund

REGMIFA is a debt fund with a focus on financing regulated and non-regulated microfinance institutions, local commercial banks and other financial institutions (Partner Lending Institutions or PLIs), which are established in Sub-Saharan African countries and serve micro, small and medium enterprises (MSMEs). It provides its PLIs with longer-term senior loans, subordinated debt, term deposits and guarantee schemes, the majority of which are delivered in local currency.

The Fund aims at building a balanced portfolio, with small and medium-sized PLIs targeted at comprising the majority of the Fund's client mix. Small PLIs (Tier 3) include those with total assets below USD 10 million, medium PLIs (Tier 2) include total assets between USD 10 and 30 million, and large PLIs` (Tier 1) total assets exceed USD 30 million.

LUXFLAG Label

the smart campaign

Legal Name
Regional Micro, Small and Medium Sized Enterprises Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (REGMIFA)

Fund Type
Investment public limited company under Luxembourg Law, qualified as Specialized Investment Fund

Registered Office
5, rue Jean Monnet
L-2013 Luxembourg

Inception Date
May 2010

Main Financial Products
Medium to long term senior loans at fixed and floating interest rates, term deposits, letters of credit, guarantees

Investment Currency
USD, EUR, local currency

Investment Manager and TA Facility Manager
Symbiotics SA

Structuring Agent
Kreditanstalt für Wiederaufbau (KfW)

General Secretary
Innpact Sàrl

Custodian / Administrator
Credit Suisse Fund Services (Luxembourg) SA

Legal Counsel
Linklaters LLP

Auditor
Ernst & Young SA

Fund Structure

Established as a Public-Private Partnership aimed at establishing a vehicle to combine funds from public and private investors, REGMIFA is structured as a multi-layer fund which reflects the risk/return requirements of its investors. In order to meet these requirements, three Shareholder classes (A, B, C) have been established as well as two Noteholder classes (senior and subordinated), with each share and note class possessing its own risk profile and targeted return.

DEBT	EQUITY
SENIOR NOTES	A-SHARES
	B-SHARES
SUBORDINATED NOTES	C-SHARES

REGMIFA's capital structure embodies the principle of public-private partnership by leveraging public funds as a risk cushion to attract significant private sector capital to Sub-Saharan Africa.

The C-Shares form the foundation of the capital structure. They are primarily subscribed by development financial institutions and comprise a mandatory minimum of 33% of REGMIFA's total assets. In addition to this core quality, by representing the first loss tranche layer, they provide an appropriate cushion to investors that contribute to REGMIFA's development impact by underwriting A-Senior and B-Mezzanine Shares and Senior and Subordinated Notes.

Investors

aecid · afd Agence Française de Développement · bio Development through Investment · Federal Ministry for Economic Cooperation and Development · FMO Finance for Development · European Investment Bank · IFC International Finance Corporation · Instituto de Crédito Oficial, Paseo del Prado, 4. 28014 Madrid, www.ico.es · KFW · Ministerio de Asuntos Exteriores y de Cooperación · nmi Norwegian Microfinance Initiative · OeEB Oesterreichische Entwicklungsbank AG · Proparco Groupe Agence Française de Développement · symbiotics Reaching out through investments

TA Facility

Following the inception of the REGMIFA fund, the REGMIFA TA Facility was launched in 2011 to complement the financial services delivered to the existing investees of the Fund. The REGMIFA TA Facility is a key part of the Investment Fund's value proposal, enabling it to provide technical support to MSME financial institutions in Sub-Saharan Africa and increase their developmental impact while mitigating risk at the Fund level.

LEGAL STRUCTURE Fiduciary Agreement / Fiducie under Luxembourg Law on trusts and fiduciary contracts
START OF OPERATIONS OF THE TA FACILITY January 2011
TA FACILITY MANAGER Symbiotics SA
TA ADVISOR Microfinanza Sarl
FIDUCIARY CUSTODIAN Credit Suisse (Luxembourg) SA

The TA Facility aims to provide high quality consulting services to our Partner Lending Institutions.

The Facility's activities are specifically targeted at supporting the investment portfolio of the Fund and are complementary to other industry initiatives in the region. The approach of the implementation and management of the Facility is based on the following principles:

- Delivery of high quality consultancy services
- Fair and transparent processes and procedures
- Provision of services based on clients' needs

Despite the fact that REGMIFA operates as one partner, the REGMIFA TA Facility is a separate entity with its own oversight body –the TA Facility Committee – and is governed by its own rules and regulations, making decisions independently from the Fund. The daily operations and project implementation, including the management of the consultant pool of more than 425 consultants, is coordinated by the TA Facility Manager, namely Symbiotics SA.

Contributors

aecid · Federal Ministry for Economic Cooperation and Development · European Union · European Investment Bank · KFW · OeEB Oesterreichische Entwicklungsbank AG · regmifa

A CLOSER LOOK AT THE IVORY COAST MICROFINANCE MARKET

Interview with Vincent Lehner, Senior Investment Analyst for West Africa, based in Symbiotics Cape Town offices

Focus on the IVORY COAST

Population
22.4 million

Population living in poverty
42%

Human development rank
168/187

GDP per capita
USD 1,700

Real GDP growth
8.1%

Inflation rate
1.4%

Vincent, you have recently been to the Ivory Coast. Could you tell us how the country is doing one year after the change of government and a period which began with a power crisis? Also, how is the financial sector performing there at this time?

Economically, the situation in the Ivory Coast is improving due to the normalization of security issues, the lifting of sanctions, the resumption of international cooperation and the granting of incentives to the productive sectors. The GDP growth rate is estimated at around +6% for 2012, compared to -6% in 2011. However, the post-election crisis and international community sanctions did take a heavy toll on the Ivorian economy. The country faced a cash shortage and all financial institutions had to stop their activities due to insecurity. The bank clearing system was suspended following the closure of the national agency of the Central Bank of West Africa (BCAEO). This closure and the suspension of commercial bank activity eventually led to a liquidity dry-up in the country with an impact on monetary aggregates. The BCEAO estimated that the total loan balance of the financial sector decreased by 8% with a PAR>90 days estimated around 44% in December 2011.

That's pretty severe. Do you note some improvements today?

Yes, thankfully. In June 2012, the PAR>90 is estimated to come back to around 25%, with general audits, inspections from the central bank, the restructuring of banks with public capital, with possible withdrawal from the State as a shareholder. The financial sector is now headed in a positive direction.

How did microfinance specifically manage through the crisis?

The microfinance sector in the Ivory Coast is dominated by cooperatives. They faced severe losses during the crisis and as a result some of them are reporting negative equity today. Negotiations are being held with the State to recapitalize some of them, but in the meantime, disbursements are limited to a minimum. MFIs registered as companies by shares have taken a hit as well, however, the two companies with this status that existed before the crisis have been able to restructure and be recapitalized quickly through equity and are proving to now be market leaders. New institutions have just started operations as well and should play an important role in the near future.

What role do you see microfinance playing in this new Ivorian economy?

Microfinance activity should grow in the rural sector, the main provincial cities and in Abidjan. Financial services are scarce in the Ivory Coast today and banks are primarily focused on corporate clients and only the very high end of the Small and Medium Enterprise (SME) segment. Micro and small entrepreneurs have an urgent need for financial services such as loans, but also well-tailored solutions for deposits, money transfers and insurance products.

Finally, where do you see REGMIFA's potential to development contribution in the Ivory Coast?

We have identified a number of suitable partners, which are contributing players at the market consolidation. REGMIFA already granted in 2012 a first loan to an Ivorian PLI and will continue following the market evolution and granting financial support whenever feasible.

Focus on NIGERIA

Population
174.5 million

Population living in poverty
70%

Human development rank
153/187

GDP per capita
USD 2,700

Real GDP growth
7.1%

Inflation rate
12.1%

*2012 or latest available

MEET ESTHER CHINEDU, SHOP OWNER

Esther Chinedu, 34 years old, is always giving a warm welcome to the customers of her small shop in the heart of the Nassarawa market in Kaduna, one of Northern Nigeria's principal cities. Located in the south of the city, Nassarawa is one of the biggest markets in Kaduna and consists of a maze of narrow streets packed with shops selling all kinds of goods, from clothing to foodstuffs and livestock. Esther's shop is located in one of these small streets in the western part of the market. Although small and dim, it is replete with the daily necessities of almost every Nigerian table: rice, "gari" (kasava flour), "apu" (pounded kasava), melon seeds, okra, beans, and spices for cooking. Esther used to have a problem with her suppliers who would charge her exceedingly high interest rates for buying on credit. In 2010 she was referred to MicroCred by a friend who owns a nearby store. Esther was able to obtain her first loan of 70,000 Nigerian Naira (approx. 470 US Dollars) in March 2010. Now she can buy a big part of her provisions in cash, thus avoiding extra interest charges. Ahmed Yesufu, her credit officer, proudly says that Esther is one of his best clients with an excellent repayment history. Many friends and fellow merchants, encouraged by her story, have also sought help and financing from MicroCred. Esther has 3 children: Helene, 18, Miraco 8, and Favour 4 years old. Of her future plans, Esther says "I take these loans because I want to grow my business further, but above all, I want my children to someday become somebody." She hopes to receive a higher loan amount next year to increase her stocks and include palm oil and vegetables in her offerings

Nigeria is Africa's most populous country with over 170 million inhabitants. With a high degree of entrepreneurial activity and a strong savings culture, it is a huge potential market for microfinance. However, political instability due to corruption, oil wealth distribution and religious tensions has negatively affected foreign investment. The microfinance sector in Nigeria is over-regulated but under-supervised and a solvency and liquidity crisis in 2009-2010 had a devastating effect on commercial banks.

Amidst this, MicroCred Nigeria has emerged as a strong and stable microfinance bank servicing the peripheral but densely-settled region of Kaduna, which seriously lacks such institutions. Incorporated in 2009, MicroCred Nigeria is owned by the MicroCred Group, who, with additional operations in Madagascar, China, Senegal, and the Ivory Coast, provide technical assistance and on-going MIS support to MicroCred Nigeria.

REGMIFA is supporting MicroCred Nigeria with a senior debt investment of USD 2.0m and through a customized TA project in the area of savings plans and loan products development, to be started in 2013. The overall objective of the TA assignment is to enable MicroCred Nigeria to widen its product range to meet the needs of the target population and improve their living conditions.

> "I take these loans because I want to grow my business further, but above all, I want my children to someday become somebody."

OVERVIEW

2012 Highlights

Continued build-up of the investment portfolio

The Fund grew by net USD 34.5 million in 2012, resulting in a nominal portfolio of USD 77.9 million at year-end. A total of 32 transactions were made during the year, while 10 loans came to maturity, totaling 54 outstanding investments. Relationships with 7 new PLIs were established, resulting in a portfolio of 27 PLIs. The Fund increased its country outreach by carrying out a first time investment in the Ivory Coast.

Strong focus on local currency financing

100% of the loans disbursed during 2012 were in local currency, resulting in 99% of the outstanding loans at year's end denominated in local currency. This strategy ensures that REGMIFA's investments are matched to the currency of the borrowers' lending portfolios in order to avoid exposing REGMIFA's investees to significant volatility caused by currency movements. In 2012 the Fund decided to accept limited unhedged positions in the Kenyan Shilling, Ghanaian Cedi and CFA Franc (XOF).

LuxFLAG Microfinance Label

In May 2012, REGMIFA was granted the LuxFLAG Microfinance Label for the second consecutive year. The Luxembourg Fund Labeling Agency (LuxFLAG) is an independent, non-profit association created in Luxembourg in 2006. The Agency aims to promote the raising of capital for microfinance by awarding a recognizable label to eligible MIVs. Its objective is to reassure investors that the MIV actually invests, directly or indirectly, in the microfinance sector.

In 2012, REGMIFA...

- grew by USD 34.5 million
- made 32 new investments
- added 7 new PLIs
- made a first time investment in the Ivory Coast
- disbursed 100% of loans in local currency
- was awarded the LuxFLAG Microfinance Label for the second consecutive year

Contribution to the TA Facility

With its contribution from the 2011 revenues, the Fund became the sixth donor of the TA Facility in 2012, joining AECID, BMZ, EIB, EU and OeEB. Together with the part of the 2012 revenues to be dedicated to the TA Facility, the Fund`s contribution will amount to USD 180,000.

REGMIFA Impact Study

To assess the financial and social impact of the services that the Fund and the TAF provide to the PLIs, the TA Facility developed Terms of References and launched a tender in 2012, with prospective implementation in the second half of 2013.

