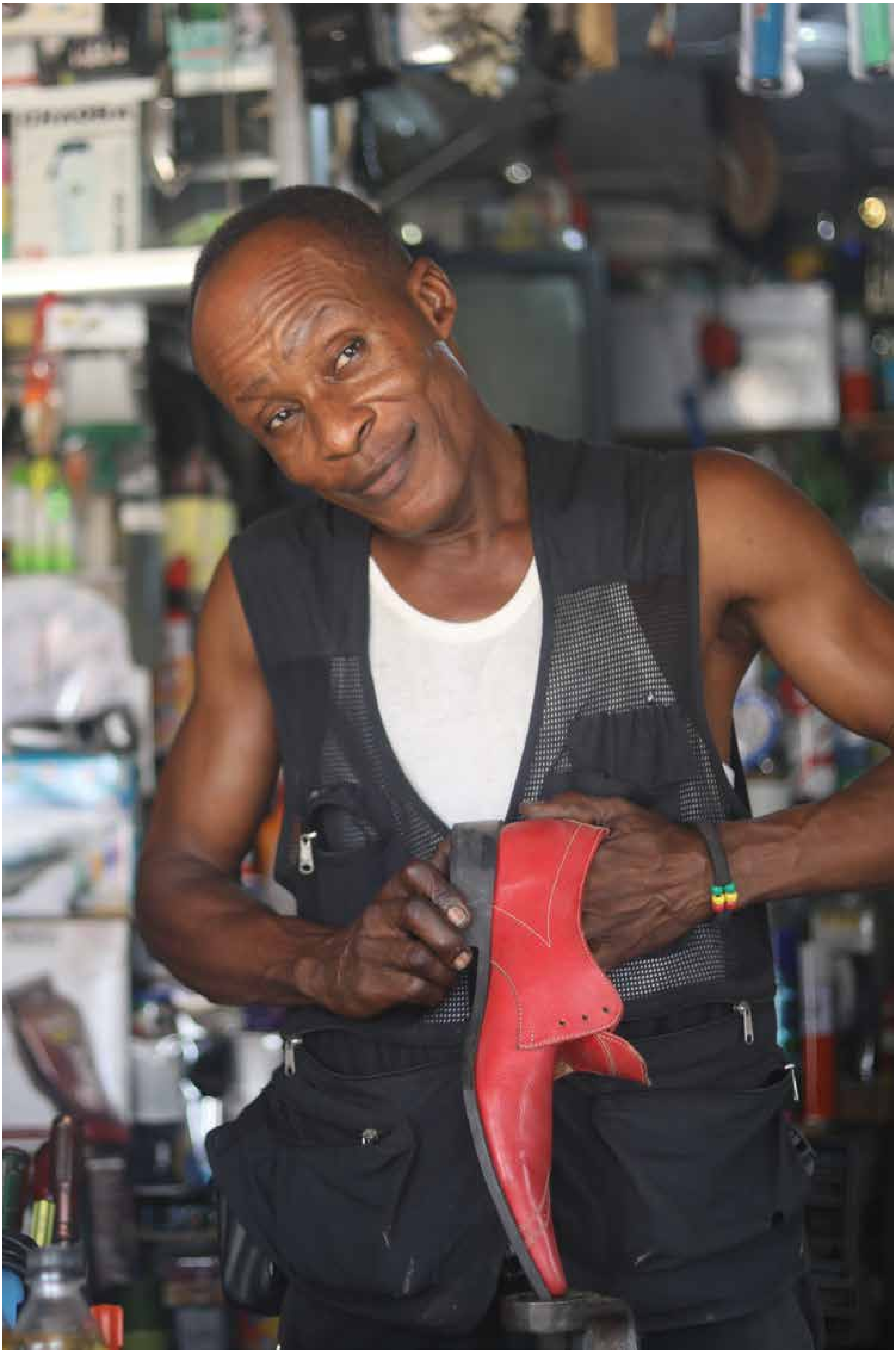
ANNUAL REPORT 2016

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

regmifA



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ABOUT REGMIFA

REGMIFA's mission is to foster economic development in sub-Saharan Africa by supporting financial institutions that 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 that 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 (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.

Among the public investors are the French Development Agency (Agence Française de Développement - AFD), the Belgian Investment Company for Developing Countries (Belgische Investeringsmaatschappij voor Ontwikkelingslanden - BIO), the European Investment Bank (EIB), the Netherlands Development Finance Company (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden - FMO), the International Finance Corporation (IFC), KfW (Kreditanstalt für Wiederaufbau) on behalf of the German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – BMZ), the Spanish Ministry of Foreign Affairs and Cooperation (Ministerio de Asuntos Exteriores y de Cooperación - MAEC) (Spanish Cooperation), the Instituto de Crédito Oficial (ICO) in the name and on behalf of the Spanish Government and the Kingdom of Spain (Spanish Cooperation), the Norwegian Microfinance Initiative (NMI), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB), and the French Investment and Promotions Company for Economic Cooperation (Société de Promotion et de Participation pour la Coopération Economique – 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.

AS OF DECEMBER 2016

GROSS ASSET VALUE
USD 133.7 MILLION

NET ASSET VALUE
USD 118.9 MILLION

OUTSTANDING PORTFOLIO (NOMINAL AT DISBURSEMENT)
USD 114.7 MILLION

NUMBER OF MICRO CLIENTS FINANCED
164,154

NUMBER OF COUNTRIES
20

NUMBER OF PARTNER LENDING INSTITUTIONS
52

NUMBER OF OUTSTANDING INVESTMENTS
99

KEY FIGURES

SINCE INCEPTION

USD 280 MILLION
ORIGINATED

22
COUNTRIES

217
PRIVATE DEBT TRANSACTIONS

7
YEARS OF TRACK RECORD

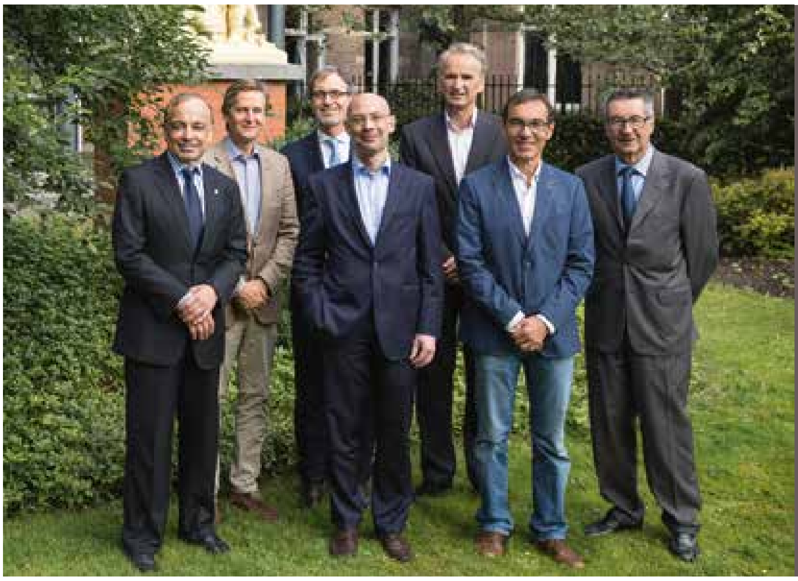
68
INSTITUTIONS FINANCED

142
INSTITUTIONS ANALYZED

SECTORS

TRADE
AGRICULTURE
HOUSING
EDUCATION

"REGMIFA proved both its structural resilience and commitment to its mission in 2016, as capitalized returns from years of growth protected the Fund's capital from persistent challenges in some key markets, while REGMIFA expanded into three new countries and created eight new partnerships."



BOARD OF DIRECTORS 2016

Left to right:
Dr. Giuseppe Ballocchi
Mr. Arthur Sletteberg
Dr. Marcel Gérard Gounot
Mr. Stefan Hirche
Mr. Ruurd Brouwer (Chairman)
Mr. Karl-Heinz Fleischhacker
Mr. François Lagier

LETTER FROM THE CHAIRMAN

On behalf of the Board of Directors, I am pleased to present the 2016 Annual Report. REGMIFA's sixth year of operations was certainly the most challenging as the fund's largest country exposures faced strong macroeconomic and political uncertainty. Yet, the fund presented promising financial results, showcasing the fund's resilience notably through strong partnerships and a valuable blended finance structure.

After five years of growth combined with solid portfolio quality, 2016 is the year in which REGMIFA's business and capital model were tested. A combination of challenges, varying from political uncertainties, to macroeconomic instability, to currency volatility and inconvertibility, manifested in the Fund's key markets. A historically low commodity price environment exacerbated difficulties, especially in oil-exporting economies. Nigeria, which represents one of the Fund's largest country exposures and still exhibits strong untapped potential, endured its first full-year recession in fifteen years. While the operational performances of REGMIFA's Nigerian Partner Lending Institutions (PLIs) generally remain solid, hard currency shortages in the economy have prevented Nigerian PLIs from repaying international lenders, including REGMIFA. A large payment backlog remained at the end of the year. However, PLIs' continued efforts to source USD have been succeeding as PLIs gradually reduce their overdue balances with REGMIFA, leading to a cautiously positive outlook going into 2017. Significant political risk reduced the Fund's investment activity in the Democratic Republic of the Congo, the Fund's third largest country exposure. Although Joseph Kabila's term constitutionally ended in December 2016, the electoral body failed to organize elections, citing complexity and costs. The prospects for 2017 are highly uncertain. In West Africa, the Ivory Coast experienced unrest in its army over salary payments, illustrating that the political situation remains fragile, although the country remains one of the continent's growth hotspots.

The effect of the above described market challenges combined with the limits of the Fund's credit risk appetite led to a deliberate slowdown in the Fund's investment activity. The Fund reported an outstanding portfolio of USD 114.7 million at year end, with a continued strong diversification across 52 investees and 20 countries. The Fund continued to expand its footprint, making first-time investments in eight new PLIs and adding three new countries (Sierra Leone, Burkina Faso, and Niger) to the portfolio, testifying to the Fund's continued relevance as a reliable funding partner in the region. The Fund's portfolio of investments remains healthy, resulting in an amount to be distributed to A and B shareholders of USD 2.04 million. As a result of further impairment allowance on principal of USD 2.28 million, mainly on the exposure in Nigeria, and the foreign exchange losses for the year ended of USD 7.85 million, netted by the gains on derivative financial instruments of USD 1.36 million and the allocation of target dividends of USD 1.03 million, the total negative result of the year of USD 7.73 million refers to the net result attributable to C shares, according to the waterfall rules of the Issue Document. These effects are unrealized and temporary.

Financially, 2016 proved the resilience of a blended financial structure in a volatile market environment. Target dividends for the A and B share ~~Classes~~ could be fully served for the sixth year in a row, while the increased market turbulence was absorbed by the Fund's sizeable first loss C share layer. The C share protection remained very strong at over 50% of the Fund's NAV at year end, also thanks to capitalized profits since inception. The Fund's convincing financial and developmental track record encouraged the continued support of its shareholders, with new commitments totaling USD 23 million received from KfW and the European Investment Bank, representing a significant sign of trust and a solid base for continued growth.

In 2016, the TA Facility, which was formed with the objective of complementing the Fund's activities and maximizing its developmental impact, raised EUR 1.9 million in new commitments, with support received from the European Investment Bank, the Government of Luxembourg, and the REGMIFA Fund. This support enabled the TA Facility to prepare and design a total of 25 TA interventions with an aggregate volume of EUR 1.85 million, of which 18 projects totaling EUR 1.2 million were approved by year end.

Two new countries (Sierra Leone and Malawi) were added to its geographical coverage. REGMIFA's TA Facility analyzes and responds to PLIs' diverse needs to ensure interventions provide the highest value possible, as demonstrated by the variety of the projects conceived in 2016: topics include SME lending, agricultural finance, rural lending, digital financial services, savings mobilization, and risk management. In 2017, the TA Facility will support thirteen PLIs in the area of risk management with the launch of a new TA package, which is a proven model that enhances the TA's efficiency and outreach. The statistics since the TA Facility's operational start in 2011 are telling: total commitments have reached EUR 8.1 million; 107 projects totaling EUR 6.9 million have been approved; 88 projects totaling EUR 5.3 million have been contracted; and the TA Facility has reached PLIs operating in 20 countries. Overall, the TA Facility manages an average project size of approximately EUR 65,000, with average cost-sharing by the beneficiaries of 22%.

Finally, the Board would like to recognize all REGMIFA stakeholders, who maintained their strong dedication throughout the year. In this regard the Board specifically would like to mention the Fund Manager, as we experienced a continued delivery of high quality services, also during challenging times. We believe that REGMIFA's results prove that the project has the capacity to continue on its path in 2017 and meet the challenges ahead. As REGMIFA continues to deliver on its ambitious targets, we count on the support and commitment of all REGMIFA's stakeholders.

Sincerely,
Ruurd Brouwer
Chairman of the Board of Directors

1 The historical cost as of 31 December 2016 amounts to USD 114.703 million while the carrying value is reported at USD 101.304 million due to a cumulated negative foreign exchange impact of USD 9.742 million and a provision for impairment of USD 3.684 million. Given that the Fund's portfolio is fully hedged for exchange rate and interest rate fluctuations, the decline in the value of the loan portfolio from foreign exchange revaluation effects is offset by the increase in value of the corresponding hedging instruments.

"REGMIFA has continued to strengthen longstanding partnerships while simultaneously reaching out to new institutions as they work to increase access to financial services in some of the most underserved markets in sub-Saharan Africa."

LETTER FROM THE INVESTMENT MANAGER

2016 has undoubtedly been a turbulent year for REGMIFA, as we experienced a market downturn of a magnitude not witnessed since the Fund's inception. Despite a multitude of challenges and as reported on the following pages, we are confident that the year has proven the adequacy of REGMIFA's strategy and set-up, which have allowed it to remain a trusted partner for MSME-focused financial institutions while achieving a sustainable financial return for its shareholders.

The Fund's focus in 2016 has correspondingly been on consolidation of the portfolio driven by a conscious slowdown of the investment activity and regional portfolio reallocation, ending the year at USD 114.7 million invested across 52 partner lending institutions in 20 countries in sub-Saharan Africa.

For the first time since its inception, REGMIFA was faced with several complex work-out situations, predominantly in Nigeria related to currency convertibility limitations, but also related to partners suffering the impact from general macroeconomic deterioration in their markets, leading REGMIFA to establish provisions for 3.2% of its portfolio. In terms of lessons learned, the year notably showed that local currency depreciation, especially in commodity exporting countries, remains a significant risk despite appropriate currency and interest rate hedging mechanisms in place. While REGMIFA's fully hedged strategy has fared well in this context, achieving full protection for the Fund's capital base, the effects of USD limitations have indeed created challenges for REGMIFA's investees of an unexpected scale.

Despite these difficulties, REGMIFA was able to successfully continue with the pursuit of its dual mission of financial sustainability and social outreach, disbursing USD 30 million across 27 transactions and notably adding eight new partner institutions to its portfolio, of which four fall into the Tier 3 category. First time investments in Sierra Leone, Niger and Burkina Faso, categorized as least developed countries according to the UN Human Development Index ranking, attest to the Fund's strong adherence to its stated mission of providing additional financing to the MSME sector in underserved markets. REGMIFA's average transaction size of USD 1.2 million, starting as low as USD 150,000, attests to the Fund's unique lower market segment orientation and prudent lending approach in order to be able to serve its ultimate micro and small entrepreneur target group sustainably.

Financially, the attractiveness of a blended financial structure in adverse conditions was clearly demonstrated, as all target dividends to A and B shareholders could be fully paid. The positive cumulative capitalized return on C shares since the Fund's inception served as a valuable buffer and remains available as a first loss cushion for the Fund's future growth, representing a very solid 50.2% of the capital structure at year's end.

The TA Facility started 2016 with the need of raising new funding for designing new TA interventions. The renewed donors' contributions late in the year brought the cumulated funding up to EUR 8.7m and enabled the Investment Manager to resume an intense project design and approval activity, with 18 projects (including 2 training scholarships) approved for a total of EUR 1.2m. On a cumulative point of view, 107 projects totaling a volume of EUR 6.9m have been approved since the inception of the TA Facility, with an average level of co-financing of contracted projects of 22.5%. Also, out of the total 89 projects that have been completed so far, 11 were completed in 2016. The strong value offered through REGMIFA's TA interventions is portrayed by the variety of the tailor-made projects conceived during 2016, covering topics ranging from SME lending, agricultural finance and rural lending, digital financial services to savings mobilization and risk management, for which the 4th TA package – a proven model enhancing the TA's efficiency and outreach - covering thirteen PLIs will be launched in 2017. We expect that we have now reached the bottom of the downturn, with several markets showing cautious signs of recovery. Following a challenging 2016, the IMF forecasts an improvement of GDP growth to 2.6% for the region. We are however ready to address another challenging year in 2017 due to the African market's recurrent themes such as macroeconomic and local market conditions, competition among funders and pricing sensitivity and performance issues of the PLIs.

Most importantly, we would like to express our deep gratitude for the continued trust demonstrated by the Fund's governance bodies and shareholders in REGMIFA's mission and its ability to implement its strategy, even during difficult times, notably demonstrated by new commitments of USD 23 million made by KfW and the European Investment Bank. We are confident in the Fund's capability to continue building its positive track record and to expand its place in the market.

With kind regards,
The Investment Manager Team

10 KEY INDICATORS*

RWANDA

POPULATION
13 MILLION

POPULATION LIVING IN POVERTY
39.1%

HUMAN DEVELOPMENT RANK
159/188

GDP PER CAPITA
USD 1,900

REAL GDP GROWTH
6.0%

INFLATION RATE
4.6%

FOREX HEDGING COSTS (36M)
5.5%

PRIVATE CREDIT (% OF GDP)
21.6%

FOREIGN AID (IN BILLIONS)
USD 1.1

REMITTANCES (IN MILLIONS)
USD 161.4

* 2016 or latest available

MEET MS. NTABARYNAMA
JEWELRY OWNER

COUNTRY: RWANDA

Located in Central Africa, Rwanda is a low-income country highly dependent on agriculture, which employs 90% of the labor workforce. The economy suffered a setback in the 1990s with the civil war and subsequent genocide. However, over the last decade Rwanda has been able to make important economic and structural improvements and is expected to be one of the leading countries in terms of GDP growth (7.1%) over the next five years according to the International Monetary Fund. Microfinance in Rwanda started around 1975 with the establishment of the first “Banque Populaire” but the sector really took off after the genocide with donor funding towards relief orientated microfinance initiatives. Fast growth in the mid-2000 led to repayment issues but the government's national microfinance implementation strategy in 2006 brought new life and regulation to the sector. Today, several institutions form the microfinance landscape in Rwanda, including banks, limited companies and many Savings and Credit Cooperatives. The market size of the sector is estimated at nearly USD 300 million.

MFI: AB BANK RWANDA

Established in 2013, AB Bank Rwanda (ABR) is the 8th institution created as part of the AccessHolding Network. ABR received a Microfinance Bank license on December 31st the same year and then started operations in its first branch in Kigali. Besides two main credit products, namely micro and SME loans, the Bank promotes a savings culture through three deposit accounts, in addition to offering credit life insurance and a wide range of banking services. Borrowers, who are 72% women, are largely involved in trade. ABR targets the upper-micro/lower-SME segment, aiming to bridge the “missing middle” between conventional banks and microfinance institutions.

CLIENT: MS. NTABARYNAMA

Ms. Jeanne Ntabarynama, 49 years old, lives in Kigali with her husband and their 5 children. In 2007, Ms. Ntabarynama decided to start a jewelry business to support her husband financially and cover their children's school fees. After being approached by a Loan Officer from AB Bank Rwanda in January 2014, she applied for a first loan in order to grow her business and accumulate enough seed capital to buy a new hardware shop. After timely repayment of the loan, Ms. Ntabarynama took more loans with AB Bank Rwanda and is currently serving her third loan. Thanks to the Bank's financial support, Ms. Ntabarynama's business has grown threefold since 2014, which enabled her to start saving actively. The family has recently acquired two plots where they built a two-bedroom house. Today, Ms. Ntabarynama is the proud owner of two shops, employs one person in the hardware store, and wants to build many future businesses enabling all of her children to access higher education.

Thanks to the Bank's financial support, Ms. Ntabarynama's business has grown threefold since 2014, which has enabled her to start saving actively


2017
Sinapi Aba
2017

STRATEGY

Micro, small and medium-sized enterprises (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 investors.

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 through the provision of innovative financial products and, where applicable, technical assistance support to eligible Partner Lending Institutions (PLIs) that serve 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 investor 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.

FUND

REGMIFA is a debt fund with a focus on financing regulated and non-regulated microfinance institutions, local commercial banks and other financial institutions (PLIs) that are established in sub-Saharan African countries and serve 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 to build a balanced portfolio, with small and medium-sized PLIs targeted to comprise 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 million and 30 million, and large PLIs (Tier1) include total assets exceeding USD 30 million.

FUND STRUCTURE

Founded as a public-private partnership aimed at establishing a vehicle to combine funds from public and private investors, REGMIFA is structured as a multi-layered fund that 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.

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 a specialized investment fund

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

LEGAL COUNSEL
Linklaters LLP

AUDITOR
Ernst & Young SA

LUXFLAG

the smart campaign

~~Class C~~ shares form the foundation of the capital structure. They are primarily subscribed by development finance 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, they provide an appropriate cushion to investors that contribute to REGMIFA's development impact by underwriting ~~Class A~~ senior and ~~Class B~~ mezzanine shares and senior and subordinated notes.

DEBT
Senior notes
Subordinated notes

EQUITY
A shares
B shares
C shares

INVESTORS

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 French Development Agency (Agence Française de Développement - AFD), the Belgian Investment Company for Developing Countries (Belgische Investeringsmaatschappij voor Ontwikkelingslanden - BIO), the European Investment Bank (EIB), the Netherlands Development Finance Company (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden - FMO), the International Finance Corporation (IFC), KfW (Kreditanstalt für Wiederaufbau) on behalf of the German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung – BMZ), the Spanish Ministry of Foreign Affairs and Cooperation (Ministerio de Asuntos Exteriores y de Cooperación - MAEC) (Spanish Cooperation), the Instituto de Crédito Oficial (ICO) in the name and on behalf of the Spanish Government and the Kingdom of Spain (Spanish Cooperation), the Norwegian Microfinance Initiative (NMI), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB), and the French Investment and Promotions Company for Economic Cooperation (Société de Promotion et de Participation pour la Coopération Economique – Proparco).

REGMIFA EXEMPLIFIES BLENDED FINANCE, WITH A FIRST LOSS CUSHION THAT CONSTITUTED MORE THAN HALF OF THE FUND'S TOTAL ASSETS IN 2016 AND SEVERAL SHARE CLASSES THAT FULFILL DIFFERENT RISK/RETURN REQUIREMENTS.

TECHNICAL ASSISTANCE FACILITY

Following the inception of the REGMIFA Fund, the REGMIFA Technical Assistance (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 Fund's value proposition, 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. The Facility's activities are specifically targeted at supporting the Fund's investment portfolio 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 pool of more than 600 consultants, is coordinated by TA Facility Manager Symbiotics SA.

CONTRIBUTORS

- European Investment Bank (EIB)
- Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB)
- REGMIFA Fund
- Government of Luxembourg

LEGAL STRUCTURE

Fiduciary Agreement / Fiducie; under Luxembourg law on trust and fiduciary contracts

START OF OPERATIONS OF THE TA FACILITY

January 2011

TA FACILITY MANAGER

Symbiotics SA

FIDUCIARY CUSTODIAN

Credit Suisse (Luxembourg) S.A.

DONORS:

European Investment Bank · regmifA · The Government of the Grand Duchy Luxembourg Ministry of Finance · OeEB Oesterreichische Entwicklungsbank AG

10 KEY INDICATORS*

NIGERIA

POPULATION
186.1 MILLION

POPULATION LIVING IN POVERTY
70%

HUMAN DEVELOPMENT RANK
152/188

GDP PER CAPITA
USD 5,900

REAL GDP GROWTH
-1.7%

INFLATION RATE
15.3%

FOREX HEDGING COSTS (36M)
16.1%

PRIVATE CREDIT (% OF GDP)
14.2%

FOREIGN AID (IN BILLIONS)
USD 2.4

REMITTANCES (IN BILLIONS)
USD 21.1

*2016 or latest available

MEET MR. LIVINUS UMEH
LUBRICANT PRODUCER

COUNTRY: NIGERIA

Nigeria is the largest economy of the African continent and its most populous country. It is a resource-rich economy with significant hydrocarbon resources. Oil and gas account for 98% of export earnings and 80% of government revenues. While Nigeria has steadily grown over the last decade, the recent drop in oil prices has put pressure on the country's trade balance and GDP growth. High-levels of poverty and a lack of productive job creation remain major challenges for current president Muhammadu Buhari. With a strong savings culture and high entrepreneurial activities, Nigeria has huge potential for microfinance which was initiated formally in the late 1990s. In 2005, the industry witnessed the establishment of microfinance banks (MFBs), an institutional vehicle for privately owned, deposit-taking microfinance institutions (MFIs). Today, over 800 MFBs are registered and their regulation and supervision by the Central Bank has been improving since 2010 with new prudential ratios and guidelines to prioritize their organic growth. The competition is high on saving products but even in major cities, competition and market penetration on business loans remain low, both in the micro and the SME segment with a low risk of over-indebtedness.

MFI: ADVANS NIGERIA

La Fayette Microfinance Bank Ltd. (Advans Nigeria) is a small state microfinance bank (MFB) licenced by the Central Bank of Nigeria. It was incorporated in May 2012, and currently provides financing to micro-, small and medium enterprises (MSMEs) in the state of Oyo and Ibadan, Nigeria's 3rd largest city. Its mission is to target MSMEs in urban areas of the country, where studies show that only a tenth of entrepreneurs have access to credit. Advans Nigeria offers a full range of financial services to micro-entrepreneurs and has gradually been expanding its services to SMEs, which today account for 8% of the bank's portfolio. Non-credit products include savings, credit insurance and payments solutions. As the 6th African affiliate of the Advans Network, the MFB benefits from the group's experience, coupled with a good lending methodology to rapidly grow its presence in Ibadan where competition from other MFBs is scarce. Portfolio quality has remained high and the bank has turned profitable after 2.5 years of operations. In the near future, Advans Nigeria will look to apply for a national license in order to expand its outreach beyond Oyo State.

CLIENT: MR. LIVINUS UMEH

Mr. Livinus Umeh, CEO of Livico Ltd., started his motor lubricant factory in 2001 in Ibadan, the 3rd most populous city in Nigeria, when he realized that imported oil products were not adapted to the hot and humid southern Nigerian weather. With a loan from friends and family, he developed his own lubricant product and set up the first production unit in a rented basement. His product line encountered a great success and his business grew rapidly. In 2012, when he was informed about the presence of Advans Bank in Ibadan, he contracted a first loan with the institution. Four years later, Mr. Umeh has received a more significant loan that allows him to sell in 10 cities across 4 states through distributors and to open a shop in Benin city (about 6 hours from Ibadan). His product line has over 10 different lubricant products, adapted to cars, motorbikes and generators. He has 35 employees, mostly women, and is seconded by his wife in running the company. Mr Umeh has several projects in mind for the coming years: he would like to open more shops in major Nigerian cities, and would also like to Internalize the production of the plastic bottles used for packaging lubricants.

Four years later, Mr. Umeh has received a more significant loan that allows him to sell in 10 cities across 4 states through distributors and to open a shop in Benin city


Miksi
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YAZZ
PERK
mentos
GUM

2016 HIGHLIGHTS AND OUTLOOK

OUTREACH TO NEW TIER 1, TIER 2 AND TIER 3 PLIS

REGMIFA showed both resilience and commitment to its mission in 2016, as the Fund disbursed USD 30m and added eight new PLIs to the portfolio, including four small, Tier 3 institutions. Three new countries with financially underserved populations joined the portfolio: Sierra Leone, Niger, and Burkina Faso. At the same time, macroeconomic challenges and continued USD shortages in key markets, especially Nigeria, contributed to higher provisioning. Despite the ongoing severe USD shortage, the Fund's Nigerian PLIs successfully sourced a combined USD 5m to make payments to REGMIFA during the year.

The aggregate profile of the new PLIs reflect both the Fund's developmental objectives and the continuation of an initiative started in 2014 to reach out to small, newer institutions that sometimes lack the track record or size most international lenders require before an investment can be considered. One of the new Tier 3 institutions is located in Sierra Leone, a country often neglected by international lenders. It targets the upper micro and lower SME segments, essentially serves women (99%) and most of its clientele is active in trade.

The Fund made a first investment in Sierra Leone, Niger, and Burkina Faso, three least developed countries at the bottom of the HDI Ranking, respectively 179th, 185th and 187th with GNI per capital that is not above 650. In Niger, approximately 50% of the population lives in poverty. Only 7% of adults have a bank account and 1% had access to formal borrowing. The Fund's new Niger PLI (a small Tier 3 PLI) has an average loan balance of less than USD 150, reflecting its focus on micro-entrepreneurs. The PLI, which has a very broad reach across Niger, serves a majority of rural lenders (52%). This PLI has strong social rating scores, especially in financial inclusion, social governance and labor climate with respectively four out of five star social rating for the two latter and 4.5 for its financial inclusion impact.

FUND FINANCIAL PERFORMANCE

- For the sixth consecutive year, all target dividends for A and B shares could be paid to investors illustrating the resilience of a blended financial structure in adverse conditions.
- Nonetheless, macroeconomic and forex challenges in key exposure countries impacted the first loss C shares layer. The positive cumulative capitalized return on C shares since inception has however created a valuable buffer that still serves as a cushion for the Fund's future growth.
- While 80% of the Fund is being denominated in local currency, the Fund remained fully shielded from currency related losses as 100% of the local currency portfolio is hedged against the USD.

ADDITIONAL FINANCIAL SUPPORT TO TA FACILITY OPERATIONS

The TA Facility managed in 2016 to ease the exhaustion of available funding for designing new TA interventions. Thanks to the extended support of three donors (the EIB, the Government of Luxembourg and REGMIFA), which signed new commitments for a total of EUR 1.93 Million, the TA Facility was enabled to resume the project design and approval activity, and to reach a cumulated funding of EUR 8.7 Million.

In a context of continued strong and diverse demand from the PLIs for technical assistance, capacity building and support in innovation themes such as digital financial services, mobile banking, agricultural finance or alternative delivery channels, the TA Facility remains quite instrumental to the Fund's developmental mission and value proposition.

IN 2016, REGMIFA:

- Disbursed USD 29.9 million
- Executed 27 transactions
- Added 8 new PLIs to the portfolio
- Made a first time investment in Sierra Leone, Burkina Faso and Niger.
- Approved 18 TA interventions through the TA Facility.
- Increased the focus set on the "TA package" proven model.

ENLARGED VALUE PROPOSITION OF TA VIA THE TA PACKAGE APPROACH

TA Packages are designed to outreach multiple investees in various countries and address common capacity building and technical assistance needs. They serve a diverse set of PLIs, with variations in size, level of development, legal form, business model, apply the same methodology to each PLI, and tailor the content to the particular PLI using local expertise coupled with international skill sets, altogether achieving the highest value for money.

In 2016 the TA Facility recorded the following activity focused in TA Packages:

- Completion of the Addendum to the TA Package on "Strengthening Middle Management Skills", which benefitted additional 10 REGMIFA PLIs through tailored capacity building activities on soft skills, so as to ensure adequate management and oversight responsibilities.
- Completion of the TA Package on Social Performance Management and Consumer Protection, targeting 14 PLIs in 10 countries.

- Designing and approval of the TA Package on "Risk Management", targeting 13 PLIs located in 9 countries and aiming at promoting international best practices in risk management as per the Risk Management Initiative in Microfinance (the RIM).

MARKETING HIGHLIGHTS

The Fund was granted the LuxFLAG Microfinance Label for the sixth consecutive year in 2016. The Luxembourg Fund Labeling Agency (LuxFLAG) is an independent, non-profit association created in Luxembourg in July 2006. The Agency aims to promote the raising of capital for microfinance by awarding a recognizable label to eligible Microfinance Investment Vehicles (MIVs).

ENVIRONMENT AND CHALLENGES IN 2016

According to IMF estimates, growth in sub-Saharan Africa weakened markedly in 2016 to 1.4% compared to 3.4% in 2015, against a sharp decline of commodity prices, weak global demand, political uncertainties surrounding Brexit and US policy and diverse domestic political and economic challenges, including locally adverse weather conditions, FX shortages and macroeconomic imbalances.

The continent's lowest average GDP growth rate in more than two decades was particularly impacted by recessions in the continent's largest economies Nigeria, South Africa and Angola. Lower oil revenues in Nigeria and Angola translated into severe FX shortages. While the Naira was allowed to devalue mid-2016 a large gap continued to persist between official and parallel market rates throughout the remainder of the year, creating a backlog of debt repayments to REGMIFA by its partner institutions. Ghana's economy remained below the high growth rates of previous years on the back of challenges in the energy sector, while smooth democratic elections in November 2016 created renewed investor confidence in the country. Côte d'Ivoire and Senegal's growth rates remained resilient at 7.5% respectively 6.6%. Likewise, East Africa on average continued to experience solid growth. While Kenya's economy expanded compared to 2015, the government's cap on commercial lending rates introduced in 2016 however tightened credit conditions and increased uncertainty on the financial sector's outlook. Drought conditions in Eastern and Southern Africa impacted an unusually large number of countries, decreasing agricultural output and increasing food insecurity.

FUND OUTLOOK FOR 2017

Following a challenging 2016, the IMF forecasts a recovery of growth to 2.6% for the region. Renewed investment in the mining sector amid an improving global commodity price outlook, strengthening external demand and an expected improvement in weather conditions compared to 2016 are among the key drivers of recovery in the region.