African Microfinance Transparency (AMT) Conference

The Fund`s analysts and the TAF program manager participated in the AMT conference in Tunis in October. The conference provided an excellent framework for fruitful dialogues with microfinance institutions, bringing together investors and potential investees.

Focus on SENEGAL

Population
13.3 million

Population living in poverty
54%

Human development rank
154/187

GDP per capita
USD 1,900

Real GDP growth
3.7%

Inflation rate
1.5%

*2012 or latest available

MEET ELHADJI FALL, BOUTIQUE OWNER

Elhadji Fall manages a shoe and jewelry boutique in the HLM market area in the city of Dakar, Senegal. He started his relationship with MicroCred Senegal six years ago with a loan of 3 million CFA Francs (approximately 6,000 US Dollars), which let him to increase his stock and start employing staff. He now is on his third loan cycle and is repaying a loan of 12 million CFA Francs (approximately 24,000 US Dollars), which is allowing him to open three more boutiques in the HLM market area and to employ a manager in each. According to Mr. Fall, ''I am very happy with the way MicroCred Senegal has accompanied me through the different stages of building up and expanding my business.''

Senegal is one of the most stable countries on the continent, although poverty is widespread and unemployment among the young remains problematic. GDP growth is predicted to be modest at around 4% to 5%. The microfinance sector in Senegal is highly concentrated in Dakar with scant services in the rural areas. The three largest institutions, including MicroCred Senegal, form 80% of the microfinance market.

MicroCred Senegal was launched in 2007 by the MicroCred Group, who also has operations in Madagascar, China, the Ivory Coast and Nigeria. The MicroCred Group provides technical assistance and on-going MIS support. MicroCred Senegal has seen impressive growth in recent years thanks to its unique methodology and innovative marketing. While based in Dakar, MicroCred Senegal is currently expanding to areas outside the capital and now has 8 branches in Thies, Mbour, Kaolack, Fass and St-Louis.

REGMIFA is supporting MicroCred Senegal with a senior debt investment of USD 3.2m. Product development and the design and launching of environmentally friendly microfinance products have been identified as key areas for a potential technical assistance intervention in 2013.

> "I am very happy with the way MicroCred Senegal has accompanied me through the different stages of building up and expanding my business."

MARKET OVERVIEW AND OUTLOOK

Environment and Challenges in 2012

Most Sub-Saharan African countries have experienced a marked improvement in their social and economic situation in 2012 and the regional outlook in the region is more positive than a year ago, even if most SSA countries remain at the bottom of the world's social and economic development list. There were, however, some negative developments in the area in 2012. The situation deteriorated in Mali when part of the country was seized by Islamists and not liberated until early 2013. Terrorist attacks were also reported in the north of Nigeria, impacting the local economy, despite general growth at the country level. However, many other Sub-Saharan African countries saw positive developments - peaceful elections in Ghana and Senegal, political stability and economic recovery in Ivory Coast, tumbling inflation in East Africa and improvement of the economy in Zambia, Mozambique and Malawi, for example.

This environment enabled the strong growth of REGMIFA. Senegal, enjoying positive political and economic developments, has benefited most from the investment in 2012. After Senegal, Nigeria remains a key country for the Fund, followed by Kenya, Ghana and Uganda.

Even with new small PLIs added to the portfolio, the average portfolio by PLI increased during the year from USD 31 million to USD 35 million, due in part to the growth of our existing partners. The quality of the portfolio remained unchanged at an average PAR>30 of around 4%. However, governance, transparency, MIS and quality of reporting, as well as low staff skill levels continued to be weak areas.

Fund Outlook for 2013

Indicators are positive and hopes are high for the further development of Sub-Saharan African countries in 2013. The intervention of the French Army, with the expected involvement of other African countries, in Mali will also be important for the peaceful development of neighboring countries like Niger, Burkina Faso, Cameroon and Nigeria. Initial signs of political stability in the Great Lakes region could prompt economic growth in Uganda, Rwanda and the Democratic Republic of Congo, leading to potential expansion for REGMIFA beginning in late 2013. Furthermore, a noticeable strengthening of democracy on the continent, a better use of technology and a booming demography all signal a positive change for the economic and social development of the region.

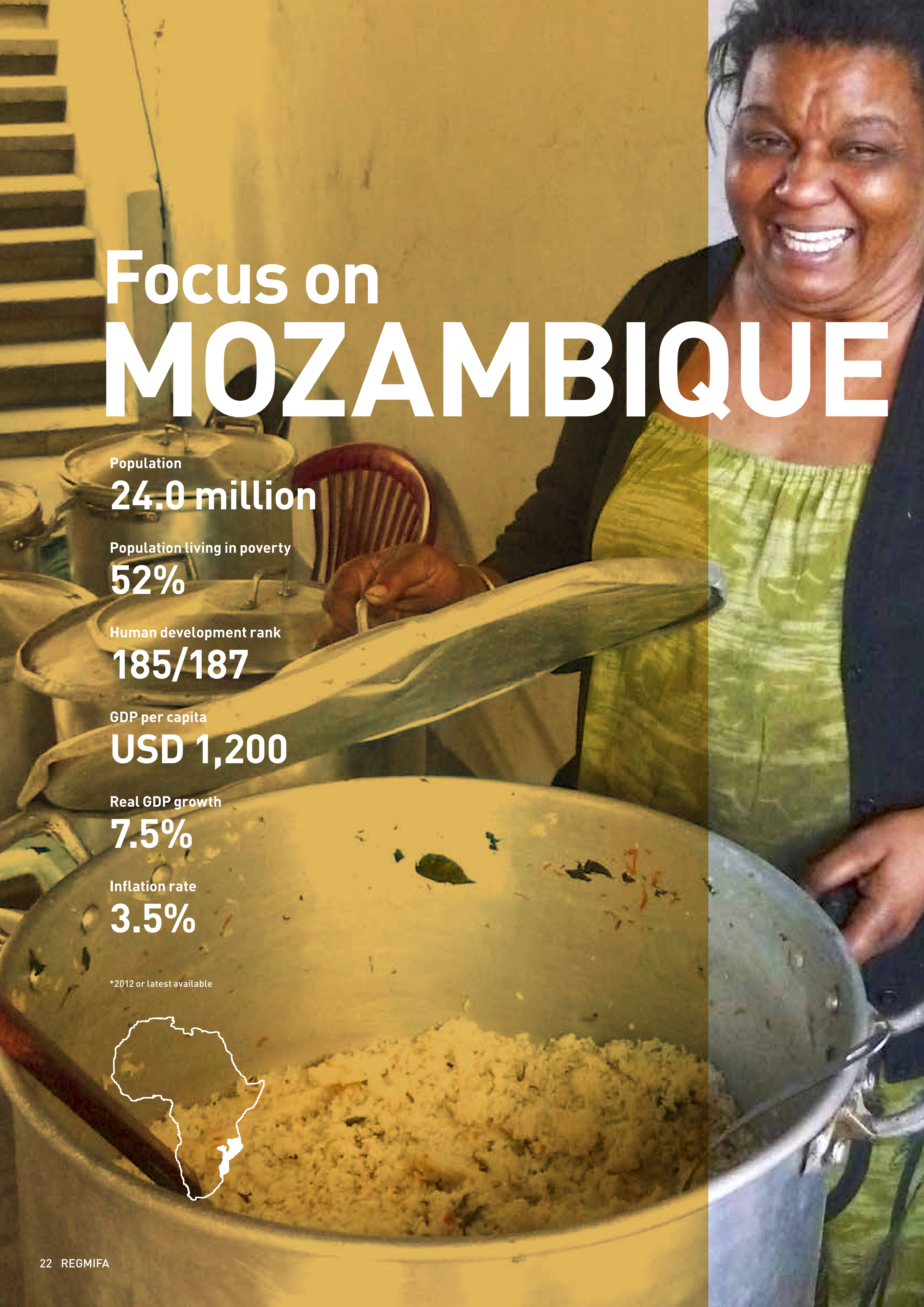
By year-end 2013, the Fund's target is an outstanding portfolio of USD 105 million with 49 PLIs. The market potential remains high for REGMIFA and the current deal flow is strong. Key markets will remain the same with deeper penetration expected primarily in Nigeria, Ghana and Tanzania and potential expansion in five new markets (Angola, Niger, Rwanda, Chad and Zimbabwe). Challenges are expected on the renewal side of current deals, as PLIs may find cheaper sources of funding through deposits and re-capitalization.

TA Facility Outlook 2013

With a strong foundation built by the solid relationships established with its PLIs and a promising project pipeline, the TA Facility will use 2013 to broaden the TA approach used thus far (customized projects and training grants) with two additional pillars: TA packages and multiple TA projects. The package approach implies that the common TA needs among the existing PLI portfolio will be identified and that the contracted consultant will deliver services to multiple PLIs. In the multiple TA project approach the TA Facility Manager will identify the most important TA needs (in more than one area) for a single PLI and will design a multi-focus project to be implemented by one consultant.

In terms of outreach, the TA Facility will not only look at PLIs who are already investees but will also consider institutions that may be potential investees. The TA Facility delivered services to one such institution in 2012 and will continue to do so in 2013 in cases where a potential funding option can be identified.


SELF - RELIANCE ECONOMIC
ADVANCEMENT PROGRAMME
SEAP
SELF - RELIANCE
ADVANCEMENT
S E A P



Focus on MOZAMBIQUE

Population
24.0 million

Population living in poverty
52%

Human development rank
185/187

GDP per capita
USD 1,200

Real GDP growth
7.5%

Inflation rate
3.5%

*2012 or latest available

MEET MARINA AUGUSTO LUCIANO PINTO, RESTAURANT OWNER

Marina Augusto Luciano Pinto is a restaurant owner and is currently repaying a loan of MZN 20,000 (approximately 714 US Dollars) from Banco Oportunidade de Moçambique. She began working with BOM in 2005 with an initial loan of MZN 5,000 (approximately 178 US Dollars). Thanks to the financial support, she was able to install a wall in her restaurant and she is now looking for a larger space to rent. Her restaurant boasts impressive customer loyalty, and she confides "The secret of success in my restaurant is that I can now offer credit to my customers. Most of them pay me at the end of the month when they receive their paychecks." Mrs. Pinto really likes BOM's customer service. She once tried a different microfinance institution in order to compare, but has returned to BOM because of the quality of their service. She thanks the loans from BOM for helping her to turn her restaurant into a stable income for her and her family.

Mozambique grew at an average annual rate of 9%, one of the strongest growth performances in Africa in the decade leading up to 2007. However, heavy reliance on aluminum subjected the economy to volatile international prices, leading to runaway increases in the cost of living, culminating in a 2010 popular riot. Government subsidies in 2011 partially alleviated the problem and the GDP is growing at a rate of around 7.5%. In this economic environment is a highly concentrated microfinance sector, with four MFIs controlling more than 60% of the loan portfolio in the country.

Banco Oportunidade de Moçambique (BOM) is a member of the Opportunity International network and was awarded a commercial banking license by the Bank of Mozambique in February 2005. One of the leading microfinance banks in Mozambique, especially in rural areas, it offers four main loan products: individual loans to businesses and consumers, group loans, agricultural loans, and credit life insurance. With the support of international donors, BOM launched financial services to the agriculture sector in rural areas in 2010.

REGMIFA is negotiating to support Banco Oportunidade de Moçambique with a senior debt investment up to USD 2.0m. The identification of technical assistance needs are ongoing and may include capacity building to strengthen agricultural loans and financial literacy for clients.

“The secret of success in my restaurant is that I can now offer credit to my customers. Most of them pay me at the end of the month when they receive their paychecks.”

PERFORMANCE

Development Impact

Social Return at a Glance

Sector Level

The Fund invested USD 49.5 million in 2012, bringing the total loan portfolio to USD 77.9 million, a net portfolio growth of USD 34.5 million. It also entered 1 new country, the Ivory Coast, increasing the country count to 12.

Countries in the portfolio are very poor with an average HDI rank of 153 out of 187 and a life expectancy of 57 years. 92% are ranked as Low Human Development countries. Additionally, with an average country risk of BB- and many barriers to international investments, there is little accessibility in these countries.

The Fund also helped to create 911 full-time equivalent jobs in PLIs, which paid more than USD 11.8 million of taxes to national governments in 2012.

Furthermore, the Fund undertook a social audit with very positive results. The audit concluded that REGMIFA's practices are in line with its social objectives and that the Fund positively contributes to financial inclusion, thanks to its support in helping PLIs improve outreach, services and client protection.