The slowdown in Nigeria, Angola and South Africa seems to have reached its bottom in late 2016, while growth outlook is positive for non-resource intensive economies, including in the West African Economic and Monetary Union (WAEMU) region. Outlook remains subdued however in several oil-exporting countries in the Central African Economic and Monetary Community, where fiscal policy actions will be necessary to tackle still-large macroeconomic imbalances. On average, economic growth is expected to only slightly surpass the rate of population growth, at a pace that is not sufficient to create employment and poverty reduction in the region. Inflation is forecast to stabilize across most of the region, with the exceptions notably of Nigeria and Angola, due to still limited adjustments in their foreign exchange markets, and of Kenya, where drought conditions drive up food prices. In the same vein, while the recovery in commodity prices and world demand is generally expected to support sub-Saharan African currencies, concerns regarding USD liquidity remain in Nigeria and Angola despite their Central Bank's increased sale of foreign exchange on the interbank market since the beginning of 2017. Among the exporters of metals, the Congolese franc stands out due it its sharp depreciation since mid-2016, continuing on its downward trend in 2017 and contributing to the mounting political discontent in the Democratic Republic of Congo. Across the continent, political tensions are likely to rise amidst a series of elections scheduled for 2017, with a particular concern over potential post-election violence in Kenya. Less contested elections are expected for Rwanda and Angola mid-year.

TA OUTLOOK FOR 2017

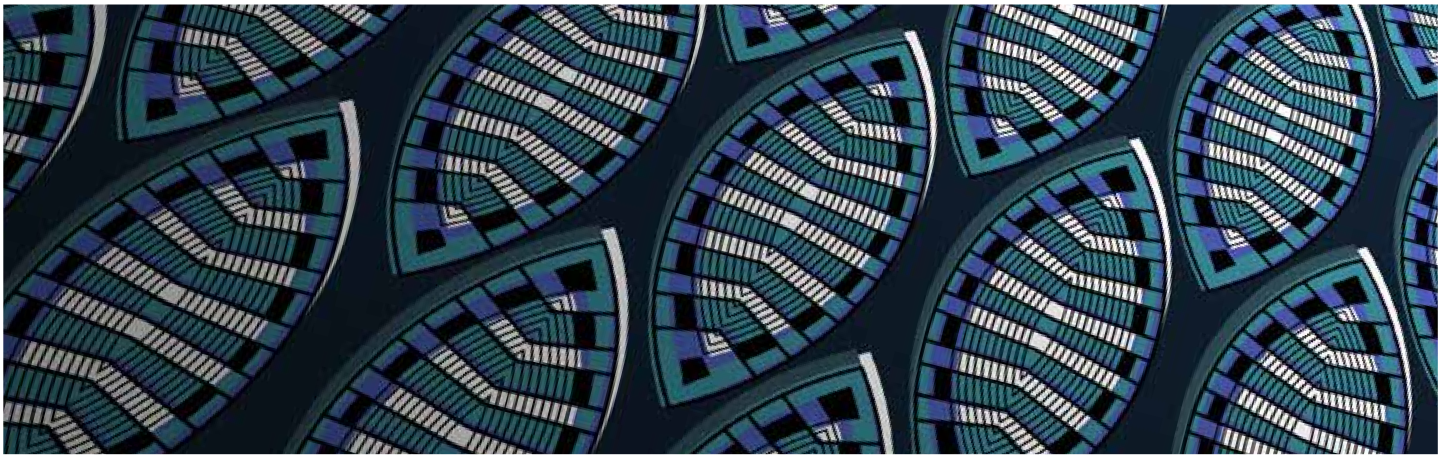
The REGMIFA TA follows a tailor-made approach taking into account PLI's specific needs, translating into a strong value and a variety of projects, covering topics ranging from SME lending, agricultural finance and rural lending, to digital financial services to savings mobilization and risk management.

As for the project generation, given the strong relationship between the pipeline of investments of the Fund and the provision of TA, the patterns of evolution of the portfolio will influence strongly the features of the TA Facility interventions. The TA pipeline will keep focusing its outreach on new PLIs added by the Fund, then to existing PLIs for a repeated intervention or leverage on successful TA packages.

The TA Facility Manager will resume using its proven four-pillar approach for designing and implementing projects (single, multi-focus, training and TA Packages projects). In 2017 the TA Facility's target of enlarging its TA value proposition by enhancing its focus on TA Packages will be materialized with the international tendering and launch of the TA Package on "Risk Management", which aims at promoting international best practices in risk management, and eventually with the re-launch of other TA Packages that have proved success in the past.

As in the past and in order to ensure better commitment and ownership, in addition to increased levels of co-financing set according to each PLI's environment and capacities, each TA initiative will integrate systematically some basic project management components/windows, to ensure that PLIs can plan, organize, monitor and endorse projects for better results.


SHARP



DEVELOPMENT IMPACT AND SOCIAL PERFORMANCE

Investing in development and growth is indisputably a challenge in sub-Saharan Africa, as security, governance, regulations and macro-economic challenges toughen the investment process. Funding is still the largest obstacle to growth for micro and small enterprises despite the fact they generate not only steady financial returns, but also positive social outcomes, developing regions, generating growth and reducing poverty. Yet, according to Symbiotics 2016 MIV Survey collecting data from more than 90 MIVs, only 10% of MIVs' direct microfinance portfolio is invested in sub-Saharan Africa. Only four out of the 51 MIVs reporting investments in sub-Saharan Africa are exclusively focused on Africa. This places REGMIFA's approach of offering debt funding together with technical assistance as unique and particularly relevant in the region as it contributes to the strengthening of microfinance institutions, preparing the foundation for the increased channeling of external funding to the region. REGMIFA has maintained its position as one of the leading funds aimed at spurring growth in the sub-Saharan Africa region by investing in Partner Lending Institutions serving MSMEs.

REGMIFA's 2016 Social Return at a Glance

The Fund invested USD 29.9 million in 2016, bringing the net portfolio size to USD 114.7 million, which allowed it to reach out to 164,154 end-borrowers.

- 70% of the portfolio is invested in countries with low human development; the weighted average HDI rank is 156 out of 188.
- The Fund added 8 new PLIs in 2016. Of the eight new PLIs, two were categorized as Tier 1 (total assets above USD 30 million), two were categorized as Tier 2 (total assets between USD 10 million and USD 30 million) and four were Tier 3 (total assets below USD 10 million) at disbursement, demonstrating a clear deepening of the Fund's stated developmental objective of increasing its outreach to smaller and less developed PLIs not commonly served by existing microfinance funders.
- REGMIFA continued to work with diverse PLIs in terms of legal status, credit risk, and age that provide financing to the MSME sector.
- 80% of financing to PLIs was in local currency and 100% of loans had fixed interest rates.
- The Fund offered longer maturities than those available locally; the longest portfolio maturity remains 5 years.
- The Fund supported more than 1,409 jobs at the PLIs through its investments.
- PLIs paid a total of more than USD 15m of taxes to national governments.
- 85% of PLIs endorsed the Smart Campaign for client protection.
- The TA Facility approved 18 projects in 2016.

Country	USD million	% of portfolio	GNI per capita	HDI rank	Life expectancy	Human development	% of financial inclusion
ANGOLA	3.5	3.0%	4180	150	52	Low	29.3%
BENIN	2.2	1.9%	840	167	59	Low	16.9%
BURKINA FASO	2.0	1.7%	640	185	59	Low	14.4%
CAMEROON	6.6	5.7%	1320	153	55	Low	12.2%
DRC	10.8	9.3%	410	176	59	Low	17.5%
GHANA	7.0	6.1%	1480	139	61	Medium	40.5%
IVORY COAST	5.4	4.7%	1420	171	51	Low	34.3%
KENYA	16.5	14.3%	1340	146	62	Medium	74.7%
MALAWI	1.0	0.8%	340	170	63	Low	18.1%
MALI	1.3	1.1%	760	175	58	Low	20.1%
NIGER	0.5	0.4%	390	187	61	Low	6.7%
NIGERIA	15.7	13.7%	2790	152	53	Low	44.4%
CHAD	0.2	0.2%	880	186	51	Low	12.4%
RWANDA	4.0	3.4%	700	159	64	Low	42.1%
SENEGAL	9.3	8.0%	980	162	66	Low	15.4%
SIERRA LEONE	0.7	0.6%	620	179	51	Low	15.6%
TANZANIA	9.3	8.1%	920	151	65	Low	39.8%
UGANDA	5.1	4.4%	700	163	59	Low	44.4%
ZAMBIA	11.8	3.0%	1490	139	60	Medium	35.6%
ZIMBABWE	2.0	1.7%	860	154	59	Low	32.4%

OUTREACH TO END BORROWERS

In 2016, the Fund financed an estimated 164,154 end-borrowers via its partner lending institutions who

- Are a majority women (54%)
- Reside primarily in urban areas (76%)
- Live in 20 different countries, notably Nigeria (23%), Ghana (16%), Kenya (11%) and Zambia (10%)
- Are running a micro, small, or medium enterprise (88%)
- Are active in trade (68%) and also services, agriculture, and manufacturing (25%)

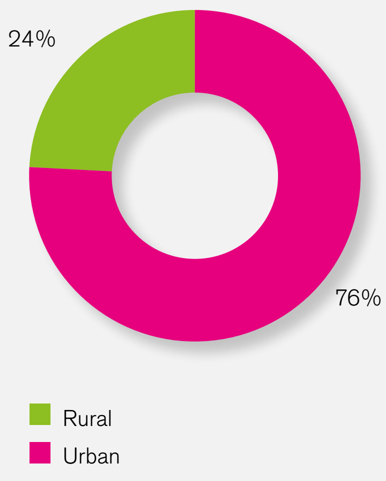
These borrowers received loans that:

- Averaged USD 699, representing 50% of GNI per capita on average
- Were structured as both individual and group loans (77% and 23%, respectively)
- They repaid on time in 88% of cases

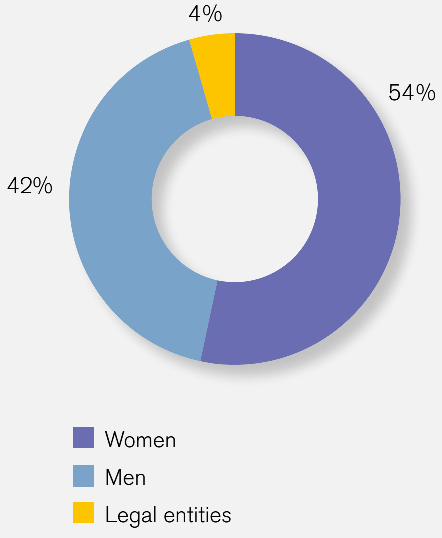
REGMIFA's end borrowers have access to a wide range of services via PLIs, including:

- Savings products, including time and sight deposits, checking accounts, and special purpose accounts; 73% of PLIs offered some type of savings product other than compulsory savings
- Insurance products (offered by 87% of PLIs), most commonly credit life insurance, though some PLIs also offered life insurance or other types
- Other financial services, such as remittances (79%) and payment services (58%)
- Non-financial services (40%), such as business development, health, or education service

DISTRIBUTION BY LOCATION

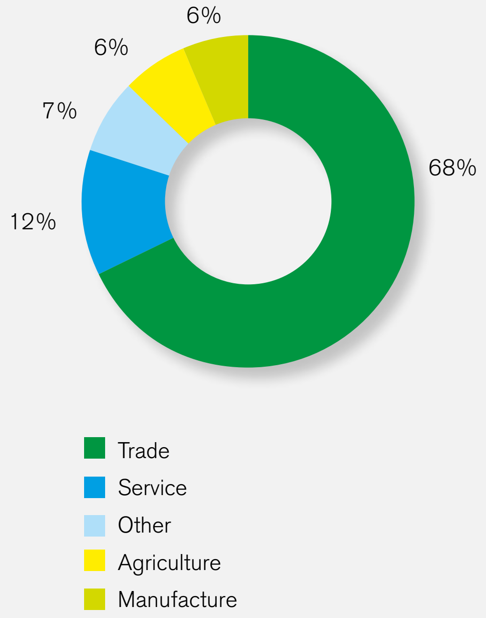


DISTRIBUTION BY GENDER

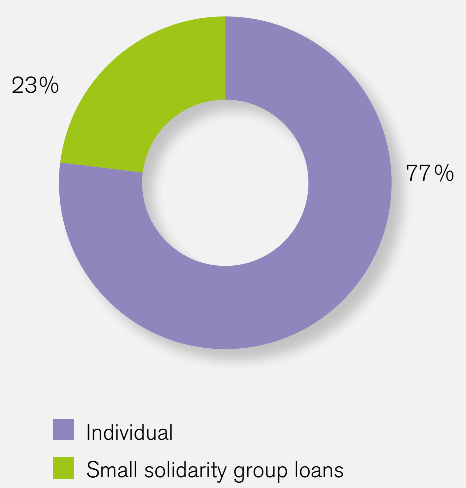


PORTFOLIO CHARACTERISTICS OF PLIS FINANCED BY REGMIFA

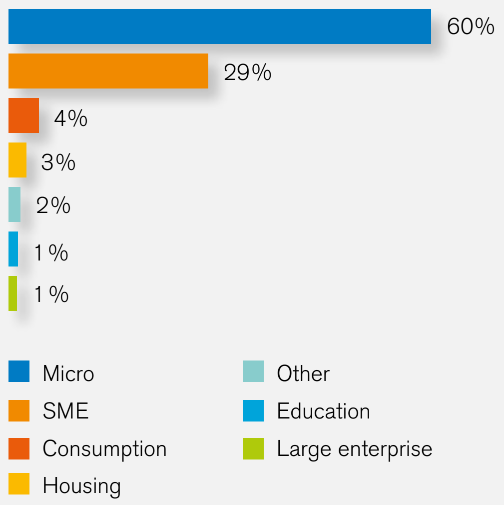
DISTRIBUTION BY ACTIVITY



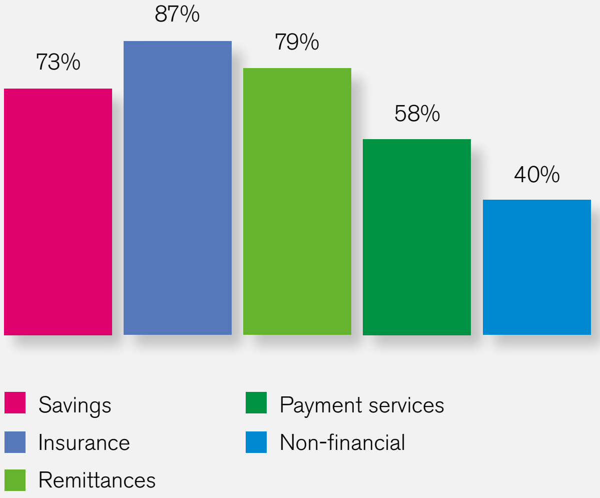
LENDING METHODOLOGY



CREDIT PRODUCTS



SERVICES PROVIDED BEYOND CREDIT



PORTFOLIO ENVIRONMENTAL AND SOCIAL RESPONSIBILITY RATING 2016

Average portfolio social score: 3.5 stars

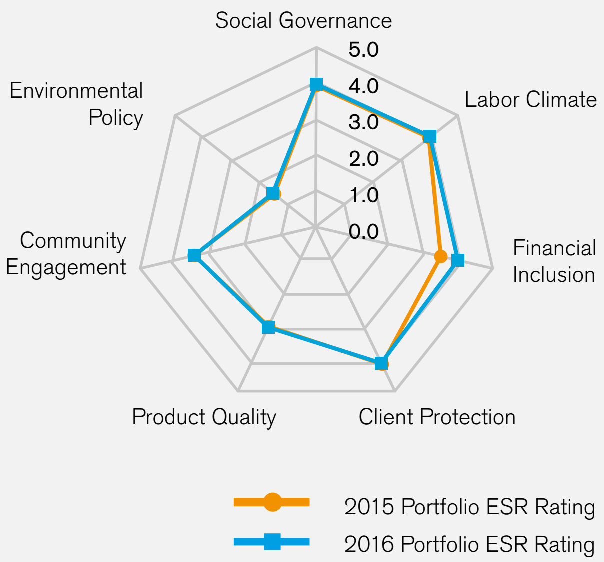
PLI's social ratings are key parameters in investment decisions. REGMIFA invests in PLIs that are socially oriented and have a score of 2.5 stars or higher. REGMIFA's investees maintained an average social rating of 3.5 stars in 2016 (2015: 3.5 stars), which translates into "a strong likelihood of contributing to sustainable development; a low risk of having a negative social impact". Slight improvements were reported on five of the seven dimensions underlying the overall social rating in 2016 while Environmental Policy and Community Engagement remained stable; however, the overall social rating remained stable from 2015. As institutions mature, improvements in ESR management are expected. Although there is no systematic correlation between size or financial performance and social performance, many of the top-rated institutions in REGMIFA's portfolio (6 out of 9) fall into the Tier 1 category (large institutions with more than USD 30 million in assets).

★★★★★	Extremely strong likelihood of contributing to sustainable development; Extremely low risk of having negative social impact
★★★★☆	Very strong likelihood of contributing to sustainable development; Very low risk of having negative social impact
★★★☆☆	Strong likelihood of contributing to sustainable development; Low risk of having negative social impact
★★☆☆☆	Moderate likelihood of contributing to sustainable development; Moderate risk of having negative social impact
★☆☆☆☆	Low likelihood of contributing to sustainable development; High risk of having negative social impact
☆☆☆☆☆	Very low likelihood of contributing to sustainable development; Very high risk of having negative social impact

Methodology

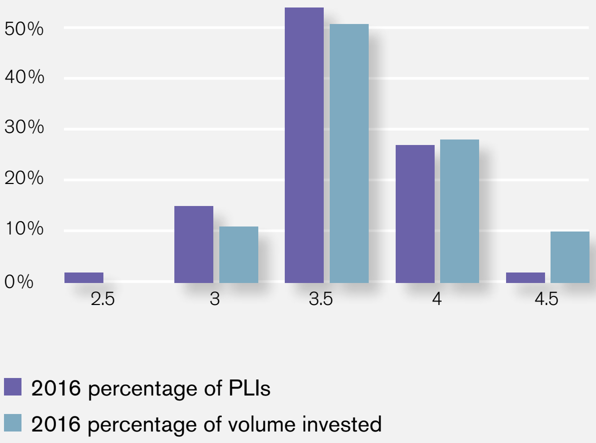
The Fund uses a social rating tool to rate PLIs according to their commitment to social and environmental goals and distinguishes the most socially oriented institutions from those that adhere to less ethical business models. The main purpose of the tool is to assess a PLI's commitment to and capacity for sustainable development, the effectiveness of the institution's systems and services in this area, and its results. The Fund measures a PLI's performance on seven dimensions: social governance, labor climate, financial inclusion, client protection, product quality, community engagement, and environmental policy. A weighted average system based on the Fund's exposure to each PLI is used to compute the ESR indicators contained in this report.

PORTFOLIO ESR RATING



Portfolio distribution of PLIs' ESR ratings
Over 98% of the REGMIFA portfolio is invested with institutions demonstrating a "strong likelihood of contributing to sustainable development" (score of 3 or above), representing a 5% increase compared to 2015.

ESR RATING BY NUMBER OF PLIS AND VOLUME



Social responsibility policy
REGMIFA pursues a triple bottom line strategy as it aims to actively promote sustainable development in sub-Saharan Africa. The governance of the Fund ensures that each step of the investment process reflects this strategy.

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 regular training of REGMIFA staff on ESR and client protection issues
- The social rating tool used to assess and select PLIs, identify needs for technical assistance, and monitor results
- The systematic incorporation of ESR issues in investment decision-making and loan agreements
- The annual ESR report enabling investors to be informed about the Fund's ESR performance level
- The Fund income distribution mechanism, which includes a contribution to the TA Facility
- Regular external ESR assessments of the Fund's activities, including a social audit undertaken in 2012 and an impact assessment of the REGMIFA intervention on PLIs, which was concluded in 2014

FUND INVESTMENT AND PARTNER LENDING INSTITUTION DEVELOPMENT

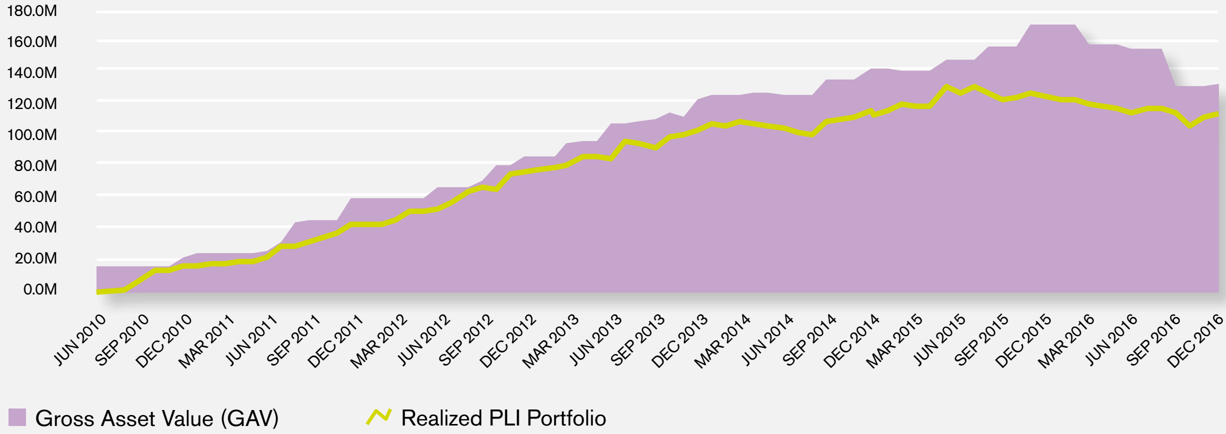
Due to difficult macro-economic conditions and a slower growth in sub-Saharan Africa partly due to a strong US Dollar and a slowdown in foreign demand for oil and commodities, the outstanding portfolio decreased. However, despite this challenging situation, the fund could continue to find value and integrate new PLIs to the portfolio resulting in an increase in the number of the fund's investees. This furthers and enhances the fund's diversification goal. Approximately 25% of the portfolio's growth volume was disbursed to the Fund's eight new PLIs, simultaneously reflecting REGMIFA's outreach efforts and strong prospection despite the market context.

REGMIFA's focus on assessing and strengthening relationships was also a factor as 7 PLIs left the portfolio over the course of the year. Another major factor was the absence of funding needs or untenable hedging costs resulting from the challenging macroeconomic climate and major currency fluctuations.

EVOLUTION IN KEY PORTFOLIO STATISTICS BETWEEN 2015 AND 2016

	2016	2015
Outstanding portfolio (USD)	114,730,866	128,407,670
Average investment amount (USD)	1,158,898	1,284,077
Average investment amount (USD) per PLI	2,206,363	2,620,565
Number of outstanding investments	99	100
Number of investees	52	49
Number of countries	20	18
Number of currencies	12	13
Average maturity at closing	34.9 months	34.7 months

FUND PORTFOLIO AND TOTAL ASSET GROWTH



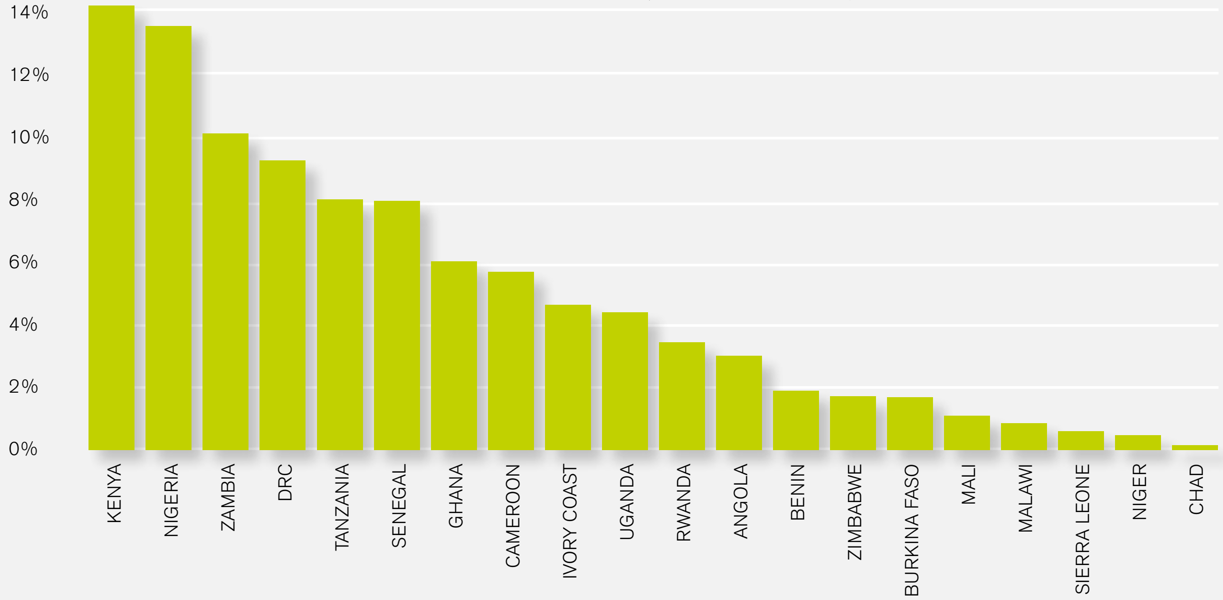
The historical cost as of 31 December 2016 amounts to USD 114.703 million while the carrying value is reported at USD 101.304 million due to a cumulated negative foreign exchange impact of USD 9.742 million and a provision for impairment of USD 3.684 million. Given that the Fund's portfolio is fully hedged for exchange rate and interest rate fluctuations, the decline in the value of the loan portfolio from foreign exchange revaluation effects is offset by the increase in value of the corresponding hedging instruments.

New lending in 2016

In 2016, approximately 15% of new investments were made in DRC, 13% in Senegal, 12% in Ghana, and 10% each in Uganda, and Zambia. Overall, the Fund made investments in 14 different markets in sub-Saharan Africa, a region that generally remains remarkably underserved by financial service providers.

Across sub-Saharan Africa, access to financial services remains limited. In this region, the World Bank estimates that only 34% of adults have accounts and 16% of them use savings, while 350 million people still remain unbanked.

COUNTRY EXPOSURES (% OF PORTFOLIO)



Invested portfolio per country

Kenya (14%), Nigeria (13%) and the Zambia (10%) were the Fund's top country exposures in 2016 by outstanding volume. Kenya, one of the region's largest microfinance markets, becomes the Fund's top exposure, as Nigeria struggled with continued USD scarcity. In 2015, Kenya and the DRC were the second and third largest exposures, respectively. The DRC remains a promising growth market for REGMIFA, though political uncertainty and regulatory risk remain high. The DRC dropped to the fourth largest exposure over the year. Kenya, which has continued its strong growth in the microfinance sector, remains one of the most promising growth markets and thus became our top country exposure in 2016.

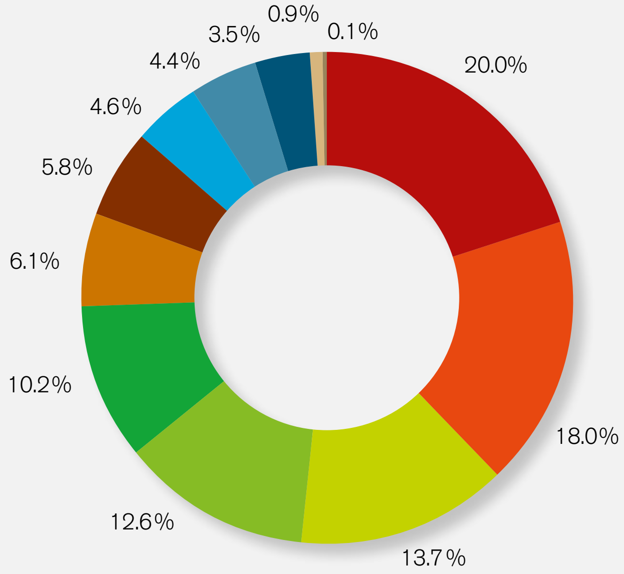
Currency outlook for 2016

Currency volatility and pricing challenges continued to increase in 2016, mainly due to USD scarcity and the dip in commodity prices, notably in Nigeria, South Africa and Angola. REGMIFA's established partnerships with four reputable hedging counterparties allowed the Fund to provide its Partner Lending Institutions with loans in local currency. However, continued USD scarcity limited repayments, especially in Nigeria and Angola, which resulted in decreased renewals. In 2016, the Fund was able to offer all fixed rate loans to its partners, while ensuring sound currency risk management at the fund level. REGMIFA protects investees from significant foreign exchange risk as 80% of the portfolio is denominated in local currency, while funding provided in hard currency mainly benefits those PLIs operating in dollarized economies. As of December 2016, REGMIFA maintained no unhedged foreign currency exposure. The Zambian Kwacha gained 11.6 percent against the US Dollar to be among the best performing currencies of 2016. In contrast, the Nigerian Naira lost 36 percent of its value on the spot market, while the parallel market rate plummeted by an estimated 60 percent, indicating that further devaluation is likely. In response, the Nigerian Monetary Policy Committee announced the introduction of a flexible forex interbank market.

Given the high dependence on commodities export of the Central African Zone (XAF) as well as the still depressed prices of oil and gas from historical perspective, hedging levels were revised upwards by TCX to reflect the deteriorated macro-fundamentals of the monetary union. On the other hand, non-commodity exporters, namely Ivory Coast, Kenya and Ethiopia are expected to show robust growth rates.

CURRENCY EXPOSURES (% OF PORTFOLIO)

- United States Dollar (USD)
- CFA Franc BCEAO (XOF)
- Nigerian Naira (NGN)
- Kenyan Shiling (KES)
- Zambian Kwacha (ZMW)
- Ghanaian Cedi (GHS)
- CFA Franc BEAC (XAF)
- Tanzanian Shilling (TZS)
- Ugandan Shilling (UGX)
- Rwandan Franc (RWF)
- Malawian Kwacha (MWK)
- Euro (EUR)



TOP 5 PLI EXPOSURES (% OF PORTFOLIO)

PLI	COUNTRY	CURRENCY	VOLUME USD	% OF PORTFOLIO
KWFT	Kenya	KES, USD	11.5 m	10.0%
ACEP Cameroun	Cameroon	XAF	6.6 m	5.8%
FINCA DRC	DRC	USD	6.0 m	5.2%
MicroCred Senegal	Senegal	XOF	5.9 m	5.2%
Advans CI	Ivory Coast	XOF	4.8 m	4.1%

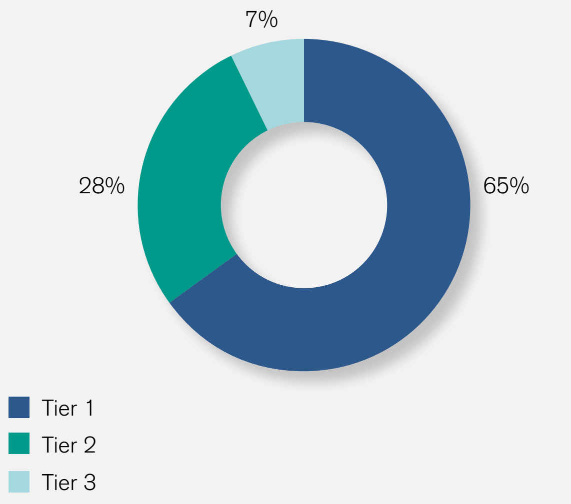
INVESTED PLI PROFILE: TEN KEY PLI INDICATORS

	REGMIFA PORTFOLIO WEIGHTED AVERAGE	REGMIFA MEDIAN	SYM50 SIMPLE AVERAGE
Total Assets (USD)	75,961,601	22,662,186	453,061,296
Gross loan portfolio (USD)	57,017,108	15,573,175	330,206,446
Number of active borrowers	78,455	19,010	124,538
Average Loan Balance (USD)	1,712	869	2,812
Debt/equity ratio	4.4	4.5	4.7
Portfolio yield	39.2%	41.5%	26.3%
Portfolio operating expense ratio	28.4%	29.4%	13.8%
Operational self-sufficiency	102.6%	102.8%	114.5%
Return on equity	-1.8%	5.1%	8.3%
PAR>30 days	7.5%	6.2%	4.9%

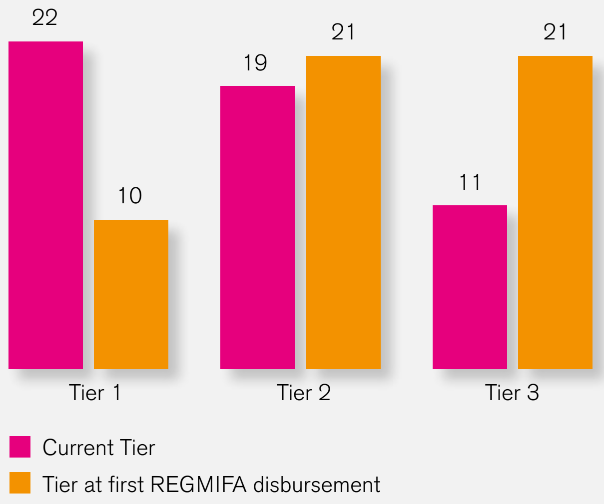
* Figures as of December 2016. The SYM50 is an index developed by Symbiotics and comprised of 50 Microfinance Institutions located in geographical areas reflecting the historical concentration of Symbiotics' outstanding microfinance investment portfolio.

The "ultimate target group" being served by REGMIFA's Partner Lending Institutions consists of micro-entrepreneurs and SME clients, including the "missing middle" enterprises: engines of growth and income generation in the region. As there is no standard accepted definition in the industry of MSME, REGMIFA uses the size of the loans provided by the PLIs to these clients as a proxy definition, with "micro" up to USD 5,000, "small" up to USD 50,000 and "medium" up to USD 250,000, with these broad thresholds varying according to country to reflect local conditions. Most PLIs report an average loan balance below USD 5,000. On average, REGMIFA works with institutions with a balance sheet and a loan portfolio size almost 20 times smaller than the SYM50 index, illustrating both REGMIFA's target region as well as the Fund's focus on lower tier institutions. Institutions also tend to be less leveraged compared to the SYM50 average. Further, higher portfolio yield and higher opex ratios compared to the SYM50 are illustrative of the challenging operating environment in the Fund's target countries compared to a globally diversified microfinance portfolio.