PLI Level

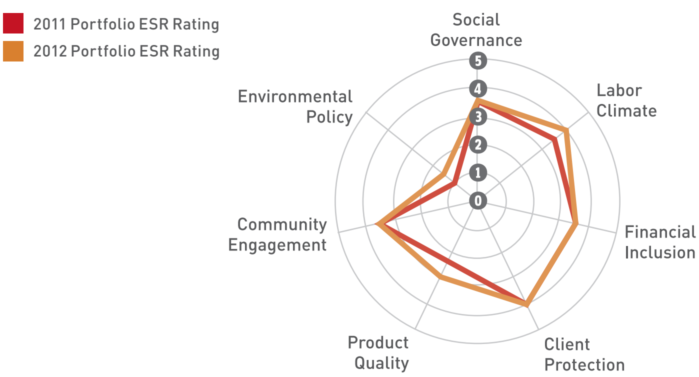
The Fund invested in 7 new PLIs in 2012, bringing the total number of PLIs in the Fund's portfolio to 27 and the total staff to more than 14,000 employees.

PLIs are relatively small – (59% were Tier 2 or Tier 3 institutions at disbursement date) and have a diversified profile in terms of legal status (60% are NBFIs,16% cooperatives, 14% NGOs, and 10% banks), credit risk (from BB- to BBB+) and age (from green field to well established institutions more than 20 years old).

Such diversity contributes to portfolio diversification and facilitates wide financial inclusion, particularly through the financial support to and strengthening of young and/or riskier institutions.

Average Social Score of the Portfolio ★★★⯪☆

Working with socially-oriented PLIs is a key objective of REGMIFA, which conducts an ESR assessment before any disbursement. The average ESR score of PLIs was 3.6 stars out of 5 in 2012, which is above the targeted minimum score of 2.5 and in line with the average score achieved in 2010 (3.3) and 2011 (3.5).



REGMIFA's social mission translates into offering high quality financial services to PLIs in the framework of a long-term business relationship based on trust and professionalism.

Thanks to its cooperation with 4 hedge counterparties, the Fund has been able to avoid transferring interest rate and foreign exchange risks to PLIs, while simultaneously offering flexible conditions and competitive pricing.

PLIs usually pay fixed interest rates (87%) denominated in local currency (99%) on uncollateralized loans (100%) with longer-term maturities than those available from local funding sources (up to 3 years in 2012 with an average of 29 months, which is slightly higher than in 2011 [26 months]).

As a debt lender, the Fund does its best to positively influence the governance of PLIs through a constant dialogue and the inclusion of ESR clauses and covenants in loan agreements that are related to various issues such as client protection or environmental standards. The Fund also encourages PLIs to endorse the Smart Campaign for client protection. In 2012, 85% of REGMIFA's PLIs endorsed the Campaign (as opposed to 60% in 2011). Finally, the TA Facility is a major factor in helping to strengthen and improve the social and financial performances of its PLIs.

End-borrowers Level

In 2012, REGMIFA financed 155, 985 end borrowers.

These borrowers were:

- mostly women (61%),
- located in urban areas (73%),
- spread throughout 12 different countries, notably Nigeria (30%), Ghana (15%) and Uganda (14%) and
- running a micro, small or medium business (91%),
- primarily involved in trade (74%), but also other types of activities (service, agriculture or manufacture)

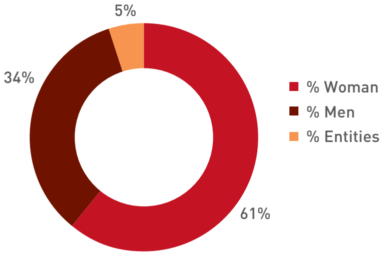
They received loans that:

- averaged USD 501
- represented 31% of GNI per capita
- included both individual (57%) and group loans (43%)
- had a repayment rate of 94%

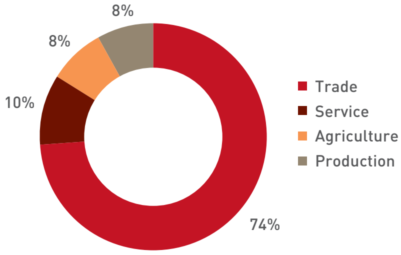
These borrowers also have access to a wide range of services offered by PLIs that include:

- savings products (81% of PLIs), such as time and sights deposits, checking or special purpose accounts
- insurance products (30%), such as life insurance
- other financial services such as remittances (81%), and payment services (52%), and
- non-financial services (30%) such as business development, education or health services.

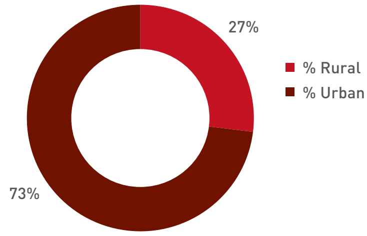
Gender



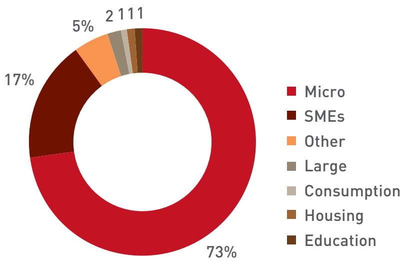
Activities



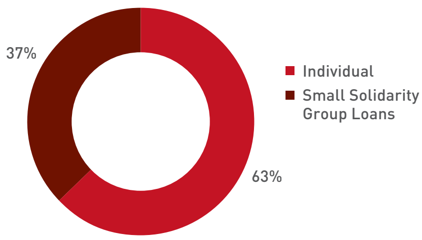
Location



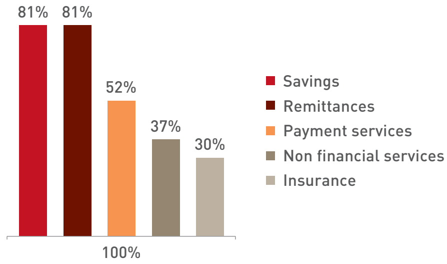
Credit Products



Credit



Services other than credit



Social Responsibility Policy

REGMIFA pursues a triple bottom line strategy which aims to actively promote financial, social and environmental sustainability. This responsibility is strongly embedded in the governance of the Fund and is put into practice at each step of the investment process.

The Social Responsibility Policy includes:

- The Fund's Environmental and Social Responsibility (ESR) Procedures defining its ESR strategy
- The ethical chart based on the Client Protection Principles to which the Fund adheres
- The ESR Compliance Officer who is in charge of ensuring the compliance with ESR procedures
- The regular training of REGMIFA staff on ESR and client protection issues
- The social rating tool used to assess PLIs, select them, identify needs for TA, and monitor results
- The systematic incorporation of ESR issues in investment decision making and loan agreements
- The annual ESR report allowing investors to be informed on the Fund's ESR performance level
- The Fund income distribution mechanism, including a contribution to the TA facility and a Bonus to the Investment Manager based upon the achievement of ESR objectives
- Regular external ESR assessments of the Fund's activities (social audit undertaken in 2012, impact assessment of the REGMIFA intervention on PLIs planned in 2013)

Methodology to Assess Social Outreach

A weighted average system based on the Fund's investment in each PLI is used to compute ESR indicators contained in this report, which are in line with the CGAP MIV Disclosure Guidelines. We believe that such a methodology allows a more accurate assessment of the social outreach of the Fund. Statistics on the services other than credit exclude compulsory savings as well as credit life insurance products.

Investments/Partner Lending Institutions

REGMIFA's portfolio grew by USD 34.5 million during the year to reach USD 77.9 million. Of this net growth, 52% of the volume was disbursed to new institutions added to the portfolio in 2012, while 48% went to previous partners of the Fund in the form of top-up loans for their consolidation and growth.

USD 15 million in loans came to maturity during 2012 and 77% of loans were renewed.

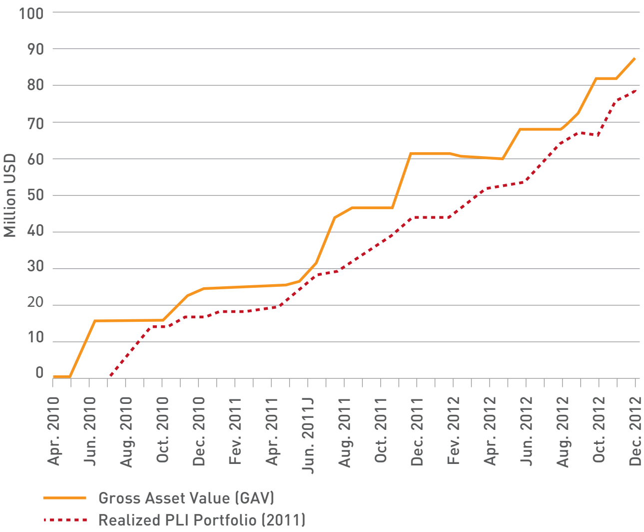
32 transactions were carried out during 2012, while 10 loans have come to maturity, resulting in 54 outstanding investments at year's end.

7 new investees (PLIs) were added to the list of Fund partners, totaling 27 at years-end.

A first-time investment in the Ivory Coast was made, resulting in a Fund outreach to 12 countries across Sub-Saharan Africa.

The Fund has outstanding loans in 10 local currencies. 99% of the Fund's investments are denominated in the investees' local currencies.

Fund Portfolio and Total Asset Growth

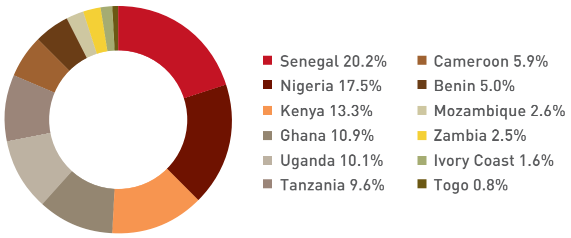


Evolution in key portfolio statistics:

	31.12.2012	31.12.2011
Outstanding portfolio (USD)	77,948,155	43,411,481
Average investment amount (USD)	1,443,484	1,356,609
Average investment amount (USD) per PLI	2,886,969	2,170,574
Number of investments Outstanding	54	32
Number of Investees	27	20
Number of Countries	12	11
Number of Currencies	10	10
Average Maturity at closing	29.2 months	26.1 months

Invested Portfolio per Country

Geographical Allocation, % of portfolio



In 2012, the Fund strongly invested in Senegal (+9.4 million), in part because of favorable political developments following peaceful elections, followed by Tanzania (+6 million) and Ghana (+5.5 million). Senegal replaced Nigeria as the highest exposure per single country.

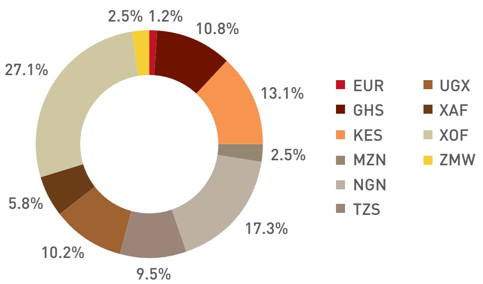
Currency Allocation

As loans and investments from foreign sources rise, microfinance institutions and investors increasingly face the need to adequately manage currency risk. REGMIFA focuses on effectively supporting PLIs in this task. 99% of outstanding loans have been disbursed in local currency, helping to reduce the PLIs` exposure to significant currency volatility.

The distribution of loans by currency closely matches the investment by country. The West African CFA franc region represents 27.1% of invested volume and is the largest currency exposure of the Fund.

REGMIFA has established relationships with several reputable hedging counterparties, allowing it to offer local currency loans at competitive rates. Just 1.2% of loans are outstanding in hard currency (EUR).

Distribution of loans by currency



Providing PLIs with local currency financing solutions is at the core of REGMIFA's mission. It brings a significant added-value to PLIs, since they do not bear foreign exchange risk on their balance sheet. Furthermore, REGMIFA is able to use adequate hedging instruments thanks to its close partnerships with several hedge counterparties. As of the end of 2012, 99% of the total loan portfolio was denominated in local currencies, which is a significant achievement.

Whenever possible REGMIFA`s investments are hedged against the United States Dollar – the reference currency of the Fund. Additionally, the Fund may take in some specific cases open currency exposure under strict compliance with its foreign exchange risk management guidelines. This is the case for loans denominated in illiquid currencies for which the hedge expenses significantly exceed foreign exchange risk and, as a result, would burden the Fund`s investment.

In 2012, the Fund took open currency exposure for the first time, which at year`s end amounted to USD 3.8 million, denominated in Ghanaian Cedi, Kenyan Shilling and CFA Franc and representing 4.8% of the total loan portfolio.

Profile of Partner Lending Institutions

The Fund aims to target a set of PLIs that are diversified in terms of institutional characteristics, credit rating, size, country and currencies requested. With an average shadow credit rating of BBB- and country risk of BB-, 47% of the total loan volume is outstanding with institutions not related to a microfinance network (13 out of 27 investees).

Top 5 PLI Exposures

COUNTRY	INVESTEE	CY	USD	% of portfolio
Kenya	Kenya Women Finance Trust	KES	8.1m	10.4%
Senegal	ACEP Senegal	XOF	6.5m	8.3%
Senegal	PAMECAS	XOF	6.0m	7.8%
Nigeria	LAPO MFB	NGN	6.0m	7.7%
Tanzania	FINCA Tanzania	TZS	5.0m	6.4%

The Fund's investees displayed healthy profitability figures and solid loan portfolio quality with an average Portfolio at Risk > 30 days of 4.48%, while at the same time reaching out to the lower-income segments of the population as illustrated by an average loan size of USD 501.

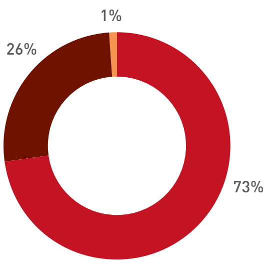
Key indicators of the Fund's investees

INVESTED PLI PROFILE	SIMPLE AVERAGE	MEDIAN
Total Assets (USD)	49,521,959	35,785,506
Gross loan portfolio (USD)	34,984,848	29,861,151
Number of active borrowers	69,607	21,825
Debt/Equity ratio	4.85	3.25
Portfolio yield	43.59%	42.94%
Operating expense ratio	35.28%	30.93%
Operational self-sufficiency	110.70%	106.68%
Return on Equity	5.83%	7.60%
Return on Assets	0.39%	2.01%
PAR > 30 days	4.48%	3.07%
Write off ratio	1.57%	1.05%

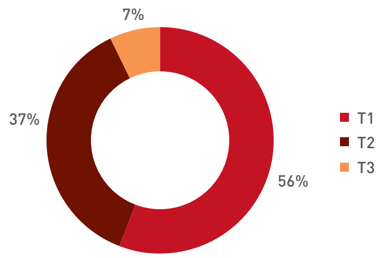
Distribution by Institutional Size

In terms of size, REGMIFA`s PLIs have balance sheets four times smaller than those in other global regions and, similarly, average loans are more than half the size of the average loans elsewhere. While 44% of the PLIs in the portfolio were Tier 3 and Tier 2 PLIs and totaled 27% of invested volume in 2012, it is important to underline that REGMIFA`s financial and technical support has contributed to the growth of its PLIs and that there has been a size shift within the portfolio. At the time of the first REGMIFA investment, 17 of 27 institutions that REGMIFA works with had total assets below USD 30 million. At the end of the reported year, roughly 20% of PLIs supported by REGMIFA had grown into Tier 1 institutions over time and 4 PLIs moved from Tier 3 to Tier 2.

Tier by Invested Volume



Tier by Number of Institutions



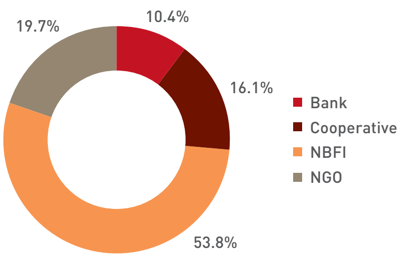
Tier 1: Total Assets > = USD 30m
Tier 2: USD 10m < = Total Assets < USD 30m
Tier 3: Total Assets < USD 10m

	Tier at first REGMIFA disbursement	Current Tier
T1	10	15
T2	11	10
T3	6	2
Total	27	27

The statistic on the evolution of PLIs within the Tier categories, along with the increasing average outstanding loan amount per PLI, illustrates how REGMIFA accompanies institutions in their growth. Along with increasing growth in their total assets, REGMIFA has increased the average outstanding loan amount per PLI (from USD 2,170,574 to USD 2,886,969) and is granting longer maturities as institutions progress (from an average maturity at closing of 26.1 months to 29.2 months).

Distribution by Institutional Type

Over half of the Fund's partners are non-bank financial institutions. 20% are NGOs and the remaining number is distributed among cooperatives and banks.



TA Facility

The REGMIFA TA Facility – addressing a variety of TA needs

As expected, the TA Facility's second year of existence was challenging. The TA Facility addressed a high number of needs of many different institutions, supporting them in crucial areas. The TA Facility Committee approved 21 projects and 12 projects (including three training projects) were completed this year. Together with the PLIs, the TA Facility team thoroughly assessed where support made the most sense and tailored projects to the urgent needs of the institutions. Moreover, training grants were provided to a selected number of PLIs.

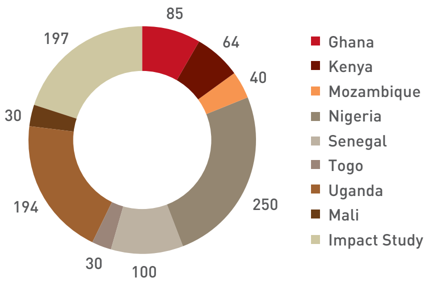
Countries of operation in 2012:

Benin, Cameroon, Ghana, Kenya, Mali, Mozambique, Nigeria, Senegal, Tanzania, Togo, Uganda, Zambia

2012 at a Glance

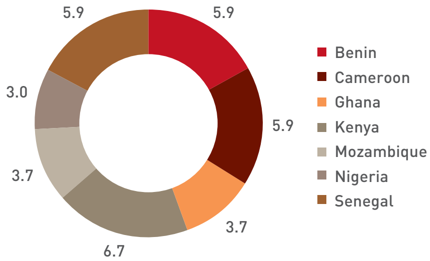
- 21 projects approved (EUR 1,038,279)
- 20 PLIs supported
- 12 countries outreached
- Average project size of EUR 43,070
- 25.3% PLI co-financing contribution to costs
- 52% of volume granted to T2 and T3 PLIs

TA Volume for projects approved by country, EUR in thousands
(The impact study covers several countries)



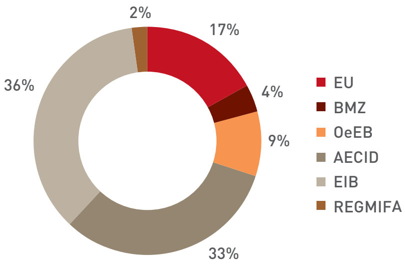
The TA Facility's flexible approach allows it to respond to the most urgent needs of PLIs.

TA Volume for trainings approved by country, EUR in thousands



Ensuring the delivery of high quality consultancy services is crucial to the success of the TA Facility.

Support from leading international Donor Agencies
Total committed funding amount to the TA Facility: EUR 5.53m



At the inception of the TA Facility, the Contributors committed funding totalling EUR 5.4 million. In 2012, REGMIFA provided additional funding to the TA Facility from the 2011 revenues, bringing the number of contributors to six. A strong backing from leading donor agencies enabled the TA Facility to finance a high number of projects and also to count on solid expertise and experience.

An example of a TA project: SAT Sinapi, Ghana:

"Transforming from an NGO into a regulated financial institution."

Sinapi Aba Trust (SAT) is an autonomous, private non-governmental organization (NGO) in Ghana. The Financial Institution has 48 branches throughout Ghana and the best national coverage of any MFI in the country. To better serve its customers and increase its outreach and profitability, SAT decided to transform into a regulated financial institution.

The overall objective of the TA assignment was to support the NGO in managing its transformation into a regulated financial institution. The TAF was also charged with help in strategic positioning, while sharpening the skills and knowledge base of management and staff to enhance performance and to sustain the growth and expansion of the new organization.

The TA Facility engaged in hiring a consulting firm who supported the institution over the period of a few months to develop a business and marketing plan as well as a capacity building program, which included a number of training modules for its staff. The consultant also supported the management in filing the license request with the Bank of Ghana. One of the most important tasks was the transformation assessment in terms of IT infrastructure to ensure SAT would be ready to manage its portfolio and provide a basis for a regulatory reporting system. The result was a set of recommendations for SAT to consider in their systems planning. In July 2012 SAT received a provisional license from the Bank of Ghana.

Since this transformation was highly complex and the technical assistance was a work-intensive undertaking, the consultant, together with the PLI, designed a TA strategy within the REGMIFA project. SAT Sinapi also received technical assistance from other providers and the consultant coordinated all providers and laid the groundwork for the sustainability of the TA intervention. Follow up TA also began in 2012 and built on the implemented REGMIFA TA intervention.

AUDITED FINANCIAL STATEMENTS

General information

Board of Directors

- Mr. Wolfgang Kroh (Chairman)
- Dr. Marcel Gérard Gounot
- Mr. Hanns Martin Hagen
- Mr. Ulf Linders
- Ms. Alix Pinel
- Mr. Ruurd Brouwer
- Mr. Juan Izuzquiza (since 19.07.2012)
- Mr. Jorge Fabra Portela (until 18.04.2012)

Registered Office

- 5, rue Jean Monnet
  L-2180 Luxembourg
  Grand-Duchy of Luxembourg

Investment Manager and Placing Agent

- Symbiotics Asset Management S.A.
  75, rue de Lyon
  CH-1203 Geneva
  Switzerland

Custodian

- Credit Suisse (Luxembourg) S.A.
  56, Grand Rue
  L-1660 Luxembourg
  Grand-Duchy of Luxembourg

Administrative Agent

- Credit Suisse Fund Services
  (Luxembourg) S.A.
  5, rue Jean Monnet
  L-2180 Luxembourg
  Grand-Duchy of Luxembourg

Independent Auditor

- Ernst & Young S.A.
  7, rue Gabriel Lippmann
  Parc d'Activité Syrdall 2
  L-5365 Munsbach
  Grand-Duchy of Luxembourg

Legal Advisers

- Linklaters LLP
  35, Avenue John F. Kennedy
  B.P. 1107
  L-1011 Luxembourg
  Grand-Duchy of Luxembourg

Report of the Board of Directors

We are pleased to submit the annual report for the period ended 31 December 2012 and the Independent Auditor's Report for the Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

Status

The Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF was established on 1 December 2009 as a *société anonyme*, qualifying as a *société d'investissement à capital variable-fonds d'investissement spécialisé (SICAV-SIF)* under the Luxembourg Law of 13 February 2007 ("SIF-Law"). The Fund was registered with the *Registre de Commerce et des Sociétés*, Luxembourg, section B, under number B-150.766. The articles of incorporation of the Fund ("Articles") were published in *Mémorial C, Recueil des Sociétés et Associations*.

Results

The performance of the Company during the period is disclosed in the Income Statement on page 34.

Dividends and other contributions

As per the 2012 financial exercise, the Fund generated a total distributable income of USD 1,956,077. Based on this income, all target dividends will be paid to the Class A and Class B shareholders and capitalized to the Class C shareholders: USD 449,897 to Class A Shares, USD 276,124 to Class B Shares, and USD 1,003,300 to Class C Shares. Furthermore, the Board resolved to allocate the remaining amount of distributable income as follows: an allocation of USD 88,253 as FX compensation amount to Class C Shares; a USD 49,955 contribution to the Technical Assistance facility; an incentive bonus of USD 17,710 to the Investment Manager; and a USD 70,838 complementary dividend of which USD 10,435 is allocated to Class A Shares, USD 7,716 to Class B Shares and USD 52,687 to Class C Shares.

Directors

The following persons served as Directors of the Fund during the year:

- Mr. Wolfgang Kroh (Chairman)
- Mr. Ruurd Brouwer
- Dr. Marcel Gérard Gounot
- Mr. Jorge Fabra Portela
- Mr. Hanns Martin Hagen
- Mr. Ulf Linders
- Ms. Alix Pinel
- Mr. Juan Izuzquiza (replacing Mr. Fabra Portela)

During 2012, the Board of Directors has held three meetings and executed several circular resolutions in exercise of its governance duties.

Statement of Directors' responsibilities

The financial statements are the responsibility of the Board of Directors.

We hereby authorize the Fund's financial statements as at 31 December 2012 for issue.