PORTFOLIO BREAKDOWN BY CURRENT TIER, % PORTFOLIO



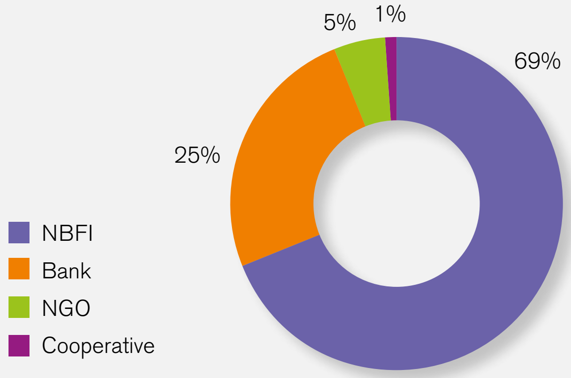
PORTFOLIO BREAKDOWN BY TIER, NUMBER OF PLIS



The Fund's portfolio maintained a balance of small, medium, and large PLIs in 2016. Small (Tier 3) PLIs have total assets below USD 10 million, medium (Tier 2) PLIs have total assets between USD 10 and 30 million, and large (Tier 1) PLIs have total assets in excess of USD 30 million.

As institutions grow and mature, they gradually shift to an upper tier. REGMIFA accompanies investees in this growth. This effect is illustrated in the "Portfolio Breakdown by Tier, Number of PLIs" figure. At the beginning of their relationship REGMIFA, 40% of all institutions in the portfolio (21 out of 52 institutions) fell into the Tier 3 category. Many of the Fund's investees remain long-term partners and obtain repeat funding, often at increasing volumes, as they grow and increase their balance sheets. As of December 2016, more than 40% of institutions in the portfolio had graduated to the Tier 1 category.

LEGAL STATUS, % PORTFOLIO



REGMIFA promotes inclusive financial systems by financing a wide range of PLIs of various legal statuses such as non-governmental organizations (NGOs), cooperatives, non-bank financial institutions (NBFIs) and banks. Often, PLIs start out as small NGOs or cooperatives and transform into NBFIs or small banks as they grow and mature.

10 KEY INDICATORS*

MALAWI

POPULATION
18.6 MILLION

POPULATION LIVING IN POVERTY
50.7%

HUMAN DEVELOPMENT RANK
170/188

GDP PER CAPITA
USD 1,100

REAL GDP GROWTH
2.7%

INFLATION RATE
21.8%

FOREX HEDGING COSTS (36M)
16.9%

PRIVATE CREDIT (% OF GDP)
12.2%

FOREIGN AID (IN BILLIONS)
USD 1.0

REMITTANCES (IN MILLIONS)
USD 34.2

*2016 or latest available

MEET MR. FRANK
ENTREPRENEUR

COUNTRY: MALAWI

Malawi is a landlocked country in which over 50% of the population live in poverty and 85% in rural areas. Malawi is by and large an agricultural country, with the sector accounting for a third of gross domestic product (GDP) and 90% of export revenues. The International Monetary Fund and the World Bank have been major drivers of external economic assistance and a conduit for structural reforms that have helped sustain Malawi's growth over the past decade. In 2015, the economy was affected by severe floods in the country's southern districts followed by countrywide drought. Microfinance in Malawi saw the light in the 1990s following 20 years of a state-run, subsidized interest rate credit program to small farmers. Agricultural credit was soon segmented from the core responsibilities of the Ministry of Agriculture, enabling the emergence of microfinance institutions from 1994 onwards. The sector counts today over 40 microfinance providers, including commercial banks, NGOs, savings and credit cooperatives, and state owned institutions, all striving to service micro-, small and medium enterprises.

MFI: FINCA MALAWI

FINCA Malawi (FM) is a small institution that was incorporated in 1994 as an affiliate of FINCA International (FI). During more than 20 years of operations, FM has benefitted from abundant financial and technical support from FI and FINCA's regional hub in Uganda. After transforming into a limited liability company in 1999, FM received its deposit taking license from the Reserve Bank of Malawi in September 2015. Today, the institution is well-positioned as the leading non-bank financial institution in Malawi, with 24 branches covering all 28 districts of the country. Since 2013, FM more than doubled in size while the recent introduction of the SME loan product catered to large micro-businesses.

SME: RISING STAR

Mr. Frank and his partner, two seasoned entrepreneurs, have recently launched a new venture called Rising Star. The company operates in the suburbs of Malawi's capital city, Blantyre. Rising Star is an innovative and small business which processes cotton seed in its raw form to produce a variety of products, some of which are exported to neighbour markets. Products include cotton oil, a highly lucrative good which is used mainly for cooking, cotton cake used as animal feed, and soaps manufactured using waste products. Rising Star is one of FINCA Malawi's first clients to make use of its recently developed SME offering. Their initial loan has helped Mr. Frank and his partner make an extension of the processing plant and to optimize the use of raw materials. This expansion allowed them to grow the production capacity of the plant, minimize waste and, as a result, increase profitability. The partnership with FINCA Malawi has also helped the business to employ additional staff, today amounting to 15 employees on a full-time basis.

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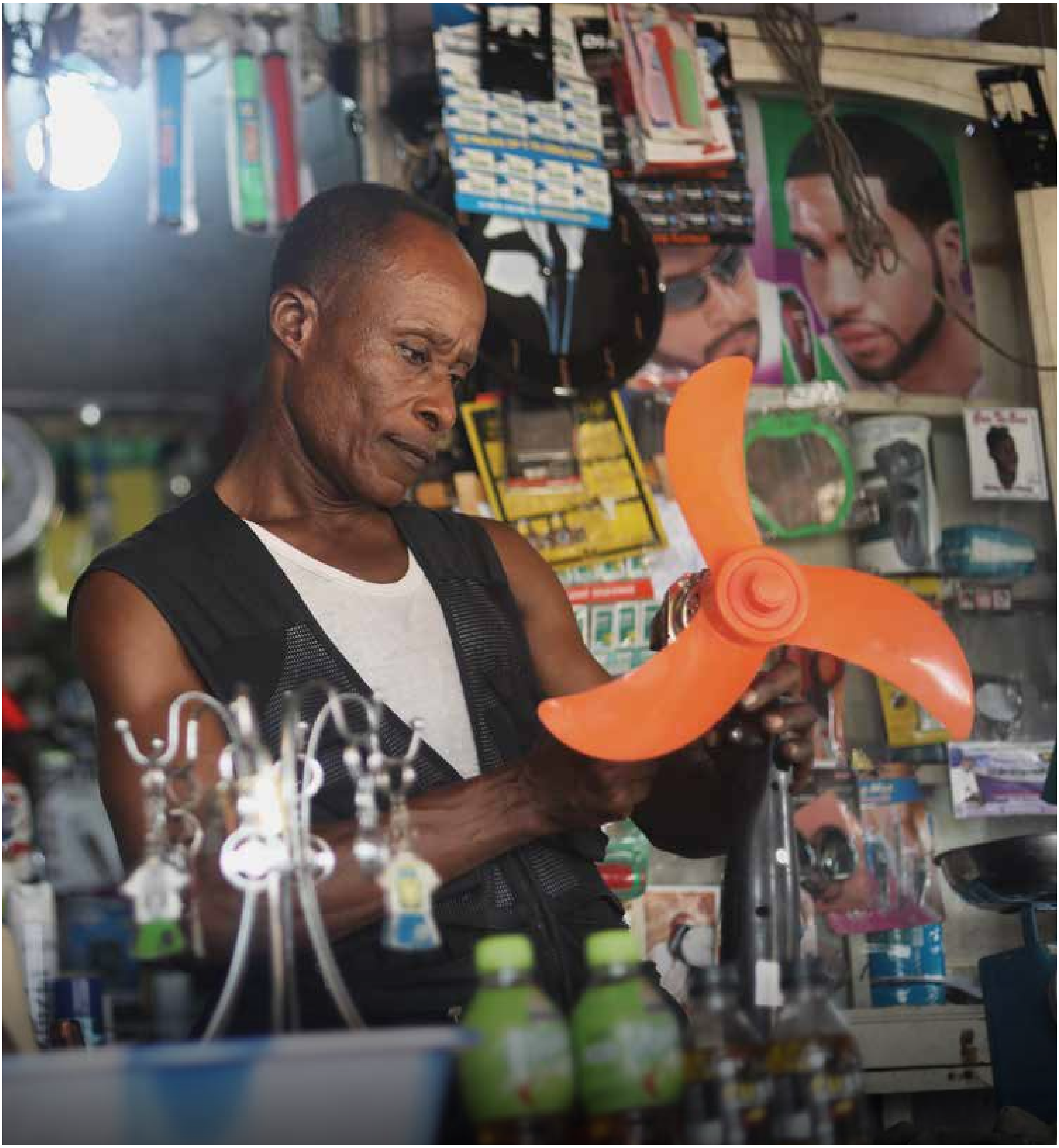


The REGMIFA Technical Assistance Facility
A consolidated TA initiative in sub-Saharan Africa

TECHNICAL ASSISTANCE FACILITY

The TA activities faced in 2016 an initial tight liquidity situation due to the need for replenishing the available funding in order to design and implement new TA interventions, which was possible thanks to donors' new commitments for a total of EUR 1.93 Million late in the year. When resuming the project design and approval activity, the TA Facility Manager comprehensively assessed where TA support would be the most impactful, tailoring projects to the urgent needs of the institutions and aiming at reducing institutional risk or at increasing the PLIs' outreach.

In this regard, towards year end the TA Facility Manager deployed an intensive project design activity, which resulted in the approval of 18 projects (including 2 training scholarships) for a volume of EUR 1,224,398. Out of this amount, the customized projects represent EUR 795,600 (15 projects). 32% of this volume was allocated to Tier 1 institutions, 46% to Tier 2 PLIs and 22% to Tier 3. In 2016 the TA projects were designed in a way to encourage PLIs to contribute more financially in line with the strategy to enhance the TA Facility sustainability.

The key highlight of the year 2016 was the approval of the TA Package on "Risk Management", which was drafted following the in-depth analysis of 17 PLIs' TA needs in support for various issues around internal audit, internal controls, operational risks, fraud prevention, asset and liability management, risk prevention and tools, risk management function within an MFI, capacity building and training. Among the projects approved in 2016, the TA Package 4 on Risk Management records the longest duration (18 months scheduled) and the highest volume (EUR 400,000).

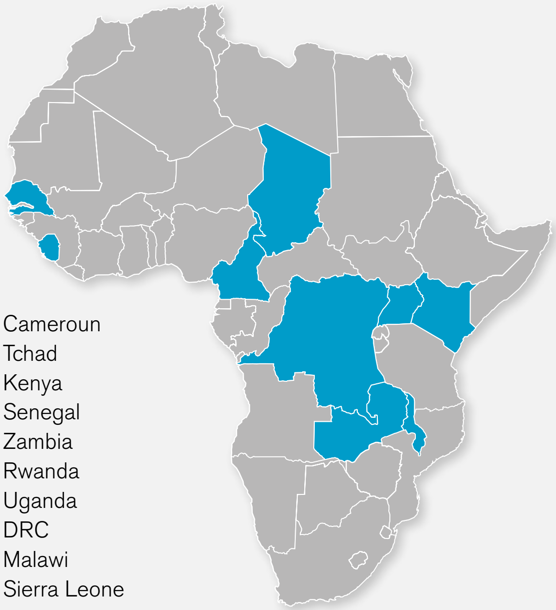
On a cumulative point of view, 107 projects projects totaling a volume of EUR 6,912,942 have been approved since inception of the TA Facility. Also, out of the total 89 projects that have been completed so far, 11 were completed in 2016. The cumulated funding of the TA Facility amounts EUR 8.7 Million.

Furthermore, since the inception of the TA Facility in 2011, the project operations deployed alongside REGMIFA's investments have reached into 20 countries in sub-Saharan Africa: Angola, Benin, Cameroon, Ivory Coast, the DRC, Ghana, Kenya, Malawi, Mali, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, Tanzania, Tchad, Togo, Uganda, Zambia and Zimbabwe.

2016 AT A GLANCE:

- 18 TA projects approved (EUR 1,224,398)
- 3 Scholarship projects contracted (EUR 28,798)
- 11 projects completed in 2016
- 22.5% average PLI co-financing contributions since inception
- 32% of the TA volume granted in 2016 was allocated to Tier 1 PLIs, 46% to Tier 2 and the remaining 22% was allocated to Tier 3 PLIs.

PROJECTS APPROVED IN 2016 - COUNTRIES



Cameroun
Tchad
Kenya
Senegal
Zambia
Rwanda
Uganda
DRC
Malawi
Sierra Leone

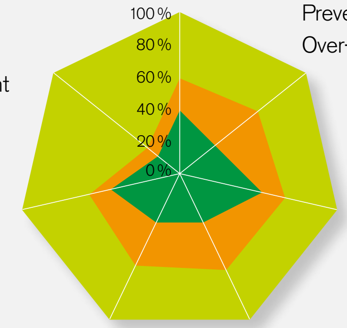
ADDRESSING SOCIAL IMPACT AND ETHICAL FINANCE WITH A TA PACKAGE ON "IMPROVING SOCIAL PERFORMANCE MANAGEMENT AND CONSUMER PROTECTION"

TA Packages are programs designed by Symbiotics Technical Assistance that outreach multiple investees in various countries to address common capacity building and technical assistance needs. These packages[1] typically serve a diverse set of microfinance institutions (MFIs), with variations in size, level of development, legal form, business model, etc. While the same methodology is applied to each MFI, the content is tailored to the particular MFI using regional or local expertise, where possible, coupled with international skill sets, altogether achieving the highest value for money.

The TA package on "Improving Social Performance Management and Consumer Protection" was launched in January 2015 to improve REGMIFA investees' compliance with best practices in the areas of Social Performance Management (SPM), Client Protection (CP) and Ethical Finance (EF), and their adherence to the social covenants prescribed in their loan agreements. The overall objective of the TA package was to support a number of institutions (14 MFIs located in 10 countries: Kenya, Uganda, Rwanda, Tanzania, Angola, Zambia, Nigeria, Senegal, Cameroon and Benin) in strengthening their knowledge and capacity to respect and achieve social and environmental goals in a more effective and practical manner. This objective arose from the desire to i) ensure an effective strategy to balance financial and social considerations in decision making, and, to ii) keep reputational risk under control, thereby minimizing potential losses typically caused by damage to institutional image.

Positive Planet, which was awarded the tender, worked and led a consortium composed of PlaNet Rating, Cerise and MicroFinanza Rating. The program was an opportunity to disseminate SPM and CP best practices among the participating MFIs and to create synergies with ongoing related initiatives in Sub Saharan Africa. In the first phase of the assignment, investees training needs were assessed and a gap analysis conducted using a Social Performance Indicator tool, SPI4. Following this, a customized specific capacity building plan and mentorship program was developed and implemented within each institution. Different audiences which included senior management and board members were engaged during training workshops, one-on-one or group mentoring sessions. The Responsible Microfinance Initiative and the consortium led by Positive Planet collaborated together to leverage on respective training activities. Various technical and financial resources and tools were shared with institutions and their selected in-house "SPM champions". One such tool was a link to a user-friendly video that can be used by loan officers to communicate key information to clients. At the end of each mission, the experts ensured that the respective SPM champions were well-empowered to carry the work forward.

SPI4 DASHBOARD EXTRACT FOR AN MFI



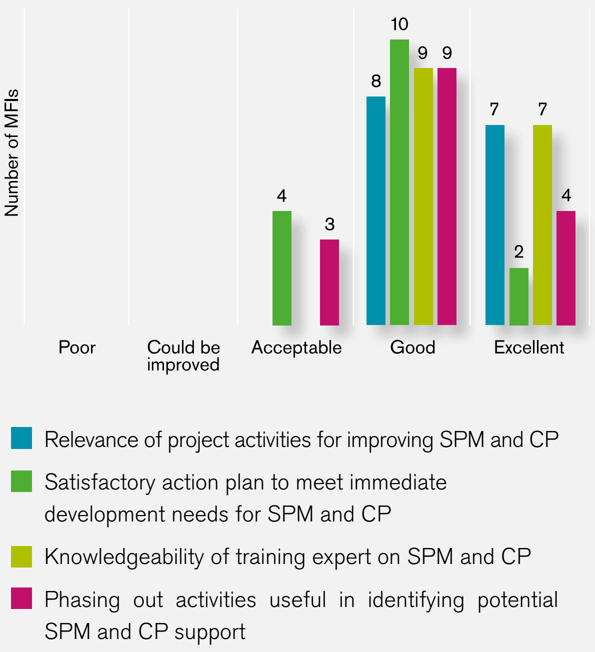
COMMENTS ON YOUR ADHERENCE TO SMART CAMPAIGN PRINCIPES

The investee reaches the highest score for Transparency in level of implementation of the CPP. However being 47%, it implies the investee still has quite some work ahead before reaching Certification level. Key priority areas are Prevention of Over-indebtedness and Machanisms for Complaint Resolution.