22 May 2013
Board of Directors

Independent Auditor's Report

Ernst & Young
Société anonyme
7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach
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L-2017 Luxembourg

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Fax: +352 42 124 5555
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TVA LU 16063074

Independent auditor's report

To the Shareholders of
Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF
5, rue Jean Monnet
L-2180 Luxembourg

We have audited the accompanying financial statements of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF, which comprise the statement of financial position as at 31 December 2012, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to holders of redeemable shares and equity for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

ERNST & YOUNG

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF as of 31 December 2012, and of its financial performance and its cash flows for the year ended 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Alain KINSCH

Luxembourg, 22 May 2013

A member firm of Ernst & Young Global Limited

Statement of Financial Position

For the year ended 31 December 2012 (expressed in USD)

ASSETS	31 DECEMBER 2012	31 DECEMBER 2011
Gross Loans to Partner Lending Institutions	77,000,913	41,763,830
Impairment allowances	-	-
Loans to Partner Lending Institutions (Note 3)	77,000,913	41,763,830
Derivative financial instruments (net) (Note 4)	301,814	2,723,765
Interest accruals on loans (Note 3)	2,242,429	1,220,227
Other receivables	1,378,244	195,703
Prepaid expenses	24,528	24,151
Cash and cash equivalents	6,979,273	14,866,094
Total Assets	87,927,201	60,793,770

LIABILITIES		
Notes (Note 5)	13,121,470	3,500,000
Accrued expenses (Note 8.5)	550,867	374,827
Other payables	-	3,700
Subscription received in advance (Note 6)	-	9,999,998
Dividends payable to holders of redeemable shares (Note 10)	744,172	406,488
Contribution to the technical assistance facility (Note 10)	49,955	129,250
Total Liabilities (excluding net assets attributable to holders of redeemable shares)	14,466,464	14,414,263
Net assets attributable to holders of redeemable shares		
A Shares	22,465,122	18,250,000
B Shares	12,950,000	6,950,000
Total liabilities	49,881,586	39,614,263

EQUITY		
Share capital	35,950,000	19,050,000
Retained earnings	2,095,615	2,129,507
Total Equity	38,045,615	21,179,507
Total Liabilities and Equity	87,927,201	60,793,770

The accompanying notes are an integral part of these financial statements

Income Statement

For the year ended 31 December 2012 (expressed in USD)

	2012	2011
Interest income on loans (Note 7.1)	8,643,766	3,248,660
Bank interest	4,725	6,614
Other income	73,697	871,325
Change in unrealized gain on derivative financial instruments (Note 4)	1,805,642	3,026,189
Realized gain on derivative financial instruments	940,950	1,144,739
Realized gain and change in unrealized gain on foreign exchange	804,641	194,142
Total Income	12,273,421	8,491,669
EXPENSES		
Management fees (Note 8.1)	(1,267,449)	(1,000,000)
Secretary fees (Note 8.3)	(56,282)	(144,428)
Legal and audit fees	(89,256)	(171,813)
Administration, custodian and domiciliation fees (Note 8.4)	(128,078)	(114,750)
Subscription tax	-	(609)
Other administrative expenses	(82,009)	(63,794)
Marketing and promotion expenses	(37,477)	(58,844)
Interest on Notes (Note 7.2)	(138,839)	(21,927)
Debit interest	(1,910)	(976)
Realized loss on derivative financial instruments	(4,409,844)	(2,159,650)
Realized FX loss on loans to Partner Lending Institutions	(940,671)	-
Change in unrealized loss on derivative financial instruments (Note 4)	(4,227,593)	(518,885)
Realized loss and change in unrealized loss on foreign exchange	(116,068)	(1,718,286)
Total Operating Expenses	(11,495,476)	(5,973,962)
Operating profit before tax	777,945	2,517,707
Distribution to holders of redeemable ordinary shares	(744,172)	(406,488)
Contribution to the technical assistance facility	(49,955)	(129,250)
Incentive bonus	(17,710)	-
Profit/Loss for the Year	(33,892)	1,981,969

Statement of Comprehensive Income

For the year ended 31 December 2012 (expressed in USD)

	2012	2011
Profit/Loss for the year	(33,892)	1,981,969
Other comprehensive income for the year, net of tax	---	---
Total comprehensive income for the year, net of tax	(33,892)	1,981,969

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows
For the year ended 31 December 2011 (expressed in USD)

	2012	2011
Cash flows from operating activities		
Operating profit before tax	777,925	2,517,707
Adjustments for:		
Change in unrealized gain on derivatives financial instruments (net)	2,421,951	(2,507,304)
Operating Profit before working capital changes	3,199,896	10,403
Net (increase) in interest accruals on loans	(1,022,202)	(818,827)
Net (increase) / decrease in other receivable and prepaid expenses	(1,182,918)	496,327
Net increase / (decrease) in accrued expenses and other payable (incl. incentive bonus)	154,630	(232,384)
Dividends payable to Class A and Class B Shareholders	(406,488)	-
Amount payable for technical assistance facility	(129,250)	-
Cash-flows used in operating activities	613,668	(544,481)
Cash flows from investing activities		
Net increase in loans to Partner Lending Institutions	(35,237,083)	(25,506,052)
Cash-flows used in investing activities	(35,237,083)	(25,506,052)
Cash flows provided by financing activities		
Cash received on Notes issued	9,621,470	2,000,000
Cash received on Shares issued	27,115,122	26,000,000
Advance of cash on subscriptions	(9,999,998)	7,999,998
Cash-flows provided by financing activities	26,736,594	35,999,998
Net increase in cash and cash equivalents	(7,886,821)	9,949,465
Opening cash and cash equivalents	14,866,094	4,916,629
Closing cash and cash equivalents	6,979,273	14,866,094

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and Equity
For the year ended 31 December 2012 (expressed in USD)

Balance as of 1 January 2011	18,397,538
Total comprehensive income	1,981,969
Proceeds from subscriptions	26,000,000
Proceeds from redemptions	-
Balance as of 31 December 2011	46,379,507
Balance as of 1 January 2012	46,379,507
Total comprehensive income	(33,892)
Proceeds from subscriptions	27,115,122
Proceeds from redemptions	-
Balance as of 31 December 2012	73,460,737

EARNINGS PER SHARE FOR THE YEARS 2012 AND 2011	2012	2011
Class of shares		
Class A - Series 1	2,357.25	1,968.90
Class A - Series 2	2,357.25	1,968.90
Class B - Series 1	982.76	869.03
Class B - Series 2	982.76	---
Class C - Series 1	(59.10)	6,521.50
Class C - Series 2	(59.10)	6,521.50
Class C - Series 3	(59.10)	6,521.50
Class C - Series 4	(59.10)	6,521.50

The accompanying notes are an integral part of these financial statements

	Class A		Class B		Class C		Combined
	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders
AT 31 DECEMBER 2011	18,250,000	182.500	6,950,000	278.000	21,179,507	368.754	46,379,507
Issue of redeemable ordinary shares	4,215,122	42.151	6,000,000	240.000	-	-	10,215,122
Redemption of redeemable ordinary shares	-	-	-	-	-	-	-
Issue of equity	-	-	-	-	16,900,000	297.030	16,900,000
Redemption of equity	-	-	-	-		-	-
Operating profit before tax	460,331	-	283,841	-	(33,892)	-	710,280
Distribution paid to holders of Class A and Class B shares	(460,331)	-	(283,841)	-	-	-	(744,172)
At 31 December 2012	22,465,122	224.651	12,950,000	518.000	38,045,615	665.784	73,460,737

	Class A		Class B		Class C		Combined
	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders
AT 31 DECEMBER 2010	5,250,000	52.50	5,950,000	238.00	7,197,538	141.00	18,397,538
Issue of redeemable ordinary shares	13,000,000	130.00	1,000,000	40.00	-	-	14,000,000
Redemption of redeemable ordinary shares	-	-	-	-	-	-	-
Issue of equity	-	-	-	-	12,000,000	227.75	12,000,000
Redemption of equity	-	-	-	-	-	-	-
Operating profit before tax	199,503	-	206,985	-	1,981,969	-	2,388,457
Distribution paid to holders of Class A and Class B shares	(199,503)	-	(206,985)	-	-	-	(406,488)
At 31 December 2011	18,250,000	182.50	6,950,000	278.00	21,179,507	368.75	46,379,507

Notes to the Financial Statements

Note 1 – Description

1.1. Corporate information

Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (hereafter referred to as the "Fund") is a closed-ended investment company with variable capital, incorporated as a public limited company (a "société anonyme"), and organized under the laws of Luxembourg as a *société d'investissement à capital variable – fonds d'investissement spécialisé*. The Fund is registered pursuant the law of 13 February 2007 on specialized investment funds (the "SIF Law").

The Fund was set up for an unlimited duration on 1 December 2009.

The Articles of Incorporation of the Fund ("Articles") were published in *Mémorial C, Recueil des Sociétés et Associations*. The Fund is registered with the Luxembourg Company Register under Number B 150.766.

The registered office of the Fund is established in Luxembourg, Grand Duchy of Luxembourg and its address is set at 5, rue Jean Monnet L-2180 Luxembourg.

The mission of the Fund is to build a unique public private partnership between donors, development finance institutions and international finance institutions, private investors and African stakeholders to foster economic development and prosperity in Sub-Saharan Africa through the provision of demand-oriented financing to qualified and, to the extent necessary, technically supported partner lending institutions serving micro, small and medium sized enterprises.

1.2. Investment objectives

The Fund seeks to invest in a balanced portfolio of regulated and/or non-regulated micro finance institutions and/or local commercial banks and/or other financial institutions, established in Sub-Saharan African countries providing funding to MSMEs, (each a Partner Lending Institution - "PLI").

1.3. Share capital and Notes

The Fund may issue various classes of Shares (each a "Class"), each evidencing a different level of risk.

- The first loss Class C Shares ("Class C Shares"), which may be issued in successive series, bear all unrealized/realized capital losses of the Fund (e.g. foreign exchange loss, deterioration in credit quality or defaults with respect to the investments of the Fund) until the Net Asset Value ("NAV") of Class C Shares has been fully depleted. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class C Shares in the order of priority as detailed in Note 9. The Class C Shareholders' dividend entitlements rank junior to the dividend entitlements of the Class A and Class B Shareholders as per the waterfall model detailed in Note 9. The NAV of all C Shares must represent at least 33 % of the total assets of the Fund at all times.
- The mezzanine Class B Shares ("Class B Shares"), which may be issued in successive series, bear unrealized/realized capital losses of the Fund only if the NAV of the Class C Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class B Shares in the order of priority as detailed in Note 9. The Class B Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class C Shareholders but junior to the dividend entitlements of the Class A Shareholders as per the waterfall model detailed in Note 9. The sum of the NAVs of the C Shares and the B Shares must represent at least 50 % of the total assets of the Fund at all times.
- The senior Class A Shares ("Class A Shares"), which may be issued in successive series, are insulated against unrealized/realized capital losses of the Fund, bearing such losses only if the NAV of both the Class C Shares and the Class B Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class A Shares in the order of priority as detailed in Note 9. The Class A Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class B and Class C Shareholders as per the waterfall model detailed in Note 9.

The Fund may also from time to time issue notes in the form of subordinated notes ("Subordinated Notes") and senior notes ("Senior Notes") (together the "Notes").

The Fund may issue Notes in successive Series, each with its own duration and coupon determined at the discretion of the Board of Directors at the time the relevant Series of Notes is being placed:

- The entitlements of holders of Senior Notes to receive interest payments and repayments of principal rank junior to other creditors of the Fund but senior to all Shareholder payment entitlements and senior to all payment entitlements of holders of Subordinated Notes.
- The entitlements of holders of Subordinated Notes to receive interest payments and principal repayments rank junior to other creditors of the Fund and junior to all payment entitlements of holders of Senior Notes but senior to all Shareholder payment entitlements.

Note 2 – Significant accounting policies

2.1. Statement of compliance

The Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF's financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union ("IFRS").

2.2. Basis of preparation

The Financial Statements have been prepared on a historical cost basis, except for loans and advances to PLIs that are measured at amortized cost using the effective interest method and derivative financial instruments that have been measured at fair value.

The Fund's financial year starts on 1 January and ends 31 December of each year.

The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the Board of Directors to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying Notes. The Board of Directors believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates and the differences may be material to the Financial Statements.

(a) Significant accounting judgments and estimates

In the process of applying the Fund's accounting policies, the Board of Directors has used its judgments and made estimates in determining the amounts recognized in the Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken by observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The determination of the adequate valuation method and of underlying assumptions requires significant estimation.

As at 31 December 2012 and 2011, the Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange or New York Stock Exchange) and exchanges traded derivatives like futures;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Impairment losses on loans

The Fund reviews its problem loans at each reporting date to assess whether an allowance for impairment should be recorded in the Financial Statements. In particular, judgment by the Board of Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to lAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Fund.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in lAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given prorata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Fund because it does not have this type of instruments.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but has no impact on the financial position or performance of the Fund.

- IFRS 7 Financial Instruments – Disclosures: the amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- lAS 1 Presentation of Financial Statements: the amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the annual accounts.

(c) Standards issued but not yet effective

At the authorisation date of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Only accounting policies and disclosures applicable or potentially applicable to the Fund are mentioned below.