1 Three TA Packages have been successfully designed and implemented by Symbiotics for the TA Facility of REGMIFA; a fourth one on Risk Management has been approved in 2016 to assist 13 sub Saharan financial institutions.
2 13 of the 14 participating REGMIFA investees were asked for feedback, and 11 responded. Of these 11, six investees had one respondent, while five had two respondents. Respondents consisted of CEOs, HR, and members from the Operations and Risk management teams, all involved in the intervention.

The project was concluded 21 months after its launch, finding the satisfaction of all parties involved: MFIs, the TA Facility and Symbiotics. The level of SPM and CPP implementation displayed by the MFIs at the beginning of the project was on average below the global and the African benchmark (source: Cerise, Oct 2016). A validated update of the SPI4 audits left opportunity to measure the impact of the program on the improvement of the social performance management and client protection practices. Among the CP principles, the participating MFIs manifested more interest for avoiding client over-indebtedness, ensuring a responsible treatment of clients and handling client complaints. MFIs surveyed expressed that they were well-versed with the nature and requirements of the assignment and found the intervention both relevant and beneficial. They were particularly appreciative of and impressed by the training and mentorship sessions. MFIs participant feedback is shown in Figure 2.

FEEDBACK FROM PARTICIPANT MFIS CONCERNING TA PACKAGE ON SPM AND CP[2]



10 KEY INDICATORS*

SIERRA LEONE

POPULATION
6 MILLION

POPULATION LIVING IN POVERTY
52.9%

HUMAN DEVELOPMENT RANK
179/188

GDP PER CAPITA
USD 1'700

REAL GDP GROWTH
4.3%

INFLATION RATE
7.1%

FOREX HEDGING COSTS (36M)
15.1%

PRIVATE CREDIT (% OF GDP)
5.2%

FOREIGN AID (IN MILLIONS)
USD 946.4

REMITTANCES (IN MILLIONS)
USD 66.2

*2016 or latest available

MEET MR. FOARA CONTEH
ENTREPRENEUR

COUNTRY: SIERRA LEONE

Located in West Africa, Sierra Leone is a poor country with more than half of its inhabitants estimated to live below the national poverty line. The primary sector is the country's growth driver and employs much of Sierra Leone's labour force. After a decade-long civil war which ended in 2002, the economy grew substantially before experiencing a downturn due to the Ebola epidemic and the collapse of iron ore prices, one of the county's prime export product. However, recovery is underway and is expected to remain sustainable according to the International Monetary Fund. Job creation is a major priority put forward by the current government. Microfinance is still a nascent sector in a largely informal economy with high financial exclusion. Initial efforts were put in place following the civil war through government-led policies conducive for the development of microfinance and aimed at economic recovery. Today, the sector is composed of not only traditional microfinance institutions, but also development and cooperative banks, all providing generally low-volume loans to micro-entrepreneurs.

MFI: SMT

Salone Microfinance Trust Limited (SMT) is a MFI targeting the economically active poor and their families. SMT was created as a post-war project in 2002 by ChildFund, an international NGO. In 2010, it was granted its microfinance license to operate as a credit-only institution and is regulated by the Bank of Sierra Leone. SMT operates through a network of 8 branches with nationwide coverage which puts it in a good market position relative to its peers. The MFI's gross loan portfolio is channeled to both urban and rural areas and to a largely female clientele. Credit products include group, individual, agricultural, SME, and salary loans, all with a varying degree of accountability in SMT's portfolio. SMT also offers its employees housing, education and personal loans. While the Ebola crisis in 2014 affected the MFI both in terms of growth and portfolio quality, its sound management decisions enabled the institution to resume growth in 2015.

CLIENT: MR. FOARA CONTEH

Mr. Foara Conteh lives in Magburaka, the largest city of Tonkolili District located in the Northern Province of Sierra Leone. Mr. Conteh is a micro-entrepreneur who owns a small shop where he sells cosmetic products as well as cleaning products. He has been a client of Salone Microfinance Trust (SMT) since 2011 and part of its client advisory committee. His role is to provide feedback to SMT on their service quality. Mr. Conteh is currently servicing a loan that he contracted to purchase cosmetic supplies from the capital Freetown, which is located more than 200 kilometers from Magburaka. Mr. Conteh is pleased to partner with SMT because of the institution's customer-centric approach and its results-driven loan officers that are helping him grow his business. The year 2015 was a challenging one for the client because of the Ebola outbreak which limited goods and population movements in the region. Mr. Conteh's business nonetheless sustained the crisis and he predicts much better fortunes for the coming years.

Mr. Conteh is pleased to partner with SMT because of the institution's customer-centric approach and its results-driven loan officers that are helping him grow his business.

AUDITED FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS
Mr. Ruurd Brouwer (Chairman)
Dr. Marcel Gérard Gounot
Mr. Philippe Serres (until 10.08.2016)
Mr. Stefan Hirche
Mr. Karl-Heinz Fleischhacker
Mr. Arthur Sletteberg
Dr. Giuseppe Ballocchi (since 09.03.2016)
Mr. François Lagier (since 11.08.2016)

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

INVESTMENT MANAGER AND PLACING AGENT
Symbiotics S.A.
31, rue de la Synagogue
CH -1204 Geneva, Switzerland

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

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

INDEPENDENT AUDITOR
Ernst & Young S.A.
35E, Avenue John F. Kennedy
L - 1855 Luxembourg, Grand-Duchy of Luxembourg

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

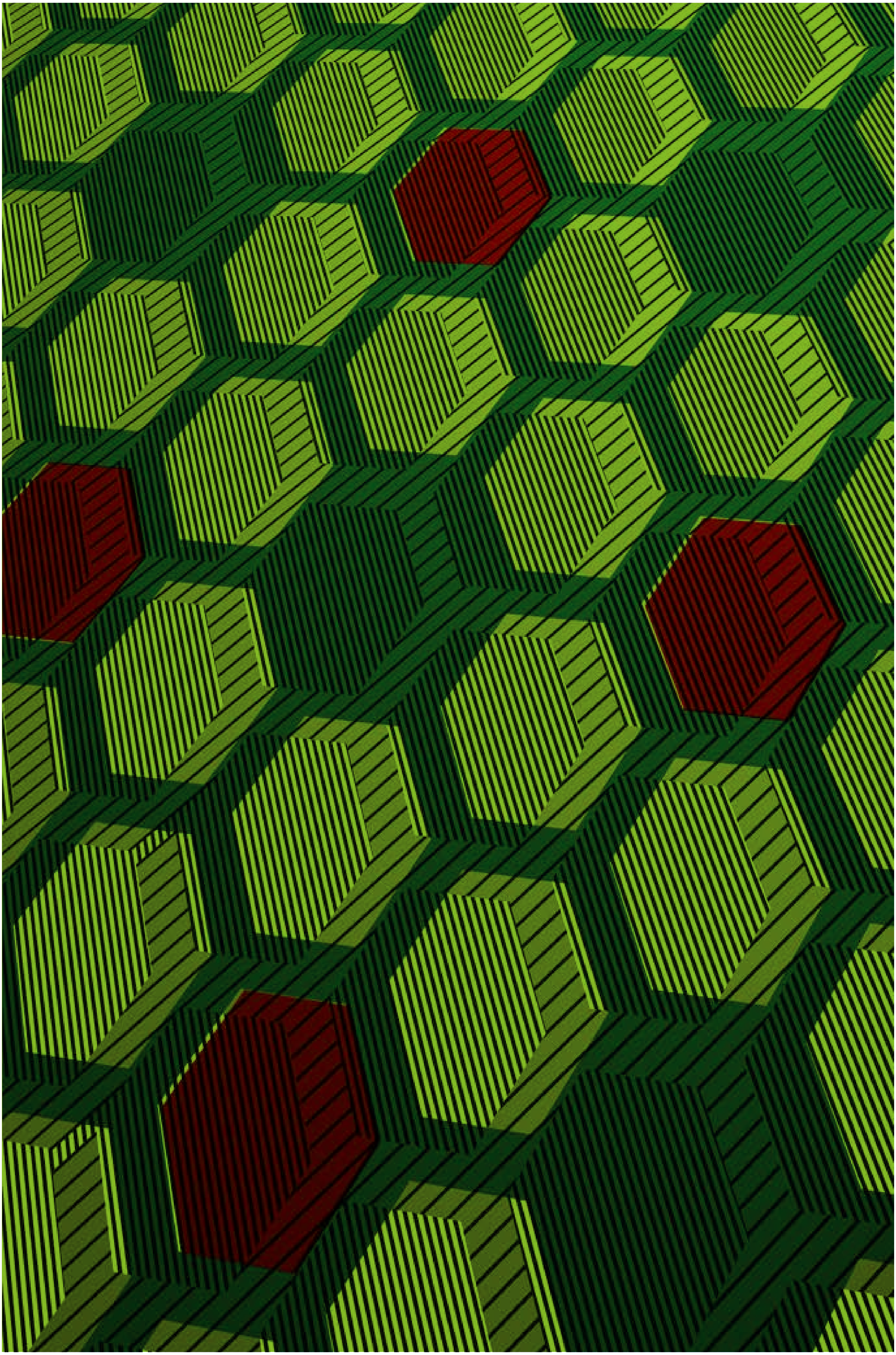
REPORT OF THE BOARD OF DIRECTORS

We are pleased to submit the annual report for the year ended 31 December 2016 and the related Independent Auditor's Report for the Regional MSME Investment Fund for sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

After five years of growth combined with solid portfolio quality, 2016 is the year in which REGMIFA's business and capital model were tested. A combination of challenges, varying from political uncertainties, to macroeconomic instability, to currency volatility and inconvertibility, manifested in the Fund's key markets. A historically low commodity price environment exacerbated difficulties, especially in oil-exporting economies. Nigeria, which represents one of the Fund's largest country exposures and still exhibits strong untapped potential, endured its first full-year recession in fifteen years. While the operational performances of REGMIFA's Nigerian Partner Lending Institutions (PLIs) generally remain solid, hard currency shortages in the economy have prevented Nigerian PLIs from repaying international lenders, including REGMIFA. A large payment backlog remained at the end of the year. However, PLIs' continued efforts to source USD have been succeeding as PLIs gradually reduce their overdue balances with REGMIFA, leading to a cautiously positive outlook going into 2017. Significant political risk reduced the Fund's investment activity in the Democratic Republic of the Congo, the Fund's third largest country exposure. Although Joseph Kabila's term constitutionally ended in December 2016, the electoral body failed to organize elections, citing complexity and costs. The prospects for 2017 are highly uncertain. In West Africa, the Ivory Coast experienced unrest in its army over salary payments, illustrating that the political situation remains fragile, although the country remains one of the continent's growth hotspots.

The effect of the above described market challenges combined with the limits of the Fund's credit risk appetite led to a deliberate slowdown in the Fund's investment activity. The Fund reported an outstanding portfolio of USD 114.7 million[1] at year end, with a continued strong diversification across 52

1 The historical cost as of 31 December 2016 amounts to USD 114.703 million while the carrying value is reported at USD 101.304 million due to a cumulated negative foreign exchange impact of USD 9.742 million and a provision for impairment of USD 3.684 million. Given that the Fund's portfolio is fully hedged for exchange rate and interest rate fluctuations, the decline in the value of the loan portfolio from foreign exchange revaluation effects is offset by the increase in value of the corresponding hedging instruments.



investees and 20 countries. The Fund continued to expand its footprint, making first-time investments in eight new PLIs and adding three new countries (Sierra Leone, Burkina Faso, and Niger) to the portfolio, testifying to the Fund's continued relevance as a reliable funding partner in the region. The Fund's portfolio of investments remains healthy, resulting in an amount to be distributed to A and B shareholders of USD 2.04 million. As a result of further impairment allowance on principal of USD 2.28 million, mainly on the exposure in Nigeria, and the foreign exchange losses for the year ended of USD 7.85 million, netted by the gains on derivative financial instruments of USD 1.36 million and the allocation of target dividends of USD 1.03 million, the total negative result of the year of USD 7.73 million refers to the net result attributable to C shares, according to the waterfall rules of the Issue Document. These effects are unrealized and temporary.

Financially, 2016 proved the resilience of a blended financial structure in a volatile market environment. Target dividends for the A and B share Classes could be fully served for the sixth year in a row, while the increased market turbulence was absorbed by the Fund's sizeable first loss C share layer. The C share protection remained very strong at over 50% of the Fund's NAV at year end, also thanks to capitalized profits since inception. The Fund's convincing financial and developmental track record encouraged the continued support of its shareholders, with new commitments totaling USD 23 million received from KfW and the European Investment Bank, representing a significant sign of trust and a solid base for continued growth.

In 2016, the TA Facility, which was formed with the objective of complementing the Fund's activities and maximizing its developmental impact, raised EUR 1.9 million in new commitments, with support received from the European Investment Bank, the Government of Luxembourg, and the REGMIFA Fund. This support enabled the TA Facility to prepare and design a total of 25 TA interventions with an aggregate volume of EUR 1.85 million, of which 18 projects totaling EUR 1.2 million were approved by year end.

Two new countries (Sierra Leone and Malawi) were added to its geographical coverage. REGMIFA's TA Facility analyzes and responds to PLIs' diverse needs to ensure interventions provide the highest value possible, as demonstrated by the variety of the projects conceived in 2016: topics include SME lending, agricultural finance, rural lending, digital financial services, savings mobilization, and risk management. In 2017, the TA Facility will support thirteen PLIs in the area of risk management with the launch of a new TA package, which is a proven model that enhances the TA's efficiency and outreach. The statistics since the TA Facility's operational start in 2011 are telling: total commitments have reached EUR 8.1 million; 107 projects totaling EUR 6.9 million have been approved; 88 projects totaling EUR 5.3 million have been contracted; and the TA Facility has reached PLIs operating in 20 countries. Overall, the TA Facility manages an average project size of approximately EUR 65,000, with average cost-sharing by the beneficiaries of 22%.

Finally, the Board would like to recognize all REGMIFA stakeholders, who maintained their strong dedication throughout the year. In this regard the Board specifically would like to mention the Fund Manager, as we experienced a continued delivery of high quality services, also during challenging times. We believe that REGMIFA's results prove that the project has the capacity to continue on its path in 2017 and meet the challenges ahead. As REGMIFA continues to deliver on its ambitious targets, we count on the support and commitment of all REGMIFA's stakeholders.

Board of Directors
08 May 2017

Building a better
working world

Ernst & Young
Société anonyme

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L-1855 Luxembourg

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L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
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 2016, the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable shares and in equity and the statement of cash flows for the year ended 31 December 2016, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors 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.

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

Building a better
working world

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 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Alain Kinsch

Luxembourg, 8 May 2017

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016 (EXPRESSED IN USD)

ASSETS	**NOTES**	**2016**	**2015**
Loans to Partner Lending Institutions	4	101,304,325	113,216,675
Interest receivable on loans	4	4,795,763	4,322,380
Derivative financial instruments	5	10,226,711	19,186,691
Other receivables		749,168	160,537
Prepaid expenses		6,268	6,456
Cash and cash equivalents		16,598,282	24,635,954
Total Assets		**133,680,517**	**161,528,693**
LIABILITIES			
Derivative financial instruments	5	704,820	358,817
Accrued expenses	8.5	1,006,003	973,765
Other payables		534,137	565,756
Contribution to the technical assistance facility	10	-	732,831
Notes issued	6	10,497,176	13,121,470
Distribution payable to holders of redeemable shares	10	2,041,455	2,171,470
Net assets attributable to:			
- holders of redeemable Class A shares	7	20,704,908	20,704,908
- holders of redeemable Class B shares	7	31,070,380	48,044,238
Total Liabilities		**66,558,879**	**86,673,255**
EQUITY			
Share capital	7	62,314,790	62,314,790
Retained earnings		4,806,848	12,540,648
Total Equity attributable to holders of Class C shares		**67,121,638**	**74,855,438**
Total Liabilities and Equity		**133,680,517**	**161,528,693**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016 (EXPRESSED IN USD)

INCOME	**NOTES**	**2016**	**2015**
Interest income on loans		13,017,400	15,121,632
Interest income on bank deposits		66,196	3,770
Net (loss)/gain on derivative financial instruments	5	(5,527,140)	11,924,399
Net foreign exchange loss on loans to Partner Lending Institutions		(7,852,570)	(14,108,314)
Other net foreign exchange gain/(loss)		3,539	(348,298)
Loan loss allowance	4	(2,278,177)	(906,667)
Other income		65,399	33,256
Total net investment (expenses)/income		**(2,505,353)**	**11,719,778**
EXPENSES			
Management fees	8.1	(2,338,683)	(2,445,066)
Secretary fees	8.3	(124,581)	(77,365)
Legal and audit fees		(187,126)	(125,253)
Administration, custodian and domiciliation fees	8.4	(211,147)	(213,660)
Other administrative expenses		(62,794)	(55,012)
Marketing and promotion expenses		(6,544)	(21,773)
Total Operating Expenses		**(2,930,875)**	**(2,938,129)**
Operating (loss)/profit		**(5,436,228)**	**8,781,649**
Interest expense on notes		(236,191)	(186,553)
Bank charges		(19,926)	(21,451)
(Loss)/profit before performance allocation		**(5,692,345)**	**8,573,645**
Distribution to holders of redeemable shares	10	(2,041,455)	(2,171,470)
Contribution to the technical assistance facility	10	-	(262,755)
Investment Manager incentive bonus	8.2	-	(126,125)
(Loss)/profit before tax		**(7,733,800)**	**6,013,295**
Taxation		-	-
(Loss)/profit for the year		**(7,733,800)**	**6,013,295**
Other comprehensive income		-	-
Total comprehensive income for the year		**(7,733,800)**	**6,013,295**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016 (EXPRESSED IN USD)

OPERATING ACTIVITIES	**2016**	**2015**
(Loss)/profit before tax	(7,733,800)	6,013,295
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Interest income on loans to Partner Lending Institutions	(13,017,400)	(15,121,632)
Interest income on bank deposits	(66,196)	(3,770)
Interest expense on notes	236,191	186,553
Distribution to holders of redeemable shares	2,041,455	2,171,470
Contribution to the technical assistance facility	-	262,755
Investment Manager incentive bonus	-	126,125
Net change in unrealized foreign exchange (gain)/loss on loans to Partner Lending Institutions	(3,355,560)	5,811,406
Net change in unrealized (gain)/loss on derivative financial instruments	9,820,530	(10,113,407)
Loan loss allowance	2,278,177	906,667
	(9,796,603)	**(9,760,538)**
Working capital adjustments:		
Net increase in other receivables and prepaid expenses	(1,102,990)	(123,745)
Net increase in accrued expenses and other payables (incl. incentive bonus)	619	406,601
Net cash flows used in operating activities	**(10,898,974)**	**(9,477,682)**
INVESTING ACTIVITIES		
Net decrease/(increase) in loans to Partner Lending Institutions	12,989,733	(11,644,871)
Interest received on loans to Partner Lending Institutions	12,544,017	14,008,884
Interest received on bank deposits	66,196	3,770
Contribution to the technical assistance facility	(732,831)	-
Cash flows from investing activities	**24,867,115**	**2,367,783**
FINANCING ACTIVITIES		
Proceeds from issue of shares	26,142	18,779,747
Payments on redemption of shares	(17,000,000)	(9,000,000)
Payments on redemption of notes	(2,624,294)	-
Distribution to holders of redeemable shares	(2,171,470)	(1,930,269)
Interest paid on notes	(236,191)	(186,553)
Cash flows (used in)/from financing activities	**(22,005,813)**	**7,662,925**
Net (decrease)/increase in cash and cash equivalents	**(8,037,672)**	**553,026**
Cash and cash equivalents at the beginning of the year	**24,635,954**	**24,082,928**
Cash and cash equivalents at the end of the year	**16,598,282**	**24,635,954**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES (CLASS A AND CLASS B) AND CHANGES IN EQUITY (CLASS C)

AS AT 31 DECEMBER 2016 (EXPRESSED IN USD)

	CLASS A	CLASS B	CLASS C
AS AT 31 DECEMBER 2014	**23,954,908**	**39,950,000**	**63,906,634**
Issuance of shares	-	13,844,238	4,935,509
Redemption of shares	(3,250,000)	(5,750,000)	-
Allocation of distributable income and capital gains and losses (Note 11.3.)	443,715	1,727,755	6,013,295
Distribution to holders of redeemable Class A and Class B shares	(443,715)	(1,727,755)	-
AS AT 31 DECEMBER 2015	**20,704,908**	**48,044,238**	**74,855,438**
Issuance of shares	-	26,142	-
Redemption of shares	-	(17,000,000)	-
Allocation of distributable income and capital gains and losses (Note 11.3.)	501,110	1,540,345	(7,733,800)
Distribution to holders of redeemable Class A and Class B shares	(501,110)	(1,540,345)	-
AS AT 31 DECEMBER 2016	**20,704,908**	**31,070,380**	**67,121,638**

SUPPLEMENTARY INFORMATION

AS AT 31 DECEMBER 2016 (EXPRESSED IN USD)

NUMBER OF SHARES OUTSTANDING	2016	2015
Number of shares outstanding at the beginning of the year:		
Class A	207.049	239.549
Class B	1,921.769	1,598.000
Class C	1,117.091	1,039.628
Number of shares issued during the year:		
Class A	-	-
Class B	1.044	553.769
Class C	-	77.463
Number of shares redeemed during the year:		
Class A	-	(32.500)
Class B	(680.000)	(230.000)
Class C	-	-
Number of shares outstanding at the end of the year:		
Class A	**207.049**	**207.049**
Class B	**1,242.813**	**1,921.769**
Class C	**1,117.091**	**1,117.091**

NET ASSET VALUE PER SHARE

CLASS OF SHARES	31 décembre 2016	31 décembre 2015	31 décembre 2014
Class A	100,000.00	100,000.00	100,000.00
Class B	25,000.00	25,000.00	25,000.00
Class C	60,086.10	67.009,26	61,470.67

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2016 (EXPRESSED IN USD)

NOTE 1
DESCRIPTION

1.1. CORPORATE INFORMATION

Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (the "Fund") is a closed-ended investment company with variable capital *(société d'investissement à capital variable)*, incorporated as a public limited company *(société anonyme)* on 1 December 2009, and organized under the laws of Luxembourg as a specialized investment fund *(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.

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

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 ("PLIs") serving micro, small and medium sized enterprises ("MSMEs").

The Fund is exempt from the scope of the Luxembourg Alternative Investment Fund Managers Law (the "AIFM Law") of 12 July 2013 pursuant to article 2(2) thereof. The exemption is based on the fact that more than 50% of the members of the Board as well as of the members of the Investment Committee, respectively, shall be representatives of/ proposed by Public Institutions that may be subsumed under the entities listed in article 2(2) of the AIFM Law.

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 PLI).

NOTE 2
SIGNIFICANT ACCOUNTING POLICIES

2.1. STATEMENT OF COMPLIANCE

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB as adopted by the European Union ("EU").

2.2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the derivative financial instruments that have been measured at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

In these financial statements, certain figures for the year ended 31 December 2015 have been reclassified compared to those reported in the financial statements as of 31 December 2015 to conform to the current year presentation for comparative purpose.

The Fund presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within

12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 11.

Except as described below, the accounting policies used to prepare these financial statements are consistent with those applied for the year ended 31 December 2015.

2.2.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS MANDATORY FOR THE FIRST TIME FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2016

During the year, the Fund has adopted a new and amended standard mandatory for the first time for the financial year beginning on or after 1 January 2016. The impact of this being of relevance to the Fund is summarised below:

Disclosure Initiative - Amendments to IAS 1, 'Presentation of Financial Statements'
These amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statements disclosures can be improved. The amendments further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements and relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments. The application of these amendments has not resulted in any impact on the financial performance or the financial position of the Fund.

2.2.2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2016 (INCLUDING THOSE PENDING EU ENDORSEMENT) AND NOT EARLY ADOPTED BY THE FUND AS FAR AS PERMITTED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below, except for those standards which, in the opinion of the Board of Directors, are not relevant to the Fund. The Fund intends to adopt these standards, if applicable, when they become effective. The Fund's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial Instruments'
On 24 July 2014, the IASB issued the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. The version of IFRS 9 issued in 2014 supersedes all previous versions and is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Fund plans to adopt the new standard on the required effective date.

Classification and measurement
The Fund does not expect a significant impact on its balance sheet from applying the classification and measurement requirements of IFRS 9. Loans to Partner Lending Institutions are held within a business model whose objective is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9. Upon adoption of IFRS 9, all derivatives will continue to be measured at fair value, with value changes recognized in profit or loss, unless the Fund elects to apply hedge accounting (see below).

Impairment
As opposed to incurred credit losses under IAS 39, IFRS 9 requires the Fund to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

In relation to the loans to Partner Lending Institutions, whether lifetime or 12-month expected credit losses should be recognised would depend on whether there has been a significant increase in credit risk of these items from initial recognition to the date of initial application of IFRS 9.

Hedge accounting

The Fund has not applied hedge accounting under IAS 39 and does not plan to apply hedge accounting under IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Given that the majority of revenue streams of the Fund, being interest, dividends and other income arising from financial instruments, fall outside of the scope of IFRS 15, preliminary impact assessments made during 2016 indicate minimal impact arising on the adoption of this standard.

Disclosure Initiative – Amendments to IAS 7, 'Statement of Cash Flows'

These amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Fund.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

2.3. FOREIGN CURRENCY TRANSLATION

2.3.1. FUNCTIONAL CURRENCY

The functional currency is the currency of the primary economic environment in which it operates. The Fund's majority of returns are US Dollar (USD) based, the capital is raised in USD and the performance is evaluated and its liquidity is managed in USD. Therefore, the Fund concludes that the USD is its functional currency.

The Fund's presentation currency is USD.

2.3.2. TRANSACTIONS AND BALANCES

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

Assets and liabilities denominated in currencies other than in USD are translated into USD at the exchange rate prevailing at the reporting date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of comprehensive income.

2.4. FINANCIAL ASSETS

In accordance with IAS 39, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate.

The Fund's financial assets consist of financial assets at fair value through profit or loss and loans and receivable. Financial assets at fair value through profit or loss only include derivative financial instruments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans to Partner Lending Institutions (PLI), other receivables and cash and cash equivalents.

2.5. LOANS AND RECEIVABLES

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the receivables are derecognised or impaired, as well as through the amortisation process.

The Board of Directors assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. 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 (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Fund transfers substantially all risks and rewards of ownership.

2.6. LOANS TO PLIS

Loans to PLI are recognized when cash is advanced to the PLIs. They are initially recorded at the net disbursed amount 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. Subsequently, they are measured at amortized cost using the effective interest rate method. If collection is expected in one year or less, they are considered as current assets.

2.7. CASH AND CASH EQUIVALENTS

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.

2.8. 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 and carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.9. NOTES ISSUED

Notes issued are recognized initially at fair value 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. If redemption is expected in one year or less, notes issued are considered as current liabilities. They are classified as other liabilities in accordance with IAS 39.

2.10. SHARES ISSUED

2.10.1. CLASS A AND CLASS B SHARES

The Class A and Class 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.

Proposed distributions to the holders of redeemable shares are recognized in the statement of comprehensive income as finance costs.

2.10.2. CLASS C SHARES

The Class 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.

The net allocation of income and capital gains and losses on Class C shares are accounted for as an increase or a decrease of retained earnings.

The Fund continuously assesses the classification of Class C shares. If Class C shares cease to have all the features, or meet all the conditions as set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification.

2.11. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are recognized initially at fair value and subsequently stated at amortized cost using the effective interest rate method.

2.12. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

2.13. EXPENSES

Expenses, including management fees, are recognized in the statement of comprehensive income on an accruals basis.

2.14. TAXATION

The Fund is not subject to any tax. In accordance with the "Règlement grand-ducal" dated 14 July 2010, the Fund is exempted from the subscription tax since 23 May 2011.
PLIs may be subject to withholding tax payable on the interest expense made to the Fund. However, the responsibility of such withholding tax payment lies with the PLIs at local level and has thus no impact to the financial statements of the Fund.

NOTE 3
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are outlined below:

3.1. FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair values of financial instruments recorded in 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. For further details on the relevant use of judgement and estimate made by the Board of Directors, see Note 4 and Note 5.

As at 31 December 2016 and 2015, the Fund used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges 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; and
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

3.2. 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.

NOTE 4
LOANS TO PARTNER LENDING INSTITUTIONS

	2016	2015
Gross loans of PLIs	104,989,169	114,623,342
Cumulated loan loss allowance (*)	(3,684,844)	(1,406,667)
Carrying value of PLIs (excluding interests)	**101,304,325**	**113,216,675**
Accrued interests	2,487,070	3,322,765
Interests receivable	2,308,693	999,615
Carrying value of PLIs (including interests)	**106,100,088**	**117,539,055**
Fair value of PLIs	**102,638,687**	**106,432,851**

(*)As at 31 December 2016, the cumulated loan loss allowance relate to 12 PLIs subject to partial impairment (2015: 3 PLIs).

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 13 fair value hierarchy. The estimated fair value of loans is based on a discounted cash flow model taking into account the impact from the evolution of (1) foreign exchange rates, (2) changes in local risk-free yield curves (i.e. T-bills and T-bonds) and (3) changes in the internal credit rating on each loan since disbursement date. The impact from the evolution of (1) foreign exchange rates and (2) changes in local yield curves (i.e. T-bills and T-bonds) is estimated based on the valuation of derivatives provided by the Fund's hedge counterparties. Individual discount rates for each loan are based on an estimation of the average reference rate during the remaining lifetime of each loan and a market-based margin taking into account changes in country risk, credit risk, institutional status (bank, non-bank financial institution, cooperative, NGO) and remaining maturity since the disbursement date of each loan.

For the year ended 31 December 2016, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2016, the portion of gross loans of PLIs falling due within one year amounts to USD 47,391,121 (2015: USD 55,849,517).

NOTE 5
DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Fund uses forward foreign exchange contracts and 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 foreign exchange risk.

The notional amounts of certain types of derivative financial instrument (e.g. futures, swaps and forward contracts) provide a basis for comparison with instruments recognized on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms.

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of forward foreign exchange contracts and 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 13 fair value hierarchy. The Fund does not apply hedge accounting and therefore the fair value of such derivative financial instruments might result in a mismatch with the value of the related financial assets recognized at amortized cost. This effect is unrealized and temporary.

During the year ended 31 December 2016 and 2015, there were no transfers between level 1 and level 2 fair value measurements.

5.1. SWAP CONTRACTS

As at 31 December 2016, the Fund holds 84 cross currency swaps (2015: 91) with notional amount of USD 100,061,214 (2015: USD 113,515,373), which have a positive fair value of USD 10,188,245 and a negative fair value of USD 704,820 as at 31 December 2016 (2015: a positive fair value of USD 18,888,701 and a negative fair value of USD 341,397).

5.2. FORWARD FOREIGN EXCHANGE CONTRACTS

As at 31 December 2016, the Fund has the following forward foreign exchange contracts outstanding:

CURRENCY PURCHASED	CURRENCY SOLD	AMOUNT PURCHASED	AMOUNT SOLD	MATURITY DATE	UNREALISED GAIN
USD	GHS	1,449,950	6,800,266	16/11/2017	33,134
USD	GHS	170,185	744,559	16/05/2017	5,332
					38,466

As at 31 December 2015, the Fund had the following forward foreign exchange contracts outstanding:

CURRENCY PURCHASED	CURRENCY SOLD	AMOUNT PURCHASED	AMOUNT SOLD	MATURITY DATE	UNREALISED GAIN
EUR	XOF	378,938	263,677,768	27/06/2016	(14,367)
USD	EUR	519,479	378,905	27/06/2016	104,788
USD	EUR	457,331	359,198	15/04/2016	65,996
USD	EUR	397,493	312,200	15/04/2016	57,361
USD	EUR	14,214	11,244	16/06/2016	1,937
USD	EUR	520,471	411,244	16/12/2016	67,908
USD	EUR	1,793,715	1,650,000	05/01/2016	(3,053)
					280,570

5.3. NET GAIN/(LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
Net realised gain	4,293,390	1,810,992
Change in net unrealised (loss)/gain	(9,820,530)	10,113,407
Total	**(5,527,140)**	**11,924,399**

NOTE 6
NOTES ISSUED

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

The Notes may be issued 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.

As at 31 December 2016, the Notes issued by the Fund amount to USD 10,497,176 (2015: USD 13,121,470) and are fully drawn. The portion of Notes issued having a maturity within one year amounts to USD 2,624,294 as of 31 December 2016 (2015: USD 2,624,294).

The Subordinated Notes receive a semi-annual coupon payment of USD 6 months Libor + 1%. The general level of interest rates, including the 6 month Libor rate, has decreased since the issuance of the floating rate Subordinated Notes, with a corresponding impact on the semi-annual coupon payments. However, the premium of 1% is estimated to continue to reflect market conditions and as such has not changed since the issuance of the Subordinated Notes.

The Investment Manager considers that the amortized cost of USD 10,497,176 is the best estimate of fair value.

NOTE 7
SHARE CAPITAL AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A AND CLASS B SHARES

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 10. 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 10. 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 10. 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 10. 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 10. 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 10.

As at 31 December 2016, the outstanding and uncalled commitments are as follows: commitments are as follows:

	Senior Class A shares	Mezzanine Class B shares	First Loss Class C shares
As at 31 December 2016			
Total outstanding commitment (USD)*	32,965,122	39,429,463	-
Total outstanding commitment (EUR)*	10,000,000	11,584,651	47,912,293
Amount called (USD)	(9,965,122)	(39,429,463)	-
Amount called (EUR)	(10,000,000)	(11,584,651)	(47,912,293)
Uncalled commitment (USD)	**23,000,000**	**-**	**-**
Uncalled commitment (EUR)	**-**	**-**	**-**

* The decrease for Class B and Class C shares of the total outstanding commitment as of 31 December 2016 as compared to 31 December 2015 relates to the uncalled commitment that reached maturity during the year ended 31 December 2016 and therefore considered as no longer outstanding.