IAS 1 Financial Statements Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the financial assets, but will not have an impact on classification and measurements of financial liabilities.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Fund.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.3. Summary of significant accounting policies

2.3.1. Foreign currency translation

I. Functional currency translation

Items included in the Financial Statements are measured and presented using the US Dollars (USD).

The Fund's results and financial position are translated from its functional currency to its presentation currency, as follows:

- assets and liabilities are translated at the closing rate at each statement of financial position date;
- income and expenses are translated at the monthly average exchange rate.

II. Transactions and balances

Foreign currency transactions are translated, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in USD are translated into USD at the exchange rate prevailing at the statement of financial position date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates when the fair value was 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 income statement.

2.3.2. Loans

I. Classification

The PLI investments are classified into the category Loans and Receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

II. Initial measurement

Loans and Receivables are recognized in the assets of the Fund when cash is advanced to the Partner Lending Institutions. They are initially recorded at cost (the net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs that are directly attributable to the acquisition or issue.

III. Subsequent measurement

After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition that are not integral part of the effective interest rate.

The Fund assesses at each statement of financial position date whether there is any objective evidence that a loan is impaired. A loan is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred "loss event") and that loss event has an impact on the estimated future cash flow of the loan that can be reliably estimated.

Evidence of impairment may include indications that the PLI is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement as "Credit loss expense". Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the loan. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-down is later recovered, the recovery is credited to the "Credit loss expense".

In addition to specific allowances against individually significant Loans and Receivables, the Fund also makes collective impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective impairment test is based on any deterioration in the internal rating of the groups of loans since there were granted or acquired.

IV. Derecognition

The Fund derecognizes a loan when the contractual rights to the cash flows from the loan expire or when it transfers the loan and the transfer qualifies for derecognition in accordance with IAS 39.

2.3.3. Derivative financial instruments

The Fund may engage, for the proportion of its portfolio which is invested in a currency other than USD, in currency hedging operations with a view to manage exposures to foreign currency risk.

These hedging operations are assimilated as economic hedging. The Fund does not apply hedge accounting and the derivative financial instruments are classified as held for trading.

The derivatives financial instruments are measured at fair value through profit and loss accounts and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Market values are determined by using quoted market prices, valuation techniques and broker quotations.

2.3.4. Notes

Notes are recognized initially at cost including any transaction costs that are directly attributable to their acquisition or issue. Subsequently, they are measured at amortized cost using the effective interest rate method.

2.3.5. Cash and cash equivalent

The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.

2.3.6. Redeemable shares

The A and B Shares are redeemable at the maturity of the relevant tranches of classes of shares and are classified as financial liabilities. The liabilities arising from these shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

The C Shares are classified as equity instruments for the following reasons:

- the shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- the shares are in the class of instruments that is subordinate to all other classes of instruments;
- all shares in the class of instruments that is subordinate to all other classes of instrument have identical features;
- the shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets;
- the total expected cash flows attributable to the shares over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

2.3.7. Interest income and expenses

Interest income on loans and interest expenses are recognized on an accrual basis in line with the contractual terms.

2.3.8. Expenses

Most of these expenses, including management fees, are recognized in the income statement on an accruals basis. The other expenses are directly recorded in the income statement.

2.3.9. Taxation

The Fund is not subject to any tax except to the tax on Luxembourg undertakings for collective investment ("Subscription tax").

The annual subscription tax ("taxe d'abonnement") is generally levied at the rate of 0.01% per annum on the Fund's Net Asset Value calculated on the last valuation day of each quarter and is payable in quarterly installments.

In accordance with the "Règlement grand-ducal" dated 14 July 2010, the Fund is exempted from the subscription tax since 23 May 2011.

Note 3 – Loans portfolio

As at 31 December 2012, the Loans to Partner Lending Institutions have a carrying value amounting to USD 77,000,913 (2011: USD 41,763,830) and a fair value amounting to USD 76,270,498 (2011: USD 40,905,647).

The fair value of loans is calculated by using valuation techniques based on non-observable data in emerging markets and corresponds to level 3 of IFRS 7 fair value hierarchy. The estimated fair value of loans is based on a discounted cash flow model in line with those used by the Fund's hedge counterparties taking into account the evolution of 1) foreign exchange rates, 2) local yield curves (i.e. T-bills and T-bonds) since the disbursement date of loans, as well as 3) any impairment allowances accounted for by the Fund as of 31 December 2012. The fair value of the portfolio represents a clean price as accrued interests are not factored in.

The following describes the methodologies and assumptions used to determine the fair value of loans:

- Cash flows: expected principal and interest payments are initially set assuming that every payment would occur in the time and form stipulated by the individual loan agreement. In case of impairment allowances, the timing and amount of cash flows are adjusted in accordance with the impairment assessment performed by the Investment Manager.
- Discount rates: discount rates used for discounting expected cash flows reflect the yield curve (risk free rates) prevalent in each country as of December 31, 2012. Spreads above risk free rates are defined at the onset of each loan;
- Exchange rates: The present value of loans denominated in currencies other than USD is then converted into USD at the FX spot rate prevailing as of December 31, 2012.

During the year ended 31 December 2012, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2012, the accrued interest to be received on loans to Partner Lending Institutions amounts to USD 2,242,429 (2011: USD 1,220,227).

Note 4 – Derivative financial instruments

As part of its asset and liability management, the Fund uses cross currency swaps for the proportion of its loan portfolio which is invested in currencies other than USD in order to simultaneously reduce its exposure to interest rate risk and foreign exchange risk.

As per 31 December 2012, the Fund holds 67 (2011: 37) cross currency swaps and 1 interest rate swap (2011: nil) with notional amount of USD 100,777,763 (2011: USD 42,371,488), which have a positive fair value of USD 301,814 as at 31 December 2012 (2011: USD 2,723,765). The nominal value of the derivative financial instruments is higher than the nominal value of the loan portfolio to Partner Lending Institutions as most loans denominated in XOF/XAF are first hedged from XOF/XAF to EUR and then from EUR to USD.

The fair values of cross currency swaps are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles and so involved valuation techniques where all the model inputs are observable (either directly or indirectly) in the market. It corresponds to level 2 of the IFRS 7 fair value hierarchy.

During the year ended 31 December 2012 and 2011, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

Note 5 – Notes

As at 31 December 2012, the outstanding Notes issued by the Fund amount to USD 13,121,470 (2011: USD 3,500,000) and are fully drawn.

The floating rate Notes are valued at their nominal amounts as of 31 December 2012 and 2011, the risk profile of the Fund having not significantly changed since the issuance of the Notes.

Note 6 – Subscription received in advance

As at 31 December 2012 there was no subscription received in advance (2011: USD 9,999,998).

Note 7 – Interest income and expense

7.1. Interest income on loans

For the year ended 31 December 2012, the interest income is composed by interest on loans and advances and upfront fees amounting to respectively USD 8,170,009 (2011: USD 3,016,410) and USD 473,757 (2011: USD 232,250).

7.2. Interest expenses on Notes

For the year ended 31 December 2012, the interest on Notes expensed by the Fund amounts to USD 138,839 (2011: USD 21,927).

Note 8 – Expenses

8.1. Fund management fee

In consideration for its services to be provided to the Fund, the Investment Manager is entitled to a management fee payable by the Fund which shall be the aggregate of:

(i) a percentage of the outstanding capital invested by the Fund ("Invested Capital") in PLI Investments as at the end of any calendar month determined as follows:

(a) 2 % per annum for the first USD 50 million of Invested Capital invested in PLI Investments at the end of such calendar month; plus

(b) 1.75 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 50 million up to the amount of USD 100 million; plus

(c) 1.50 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 100 million up to the amount of USD 200 million; plus

(d) 1.25 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 200 million; and

(ii) 0.2 % per annum of the amount of Invested Capital invested in Investments other than PLI Investments at the end of such calendar month.

For the first two years following the initial closing of the Fund, a minimal amount of USD 1,000,000 of management is applied. For the first exercise upon Fund's inception, the floor amount has been apportioned from the date of the initial closing to 31 December 2010.

For the year ended 31 December 2012, the Fund management fee amounts to USD 1,267,449 (2011: USD 1,000,000).

8.2. Investment manager incentive bonus

Depending on the performance of the Fund and the attainment of certain performance targets by each Class of Shares determined by the Board of Directors, the Investment Manager might be entitled to additional performance based remuneration ("Investment Manager Incentive Bonus"), calculated as a percentage of the year-to-date amount remaining available for allocation of the Income Waterfall, as defined in Note 9.

For the year ended 31 December 2012, an Investment Manager Incentive Bonus of USD 17,710 has been accrued (2011: USD 0).

8.3. Secretary fees

The secretary fees are paid on a monthly basis upon receipt of the invoice.

For the year ended 31 December 2012, the secretary fees amount to USD 56,282 (2011: USD 144,428).

8.4. Administration, custodian and domiciliation fees

The Fund pays an administration fee to Credit Suisse Fund Services (Luxembourg) S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.10% per annum on the first amount of USD 100 million,
- 0.08% per annum on the next amount of USD 100 million,
- 0.04% per annum on the amount above USD 200 million.

A minimal amount of USD 60,000 of administration fee is applied per annum.

For the year ended 31 December 2012, the administration fee amounts to USD 71,843 (2011: USD 60,000).

The Fund pays a custodian fee to Credit Suisse (Luxembourg S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.03% per annum on the first amount of USD 100 million,
- 0.02% per annum on the next amount above USD 100 million.

A minimal amount of USD 20,000 of custodian fee is applied per annum.

For the year ended 31 December 2012, the custodian fee amount to USD 26,235 (2011: USD 22,500).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2012, the domiciliation fee amounts to USD 15,000 (2011: USD 17,250).

As at 31 December 2012, the registrar and the compliance monitoring fees amount to USD 15,000 (2011: USD 15,000).

8.5. Accrued expenses

As at 31 December 2012, the accrued expenses relate to management fees and direct operating expenses and amount to USD 550,867 (2011: USD 374,827).

Note 9 – Allocation and distribution waterfalls

At each date on which a NAV calculation is made ("NAV Calculation Date"), the year-to-date cumulative net income ("Net Income") of the Fund for the relevant calendar year is determined. The Net Income equals the sum of (i) the Fund's cumulative year-to-date income (received and/or accrued) in the relevant calendar year less the year-to-date cumulative Fund Expenses (including, but not limited to, operating expenses and Management Fees) for the calendar year, plus (ii) any year-to-date interest payments on the Notes for the calendar year. For the purposes of this computation: (i) all realized and unrealized (ie accrued) interest payments to the Fund are included in the Fund's Net Income (if any interest payments are not received by the Fund or if previously accrued interest payments are not paid to the Fund, such amounts come in deduction of the Fund's Net Income) and (ii) the portion of the value of any related derivative financial instrument which is linked to the accrued interest on any loan is allocated to the Net Income of the Fund.

At each NAV Calculation Date, the year-to-date positive Net Income of the Fund is allocated according to the Fund waterfall mechanism as set forth in the Issue Document, which is designed to compensate investors based on their respective investment risk and provide the necessary funding for the Fund's ongoing operations. The amount of dividend distributable to Classes A, B and C Shares at each NAV Calculation Date is limited to a level of target dividend whose determination is defined in the relevant subscription agreements. Operational aspects of the Fund compensated through the waterfall structure include i) the Foreign Exchange Currency ("FX") reserve payment, which is allocated annually to the Class C Shares to protect against an erosion of value due to FX losses; ii) a component of the overall funding for a technical assistance facility ("TA Facility") established in parallel with the Fund to provide technical assistance to PLIs in their development and growth as well as to prepare and to support PLI Investments; and iii) the Investment Manager Incentive Bonus, as described in Note 8.2, included to align the interests of the Investment Manager with those of the Fund's investors.

All amounts exceeding target dividends and contributions to operational aspects are used to pay out complementary dividends to shareholders in accordance with the terms and conditions stated in the Fund's Issue Document.

At each NAV Calculation Date, in case the year-to-date Net Income of the Fund is negative, it will be allocated in the following order of priority:

- Class C Shares up to the total NAV of the Class C Shares, pro rata to the NAV of each Series of Class C Shares,
- Class B Shares up to the total NAV of the Class B Shares, pro rata to the NAV of each Series of Class B Shares,
- Class A Shares up to the total NAV of the Class A Shares, pro rata to the NAV of each Series of Class A Shares.

In addition, at each NAV Calculation Date, once the allocation of Net Income has been made, the Capital Waterfall of the period is determined as follows:

- any year-to-date write backs on unrealized Investments, plus
- any impairment allowances due to the deterioration in credit quality or defaults with respect to the Investments of the Fund, plus
- any realized and unrealized gains and losses on local currency loans to PLIs due to changes in the value of the local currency, plus
- any other year-to-date realized or unrealized capital gains and losses on foreign exchange (other than on local currency loans to PLIs), plus
- the foreign exchange compensation amount ("FX Compensation Amount"), which protects the C Share class against expected FX depreciation on unhedged investments, plus
- realized and unrealized gains or losses from the value of derivative financial instruments held by the Fund. This is calculated as the portion of the value of derivative financial instruments held by the Fund other than the portion of the value of the related derivative financial instruments which is linked to the accrued interest on the loans (this accounting rule has been defined after Fund inception, which explains why no reference to it is made in the Fund's Issue Document).

The Capital Waterfall is allocated in the following order of priority:

- first to Class A Shares showing a positive difference between the issue price and their NAV (the "NAV Deficiency") at period ends,
- then to Class B Shares showing a NAV Deficiency at period ends,
- to Class C Shares pro rata to their NAV at period ends.

Note 10 – Calculation of distributable income and capital gains and losses

At each NAV Calculation Date, the Fund calculates the year-to-date cumulative Net Income ("Operating profit before tax" in Income Statement) for the relevant calendar year. The year-to-date cumulative Net Income is then allocated via the Income Waterfall and the Capital Waterfall to each Class of Shares in the order of priority described in the Note 9.

Allocation of Distributable Income (income waterfall)

	2012	2011
Interest income on loans	8,643,766	3,248,660
Bank interest	4,725	6,614
Other income	73,697	871,325
Realized losses on derivative financial instruments (interest portion)	(4,380,063)	(1,014,911)
Management fees	(1,267,449)	(1,000,000)
Secretary fees	(56,282)	(144,428)
Legal and audit fees	(89,256)	(171,813)
Administration, custodian and domiciliation fees	(128,078)	(114,750)
Subscription tax	-	(609)
Other administrative expenses	(82,009)	(63,794)
Marketing and promotion expenses	(37,477)	(58,844)
Interest on Notes	(138,839)	(21,927)
Debit interest	(1,910)	(976)
Change in unrealized loss on derivative financial instruments (interest portion)	(584,748)	(521,717)
Total (in USD)	1,956,077	1,012,830

For the year ended 31 December 2012:

The distributable income amounting to USD 1,956,077 is allocated as follows:

- Target dividend on A-shares: USD 449,897
- Target dividend on B-shares: USD 276,124
- FX compensation amount: USD 88,253
- Target dividend on C-shares: USD 1,003,300
- Contribution to the TA Facility: USD 49,955
- Investment manager incentive bonus: USD 17,710
- Complementary dividends on A-shares, B-shares and C-shares: USD 70,838

As a result of this allocation, a total amount of dividends (including target and complementary dividends) of USD 460,331 is distributed to the Class A Shares, USD 283,841 to the Class B Shares, and USD 1,055,987 capitalized to the Class C Shares. The FX Compensation Amount is also allocated to the Class C Shares, resulting in a total amount of USD 1,144,240 of the Fund's total distributable income capitalized to the Class C Shareholders.

For the year ended 31 December 2011:

The distributable income amounting to USD 1,012,830 includes an amount of USD 406,488 distributed to the Classes A and B Shareholders and an amount of USD 477,092 of distributable income capitalized to the Class C Shareholders. The remaining amounting to USD 129,250 is allocated to the technical assistance facility.

Allocation to Class C Shares (capital waterfall)

	2012	2011
Realized and change in unrealized loss on foreign exchange (only portion related to PLIs)	(296,216)	(1,474,227)
Realized and change in unrealized loss on foreign exchange (other than portion related to PLIs)	44,117	(49,917)
Realized and change in unrealized gain/(loss) on derivative financial instruments (notional portion)	(926,033)	3,029,021
	(1,178,132)	1,504,877

For the year ended 31 December 2012:

In compliance with the Fund's Issue Document, the amount of USD (1,178,132) is allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Consequently, considering total dividends allocated to Class C Shares for the year ended 31 December 2012 as well as the FX compensation amount, a total amount of USD (33,892) has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

For the year ended 31 December 2011:

In compliance with the Fund's Issue Document and because the Classes A and B Shares do not suffer from NAV Deficiencies at year end, the amount of USD 1,504,877 was allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Consequently, the net amount of USD 1,981,969 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Note 11 – Risk management

The Fund is mainly exposed to credit risk, market risk (which includes mainly currency risk and interest rate risk) and liquidity risk arising from the financial instruments its holds.

11.1. Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund.

The insolvency or other business failure of any one or more of the Partner Lending Institutions in which the Fund has invested could have a material and adverse effect on the Fund's performance and ability to achieve its objectives.

The Fund also runs the risk of any one or more of the Partner Lending Institutions defaulting on their borrowings from the Fund. Such Partner Lending Institutions may default on their interest and/or on their principal repayment. The Fund mitigates this risk by carefully selecting the Partner Lending Institutions and then by closely monitoring them on a quarterly basis.

Prior to submitting a PLI Investment to the Fund's Investment Committee, the Investment Manager, through its Sub Saharan Africa-based team, performs a detailed country analysis, a PLI credit risk assessment, a PLI social responsibility evaluation, a PLI monthly monitoring report and an Anti-Money Laundering assessment. The outcomes of all above checks are reported in a detailed report presented to the Investment Committee.

In addition in order to be selected as suitable PLIs financial institutions should meet a number of criteria at the time investment by the Fund (in each case as reasonably determined by the Investment Committee upon recommendation by the Investment Manager). Such criteria relate to a wide array of PLI dimensions, but not limited to the legal, operational, social, governance, and environmental aspects.

On the monitoring side, the Investment Manager reviews on a monthly basis the credit quality and financial reporting of each PLI based on the monthly financial data that is reported by the PLI directly in the Investment Manager's information system at the end of each month. In addition, the Investment Analysis team of the Investment Manager performs an in-depth and on-site review of each PLI on an annual basis (or more frequently in case of material change). Each analyst remains in constant interaction with the PLI through its monthly processes and signals any material change to the Investment Services team which could affect any given transaction with such PLI, similarly at the country level. Portfolio valuation and covenant monitoring is performed on an ongoing basis. This close monitoring of the financial performance of investees enables the team to detect as early as possible any negative trend that would negatively impact the PLI's ability to reimburse a loan or enter into a breach of covenants. In addition, the Investment Manager performs the legal risk management process, reviewing each loan covenant of each given transaction on a monthly basis.

For all outstanding investments in the loan portfolio, the Investment Manager performs the following:

- Legal and financial covenants monitoring: The Investment Services team reviews all legal covenants and obligations related to each transaction for material events on a monthly basis, validating their compliance and reporting to the client. Any material event triggers a risk management process for the underlying obligation which involves challenging and questioning by the Investment Analysis team over and beyond the monthly and annual monitoring.
- Quarterly Investment valuation: Pursuant to the legal covenant review and risk management process, the Investment Services team proposes quarterly valuation guidance for each transaction to the Investment Manager based on predefined rules and criteria.
- Payment collection: On each payment date, the Investment Services team sends out reminders and confirmation receipts to the PLI and custodian bank. The team supervises and assists throughout the payment collection process.

11.1.1. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk of the Fund as of 31 December 2012. The maximum exposure is shown gross, before the effect of mitigation through the use of collaterals.

	AS OF 31 DECEMBER 2012 IN USD	AS OF 31 DECEMBER 2011 IN USD
Statement of financial position		
Loans to Partner Lending Institutions	77,000,913	41,763,830
Interest accruals on loans	2,242,429	1,220,227
Derivative financial instruments	301,814	2,723,765
Cash at bank	6,979,273	14,866,094
Other receivables	1,378,244	195,703
Total	87,902,673	60,769,619
Off balance sheet		
Committed undisbursed amounts on loans to Partner Lending Institutions	-	-
Total	-	-
Total gross maximum exposure	87,902,673	60,769,619

11.1.2. Risk concentrations of loan portfolio to credit risk

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolios by PLI as of 31 December 2012 and 2011 is as follows:

31 DECEMBER 2012	AMOUNTS IN USD	%
Top 1	7,764,153	10.08
Top 3	20,470,836	26.59
Top 5	31,477,456	40.88
Top 10	49,023,227	63.67
Top 20	71,249,847	92.53
Top 27	77,000,913	100.00
Total	77,000,913	100.00

31 DECEMBER 2011	AMOUNTS IN USD	%
Top 1	4,752,836	11.38
Top 3	13,573,143	32.50
Top 5	20,424,101	48.90
Top 10	30,869,504	73.91
Top 20	41,763,830	100.00
Total	41,763,830	100.00

Risk concentrations by geographical regions

The table below shows the credit risk analysis of the Fund's gross loans portfolio per geographical regions as of 31 December 2012 and 2011:

	2012 AMOUNTS IN USD	%	2011 AMOUNTS IN USD	%
Benin	3,724,480	4.84	3,667,274	8.78
Cameroon	4,626,298	6.01	2,249,426	5.39
Ghana	8,051,933	10.46	2,789,859	6.68
Ivory Cost	1,318,400	1.71	-	-
Kenya	9,987,484	12.97	6,650,147	15.92
Mozambique	1,876,091	2.44	1,008,780	2.42
Nigeria	13,850,398	17.98	9,757,535	23.36
Senegal	16,002,682	20.77	6,020,764	14.42
Tanzania	7,445,484	9.67	1,406,937	3.37
Togo	659,200	0.86	649,075	1.55
Uganda	7,543,958	9.80	6,635,285	15.89
Zambia	1,914,505	2.49	928,749	2.22
Total	77,000,913	100.00	41,763,830	100.00

11.1.3. Credit Quality

11.1.3.1. Credit risk exposure for each internal risk rating

The institutional risk of Partner Lending Institutions is closely monitored by the Investment Manager's professional, independent central and local risk experts using internal credit ratings. The current methodology takes into account quantitative and qualitative factors, the degree of maturity of the PLI, as well as monthly monitoring and annual visits.

The methodology is based both on a credit risk and performance assessment. The performance assessment reviews three years of past audited and operational quantitative information, divided into three analytical dimensions: operational efficiency, financial results, and social impact, and about thirty indicators. The credit risk assessment is focused on future outlook; there are five key dimensions, divided into about twenty five qualitative indicators: strategy and governance, people and organization, products and services, financial management, and control and systems. The outcome of the scoring methodology is a credit risk scoring and rating grade that reflects the specific risk of an institution. It does not include any systematic risk aspects (i.e. industry, currency, political risk among others). The rating scale grades from AAA to D, subdivided into 10 levels, each divided into three subsets of plus (+), neutral and minus (-).

The Fund rating's categories are as follows:

SCALING	QUALIFIER	RATING GRADE
97% - 100%	Extremely strong repayment capacity	AAA
88% - 97%	Very strong repayment capacity	AA
79% - 88%	Strong repayment capacity	A
70% - 79%	Moderate repayment capacity	BBB
61% - 70%	Questionable repayment capacity	BB
52% - 61%	Weakened repayment capacity	B
43% - 52%	Vulnerable to nonpayment	CCC
37% - 43%	High vulnerable to nonpayment	CC
31% - 37%	Very high vulnerable to nonpayment	C
0% - 31%	Payment default	D

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2012 and 2011 based on the Fund's credit rating system:

	2012 AMOUNT IN USD	%	2011 AMOUNT IN USD	%
AAA	-	0.00	-	0.00
AA	-	0.00	-	0.00
A	-	0.00	-	0.00
BBB	63,580,632	82.57	31,730,871	75.98
BB	13,420,281	17.43	10,032,959	24.02
B	-	0.00	-	0.00
CCC	-	0.00	-	0.00
CC	-	0.00	-	0.00
C	-	0.00	-	0.00
D	-	0.00	-	0.00
Total	77,000,913	100.00	41,763,830	100.00

11.1.3.2. Impairment assessment

The Investment Manager monitors on a monthly basis whether each investee of the Fund is in compliance with all financial and non-financial covenants per the respective loan contract. In case of a breach of financial covenant with no perspective of resolution through improvement of the situation over the next quarter, the Investment manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation. In case of payment default (as defined in each loan agreement), the Investment manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation if the carrying amount of the relevant loan exceeds its recoverable amount.

As at 31 December 2012 and 2011, there were no impaired loans.

11.2. Liquidity risk

The Fund may invest in loans or other debt instruments issued by PLIs most of which will neither be listed on a stock exchange nor dealt in on another regulated market. The issuance of such instruments may not be subject to any control, review or oversight by a regulatory authority. In most cases there is no secondary market for the trading of the debt instruments issued by PLIs. Thus, such instruments will generally be illiquid. Such illiquidity may affect the Fund's ability to vary its portfolio or dispose or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic or other conditions and this could have an adverse effect on the Fund's financial condition and results of operations.

In order to manage the liquidity of the Fund and address the above risks, the following rules are applied:

- Excess cash liquidity is temporarily deposited with international investment grade banks or invested in money-market instruments.
- The Investment Manager shall strive to maintain cash on hand that represents the greater of 5% of the Fund Total Assets or a 120% of the Fund's projected 30-day liabilities. As soon as liquidity falls below this percentage, the Investment Manager shall notify the Board and Investment Committee immediately.
- In addition, the Fund may at any time draw down from existing commitments on A and B Shares or Notes and on a quarterly basis on C Shares. The existing undrawn commitments from both Noteholders and Shareholders to the Fund exceed USD 91 million as at 31 December 2012 (2011: USD 122 million).

The following table demonstrates the forecasted cash flows of the Fund per maturity band:

AS AT 31 DECEMBER 2012 IN USD	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDEFINED MATURITY	TOTAL
Loans to Partner Lending Institutions *	3,906,440	32,164,976	58,522,499	-	-	94,593,915
Cash	6,979,273	-	-	-	-	6,979,273
Other receivables	1,378,244	-	-	-	-	1,378,244
Total Assets	12,028,132	32,164,976	58,522,499	-	-	102,951,432
Notes *	-	203,547	5,981,579	8,065,945	-	14,251,071
Derivative financial instruments	1,314,776	4,895,183	4,785,667	-		10,995,626
Accrued expenses	550,867	-	-	-	-	550,867
Subscription received in advance	-	-	-	-	-	-
Total Liabilities	1,865,643	5,098,730	10,767,246	8,065,945	-	25,797,564
Classes A and B Shares	-	-	35,415,122	-	-	35,415,122
Class C Shares	-	-	-	-	38,045,615	38,045,615

AS AT 31 DECEMBER 2011 IN USD	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDEFINED MATURITY	TOTAL
Loans to Partner Lending Institutions *	546,189	17,121,455	30,554,308	-	-	48,221,952
Cash	14,866,094	-	-	-	-	14,866,094
Other receivables	195,703	-	-	-	-	195,703
Total Assets	15,607,986	17,121,455	30,554,308	-	-	63,283,749
Notes *	-	64,454	1,705,712	2,149,893	-	3,920,059
Derivative financial instruments	298,327	598,462	303,725	-	-	1,200,514
Accrued expenses	374,827	-	-	-	-	374,827
Subscription received in advance	9,999,998	-	-	-	-	9,999,998
Total Liabilities	10,673,152	662,916	2,009,437	2,149,893	-	15,495,398
Classes A and B Shares	-	-	25,200,000	-	-	25,200,000
Class C Shares	-	-	-	-	21,179,507	21,179,507

*Including interest payment

11.3. Market risk

11.3.1. Interest rate risk

The Fund may be exposed to interest rate risks to the extent the rate basis for its assets and liabilities do not fully match. The Fund seeks to reduce this risk and to match the rate basis on its assets and liabilities. As of 31 December 2012, 95% (2011: 100%) of PLI loans in currencies not denominated in USD are hedged for both currency and interest rate risk, effectively yielding floating interest rates with USD 6-month Libor as the rate basis.

Similarly, investor returns for Notes and redeemable shares are based on floating interest rates with USD 6-month Libor as the rate basis, with the exception of the Class C Shares. Due to the structure of the Fund and the unlimited maturity of Class C Shares, perfect matches are not achievable by the Fund.

Investors must also be aware that changes in interest rates will affect the relative value of the Fund's Investments. In general, if interest rates increase, it is expected that the relative value of the Fund's existing Investments will decrease, and conversely, if interest rates decrease, it is expected that such relative value will increase.

The level of prevailing interest rates also may affect the economy of the target countries and any applicable markets outside of the target countries, and, in turn, the value of the Fund's Investments.

Interest rate risk finally arises from the possibility that changes in interest rates will affect future cash flows of financial instruments as well as the Fund's profitability.

The following table illustrates the sensitivity of the Fund's Net Income before tax (as per the income waterfall) to various upward parallel shifts in the US yield curve for a time period of 180 days (base-case scenario = risk free rates do not fluctuate). It is also worth noting that downward shifts in the US yield curve would produce the same results, but in the opposite direction (negative impacts).

2012			2011	
INCREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX (IN USD)	EFFECT ON PROFIT BEFORE TAX (IN %)	INCREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX (IN USD)
10	15,156	1.5%	8,701	1.8%
50	75,778	7.4%	43,507	8.9%
100	151,556	14.9%	87,015	17.7%

11.3.2. Currency risk

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. As at 31 December 2012 and 2011, all the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2011: 100%) and 5% of its PLI loans are exposed to currency risk (2011: 0%).

As at 31 December 2012, the Fund's total open currency exposure amounts to USD 3,786,401, representing 5% of the PLI loans portfolio. It is composed of three currencies: the Ghanaian Cedi (USD 1,009,921 equivalent), the Kenyan Shilling (USD 700,000 equivalent), and the CFA Franc/ XOF (USD 2,076,480 equivalent). Currency risk exposure in CFA Franc is only from XOF to EUR as loans remain fully hedged between EUR to USD (i.e., de-pegging risk only).

11.3.3. Operational risk

Operational risk is the risk of loss arising from systems failures, human errors, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Fund is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Note 12 – Capital Management

The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase and resale of shares.

The Fund's objectives for managing capital are:

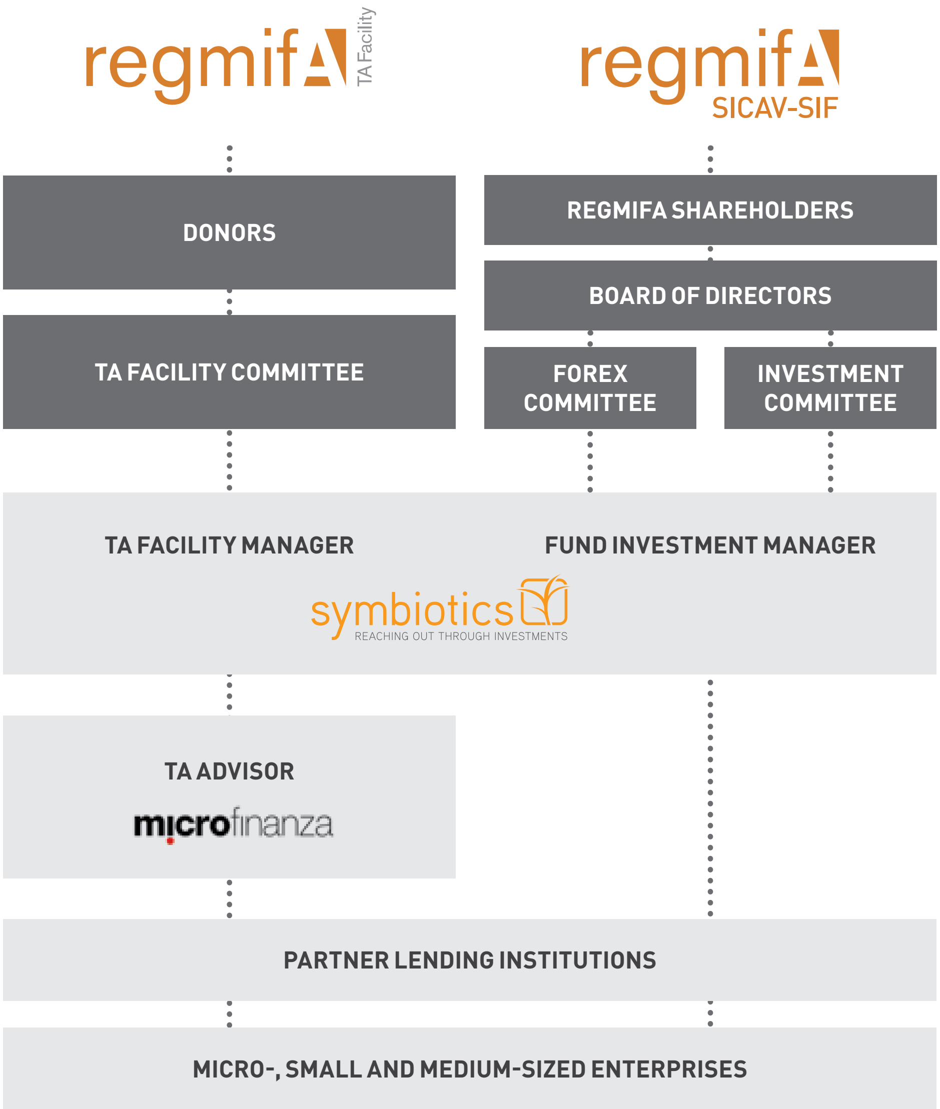
- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques.
- To maintain sufficient liquidity to meet the expenses of the Fund and fulfill all financial obligations.
- To maintain sufficient size to make the operation of the Fund cost efficient.

Note 13 – Approval of the Financial Statements

The Board of Directors reviewed the Financial Statements as of 22 May 2013 and decided to submit them to the Annual General Meeting of Shareholders for approval to be held on 31 May 2013.

ADDITIONAL INFORMATION

Organizational Structure



Governance

as of 31.12.2012

Board of Directors

- Mr. Wolfgang Kroh (Chairman)
- Dr. Marcel Gérard Gounot
- Mr. Hanns Martin Hagen
- Mr. Ulf Linders
- Ms. Alix Pinel
- Mr. Ruurd Brouwer
- Mr. Juan Ignacio Izuzquiza Rueda (since 19.07.2012)
- Mr. Jorge Fabra Portela (until 18.04.2012)

Investment Committee

- Mr. Karl-Heinz Fleischhacker (Chairman)
- Mr. Edvardas Bumsteinas
- Mr. Jorge Fabra Portela (until 20.06.2012)
- Mr. Juan Ignacio Izuzquiza Rueda (since 21.06.2012)
- Mr. Philippe Serres (until 20.06.2012)
- Mr. Njord Andrewes (since 21.06.2012)
- Mr. Mariano Larena

FX Committee

- Mr. Guiseppe Balocchi
- Mr. Helie d'Hautefort
- Dr. Michael Schulze

TA Facility Committee

- Dr. Karin Derflinger (Chairperson)
- Mr. Juan Ignacio Izuzquiza Rueda
- Mr. Stefan Kerpen

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Contacts

Investment Manager and TA Facility Manager

symbiotics
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- Ms. Nadja Zgraggen, TA Facility Manager
- Mr. Jérôme Audran, Investment Manager
- Ms. Petra Zeier, Junior Investment Manager

Symbiotics Information, Consulting and Services
South Africa (PTY) Limited
4 Loop street – Studio 502
Cape Town
South Africa 8001

- Mr. Geremy Birchard, Regional Manager (until October 31, 2012)
- Mr. Vincent Lehner, Regional Manager (since November 1, 2012) (Senior Analyst until October 31, 2012)
- M. Patrick d'Huart, Senior Analyst
- Ms. Lucile Dhuy (since November 14, 2012)

TA Advisor

microfinanza

- Mr. Massimo Vita, TA Field Expert
- Ms. Katia Raguzzoni, TA Support

Corso Sempione 65
20149 Milan
Italy

Abbreviations

AECID	*Agencia Española de Cooperación Internacional para el Desarrollo;* Spanish Agency for International Cooperation for Development
AfD	*Agence Française de Développement;* French Development Agency
BIO	*Belgische Investeringsmaatschappij voor Ontwikkelingslanden;* Belgian Investment Company for Developing Countries
BMZ	*Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung;* German Ministry for Economic Cooperation and Development
EIB	European Investment Bank
ESR	Environmental and Social Responsibility
FMO	*Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden;* Development Bank of the Netherlands
FX	Foreign Exchange
GAV	Gross Asset Value (Total Assets of the Fund)
GNI	Gross National Income
HDI	Human Development Index
ICO	*Instituto de Crédito Oficial;* Spanish Development Bank
IFC	International Finance Corporation
KfW	Kreditanstalt für Wiederaufbau
MFI	Microfinance Institution
MIV	Microfinance Investment Vehicle
MSME	Micro, Small and Medium Enterprise
NAV	Net Asset Value
NBFI	Non-Bank Financial Institution
NMI	Norwegian Microfinance Initiative
OeEB	*Oesterreichische Entwicklungsbank;* Austrian Development Bank
PLI	Partner Lending Institution
Proparco	*Promotion et Participation pour la Coopération économique;* Investment and Promotions Company for Economic Cooperation
TA	Technical Assistance
TOR	Terms of Reference

For more information on Regmifa:

www.regmifa.com

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