As at 31 December 2015, the outstanding and uncalled commitments were as follows:

	Senior Class A shares	Mezzanine Class B shares	First Loss Class C shares
As at 31 December 2015			
Total outstanding commitment (USD)	9,965,122	47,653,363	-
Total outstanding commitment (EUR)	10,000,000	12,989,537	53,986,049
Amount called (USD)	(9,965,122)	(39,429,463)	-
Amount called (EUR)	(10,000,000)	(11,584,651)	(47,912,293)
Uncalled commitment (USD)	**-**	**8,223,900**	**-**
Uncalled commitment (EUR)	**-**	**1,404,886**	**6,073,756**

NOTE 8
EXPENSES

8.1. FUND MANAGEMENT FEES

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:

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

The Fund management fee amounted to USD 2,338,683 for the year ended 31 December 2016 (2015: USD 2,445,066).

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 10.

No Investment Manager Incentive Bonus has been accrued for as at 31 December 2016 (2015: USD 126,125).

8.3. SECRETARY FEES

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

For the year ended 31 December 2016, the secretary fees amount to USD 124,581 (2015: USD 77,365).

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 2016, the administration fee amounts to USD 139,812 (2015: USD 139,728).

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 2016, the custodian fee amount to USD 41,335 (2015: USD 43,932).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2016, the domiciliation fee amounts to USD 15,000 (2015: USD 15,000).

For the year ended 31 December 2016, the registrar and the compliance monitoring fees amount to USD 15,000 (2015: USD 15,000).

8.5. ACCRUED EXPENSES

As at 31 December 2016, the accrued expenses mainly relate to Fund management fees and direct operating expenses and amount to USD 1,006,003 (2015: USD 973,765).

NOTE 9
ALLOCATION AND DISTRIBUTION WATERFALLS

At each date on which a net asset value ("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 realised and unrealised (ie accrued) interest owed to the Fund are included in the Fund's Net Income (if any interest is not received by the Fund or if previously accrued interest is 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 Class 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 9.2, 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 amount available for allocation through 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:

- if positive Capital Waterfall, first to Class A shares showing a positive difference between the issue price and their NAV (the "NAV Deficiency") at period ends,
- if positive Capital Waterfall, then to Class B shares showing a NAV Deficiency at period ends,
- further and either positive or negative Capital Waterfall, to Class C shares pro rata to their NAV at period ends.

NOTE 10
CALCULATION OF DISTRIBUTABLE INCOME AND CAPITAL GAINS AND LOSSES

10.1. CALCULATION OF DISTRIBUTABLE INCOME (INCOME WATERFALL)

	2016	2015
Interest income on loans	13,017,400	15,121,632
Interest on bank deposits	66,196	3,770
Other income	65,399	33,256
Management fees	(2,338,683)	(2,445,066)
Secretary fees	(124,581)	(77,365)
Legal and audit fees	(187,126)	(125,253)
Administration, custodian and domiciliation fees	(211,147)	(213,660)
Other administrative expenses	(62,794)	(55,012)
Marketing and promotion expenses	(6,544)	(21,773)
Interest expenses on Notes	(236,191)	(186,553)
Bank charges	(19,926)	(21,451)
Net loss on derivative financial instruments (interest portion)	(6,888,441)	(7,034,048)
Change in unrealized (loss) / gain on derivative financial instruments (interest portion)	(167,392)	65,236
Total	**3,073,562**	**4,978,477**

10.2. CALCULATION OF CAPITAL GAINS AND LOSSES SPECIFIC TO CLASS C SHARES (CAPITAL WATERFALL)

In addition to the above, capital gains and losses are allocated only to Class C shares, pro rata to the NAV of each Series of Class C shares as follows:

	2016	2015
Net foreign exchange loss on loans to PLIs	(7,852,570)	(14,108,314)
Other net foreign exchange gain/(loss)	3,539	(348,298)
Net gain on derivative financial instruments (notional portion)	1,361,301	18,958,447
Loan loss allowance	(2,278,177)	(906,667)
Total	**(8,765,907)**	**3,595,168**

10.3. ALLOCATION OF DISTRIBUTABLE INCOME AND CAPITAL GAINS AND LOSSES

As a result of the above-mentioned calculation, the total allocation waterfall is as follows:

	2016	2015
Target dividend on Class A shares	501,110	398,957
Complementary dividends on Class A shares	-	44,758
Target dividend on Class B shares	1,540,345	1,535,326
Complementary dividends on Class B shares	-	192,429
Total dividends distributable to Class A shares and Class B shares	**2,041,455**	**2,171,470**
Contribution to the technical assistance facility	**-**	**262,755**
Investment Manager incentive bonus	**-**	**126,125**
Target dividend on Class C shares	1,032,107	1,993,166
Foreign exchange compensation amount	-	-
Complementary dividends on Class C shares	-	424,961
Capital gains and losses specific to Class C shares	(8,765,907)	3,595,168
Total allocated to Class C shares	**(7,733,800)**	**6,013,295**
(Loss)/profit before performance allocation	**(5,692,345)**	**8,573,645**

As a result, for the year ended 31 December 2016, a total amount of USD 501,110 is payable to the holders of Class A shares (31 December 2015: USD 443,715), a total amount of USD 1,540,345 is payable to the holders of Class B shares (31 December 2015: USD 1,727,755), and a total negative amount of USD 7,733,800 has been capitalized to the Class C shares, pro rata to the NAV of each Series of Class C shares (2015: positive amount of USD 6,013,295).

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 PLIs 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 PLIs defaulting on their borrowings from the Fund. Such PLIs may default on their interest and/or on their principal repayment. The Fund mitigates this risk by carefully selecting the PLIs 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 of 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. The maximum exposure is shown gross, before the effect of mitigation through the use of collaterals and loan loss allowance.

	2016	2015
Statement of financial position		
Loans to PLIs	104,989,169	114,623,342
Derivative financial instruments (*)	10,226,711	19,186,691
Interest receivable on loans to PLIs	5,692,079	4,322,380
Other receivables	749,168	160,537
Cash and cash equivalents	16,598,282	35,665,779
Total	**138,255,409**	**173,958,729**
Off-balance sheet		
Committed undisbursed amounts on loans to PLIs	-	-
Total	-	-
Total gross maximum exposure	**138,255,40**	**173,958,729**

11.1.2. RISK CONCENTRATION OF LOAN PORTFOLIO TO CREDIT RISK

Risk concentration by PLI

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolio by PLI as of 31 December 2016 and 2015 is as follows:

31 DECEMBER 2016	AMOUNTS IN USD	%
Top 1	11,127,146	10.60%
Top 3	23,033,746	21.94%
Top 5	33,292,680	31.71%
Top 10	51,502,639	49.06%
Top 20	74,133,911	70.61%
Top 30	90,476,766	86.18%
Top 40	99,854,691	95.11%
Top 50	104,621,935	99.65%
Top 52	104,989,169	100.00%

31 DECEMBER 2015	AMOUNTS IN USD	%
Top 1	11,142,314	9.72%
Top 3	23,808,981	20.77%
Top 5	34,220,339	29.85%
Top 10	53,755,003	46.90%
Top 20	82,472,364	71.95%
Top 30	101,075,868	88.18%
Top 40	110,854,273	96.71%
Top 49	114,623,342	100.00%

Risk concentration by geographical regions

The table below shows the credit risk analysis of the Fund's gross loan portfolio per geographical region as of 31 December 2016 and 2015:

	31 DECEMBER 2016		31 DECEMBER 2015	
	Amounts in USD	**%**	**Amounts in USD**	**%**
Kenya	16,003,801	15.24%	15,801,264	13.79%
Nigeria	12,671,992	12.07%	22,150,948	19.32%
Democratic Republic of Congo	10,750,000	10.24%	13,541,667	11.81%
Zambia	9,206,828	8.77%	6,646,809	5.80%
Senegal	9,028,659	8.60%	9,650,048	8.42%
Tanzania	8,839,961	8.42%	11,270,422	9.83%
Ghana	6,347,610	6.05%	5,442,314	4.75%
Cameroon	5,906,599	5.63%	5,541,710	4.83%
Ivory Coast	4,983,693	4.75%	5,675,918	4.95%
Uganda	4,680,069	4.46%	3,475,585	3.03%
Rwanda	3,625,131	3.45%	3,593,545	3.14%
Angola	3,500,000	3.33%	3,500,000	3.05%
Benin	2,109,500	2.01%	2,878,695	2.51%
Zimbabwe	2,000,000	1.90%	2,000,000	1.74%
Burkina Faso	1,888,002	1.80%	-	-
Mali	1,265,700	1.21%	1,705,491	1.49%
Malawi	819,831	0.78%	893,128	0.78%
Sierra Leone	700,000	0.67%	-	-
Niger	527,375	0.50%	-	-
Tchad	134,418	0.13%	217,260	0.19%
Mozambique	-	-	638,539	0.56%
Total	**104,989,169**	**100.00%**	**114,623,342**	**100.00%**

The above risk concentrations reflect the Fund's exposures by market and PLI, including amounts that are currently impaired for which recovery efforts are ongoing. The portfolio value in the risk concentration tables differs from the portfolio value in the statements of financial position by USD 3,684,844, which consists of the loan loss allowance as of 31 December 2016 (2015: USD 1,406,667).

11.1.3. CREDIT QUALITY

Credit risk exposure for each internal risk rating

The institutional risk of PLIs 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 non-payment	CCC
37% - 43%	High vulnerable to non-payment	CC
31% - 37%	Very high vulnerable to non-payment	C
0% - 31%	Payment default	D

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2016 and 2015 based on the Fund's credit rating system:

	31 DECEMBER 2016		31 DECEMBER 2015	
	Amounts in USD	**%**	**Amounts in USD**	**%**
AAA	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
BBB	54,529,996	51.94%	81,543,088	71.14%
BB	49,909,173	47.54%	32,762,999	28.58%
B	550,000	0.52%	317,255	0.28%
CCC	-	-	-	-
CC	-	-	-	-
C	-	-	-	-
D	-	-	-	-
Total	**104,989,169**	**100.00%**	**114,623,342**	**100.00%**

Credit risk exposure to counterparties from cash deposits

As at 31 December 2016, the Fund holds cash in current accounts of USD 16,598,282 (2015: USD 24,635,954) and is mainly exposed to the credit risk with Credit Suisse, whose rating is P-1 according to Moody's and A-1 according to Standard & Poor's.

As at 31 December 2016, cash for a total amount of USD 542,632 (2015: USD nil) has been pledged as collateral with ICBC Standard Bank rated BBB+ according to Standard & Poor's.

As at 31 December 2016, collateral had been posted with TCX acting as a hedge counterparty with the Fund for USD 5,520,946 (2015: USD 9,789,825), rated A- according to Standard & Poor's. At the same date, none was outstanding with ICBC Standard Bank (2015: USD 1,240,000).

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 2016, loan loss allowance on principal amounts to USD 3,684,844 (2015: USD 1,406,667), which represents 3.51% (2015: 1.23%) of the gross portfolio.

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 uncalled commitments from shareholders to the Fund amounted to USD 23 million as at 31 December 2016 (2015: USD 13.5 million and EUR 7.9 million).

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

31 DECEMBER 2016	LESS THAN 3 MONTHS (in USD)	3 MONTHS TO 1 YEAR (in USD)	1 YEAR TO 5 YEARS (in USD)	MORE THAN 5 YEARS (in USD)	UNDEFINED MATURITY (in USD)	TOTAL (in USD)
Loans to PLIs (*)	7,431,780	51,350,890	79,123,256	-	-	137,905,926
Other receivables	749,168	-	-	-	-	749,168
Cash and cash equivalents	16,598,282	-	-	-	-	16,598,282
Total financial assets	**24,779,230**	**51,350,890**	**79,123,256**	**-**	**-**	**155,253,377**
Undrawn capital commitments	23,000,000	-	-	-	-	23,000,000
Total financial assets and undrawn capital commitments	47,779,230	51,350,890	79,123,256	-	-	178,253,377
Notes (**)	-	2,839,876	8,165,337	-	-	11,005,212
Derivative financial instruments (**)	1,797,121	6,091,802	7,070,107			14,959,030
Accrued expenses	1,006,003	-	-	-	-	1,006,003
Other payables	534,137	-	-	-	-	534,137
Distribution payable to holders of redeemable shares	-	2,041,455	-	-	-	2,041,455
Net assets attributable to Class A and Class B shares	-	-	47,585,483	4,189,805	-	51,775,288
Total financial liabilities	**3,337,261**	**10,973,133**	**62,820,926**	**4,189,805**	**-**	**81,321,125**
Committed undisbursed amounts on loans to PLIs	-	-	-	-	-	-
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**3,337,261**	**10,973,133**	**62,820,926**	**4,189,786**	**-**	**81,321,125**

(*) Based on principal amounts at historical cost, considering hedging with derivative financial instruments, and including future interest payment

(**) Including interest payment

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

31 DECEMBER 2015	**LESS THAN 3 MONTHS** (in USD)	**3 MONTHS TO 1 YEAR** (in USD)	**1 YEAR TO 5 YEARS** (in USD)	**MORE THAN 5 YEARS** (in USD)	**UNDEFINED MATURITY** (in USD)	**TOTAL** (in USD)
Loans to PLIs (*)	17,016,998	55,526,053	86,898,919	-	-	159,441,970
Other receivables	160,537	-	-	-	-	160,537
Cash and cash equivalents	24,635,954	-	-	-	-	24,635,954
Total financial assets	**41,813,489**	**55,526,053**	**86,898,919**	**-**	**-**	**184,238,461**
Undrawn capital commitments	21,362,836	-	-	-	-	21,362,836
Total financial assets and undrawn capital commitments	63,176,325	55,526,053	86,898,919	-	-	205,601,297
Notes (**)	-	2,845,811	10,901,855	-	-	13,747,666
Derivative financial instruments (**)	2,444,428	7,571,692	9,448,460	-	-	19,464,580
Accrued expenses	973,765	-	-	-	-	973,765
Other payables	565,756	-	-	-	-	565,756
Distribution payable to holders of redeemable shares	-	2,171,470	-	-	-	2,171,470
Net assets attributable to Class A and Class B shares	-	23,000,000	33,559,360	12,189,786	-	68,749,146
Total financial liabilities	**3,983,949**	**35,588,973**	**53,909,675**	**12,189,786**	**-**	**105,672,383**
Committed undisbursed amounts on loans to PLIs	-	-	-	-	-	-
Total financial liabilities and committed undisbursed amounts on loans to PLIs	**3,983,949**	**35,588,973**	**53,909,675**	**12,189,786**	**-**	**105,672,383**

(*) Based on principal amounts at historical cost, considering hedging with derivative financial instruments, and including future interest payment

(**) Including interest payment

11.3. MARKET RISK

11.3.1. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments.

The Fund may be exposed to interest rate risks to the extent that 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 2016, 70.2% (2015: 78.5%) of the portfolio yields floating interest rates with USD 6-month Libor as the rate basis (local currency denominated loans hedged for both currency and interest rate risk). 29.2% of the portfolio is denominated in USD (2015: 19.2%), the functional currency of the Fund, yielding a fixed USD rate. 0.6% of the portfolio is denominated in EUR and not hedged for currency and interest rate risk (2015: nil).

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 economies 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 also 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).

		31 December 2016		31 December 2015
INCREASE	**EFFECT ON PROFIT BEFORE TAX**	**EFFECT ON PROFIT BEFORE TAX**	**EFFECT ON PROFIT BEFORE TAX**	**EFFECT ON PROFIT BEFORE TAX**
(in bps)	**(in USD)**	**(in %)**	**(in USD)**	**(in %)**
10	15,102	0.80%	24,232	1.20%
50	75,510	4.00%	121,161	6.00%
100	151,020	8.00%	242,323	12.00%

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 2016, all of the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2015: 100%). 29.2% of the Fund's PLI investments are denominated in USD (2015: 19.2%), 70.2% are denominated in local currency and hedged for both currency and interest rate risk (2015: 79%), and 0.6% are denominated in EUR and unhedged (2015: none).

As at 31 December 2016, the Fund's total unhedged open currency exposure amounts to USD 694,360 (exchange rate as of disbursement) representing 0.6% of the PLI loan portfolio. As at 31 December 2015, the Fund had no unhedged open currency exposure and therefore, a sensitivity analysis would not be relevant.

As at 31 December 2016 and 2015, the split of the loan portfolio by currency is as follows:

	As at 31 December 2016		
	Number of loans (**)	Total amount (*) USD	% of net assets
USD	32	31,980,926	26.90%
XOF	18	19,275,554	16.21%
KES	10	14,003,801	11.78%
ZMW	11	9,206,828	7.74%
GHS	5	6,386,076	5.34%
XAF	4	5,906,599	4.97%
UGX	6	4,680,069	3.94%
TZS	2	4,042,410	3.40%
NGN	8	4,438,616	3.73%
RWF	4	3,625,131	3.05%
MWK	1	819,831	0.69%
EUR	2	661,793	0.56%
MZN	-	-	-
	103	**105,027,634**	**88.30%**

	As at 31 December 2015		
	Number of loans (**)	Total amount (*) USD	% of net assets
USD	17	25,791,667	17.96%
XOF	20	19,569,895	13.63%
KES	18	13,801,264	9.61%
ZMW	10	6,646,809	4.63%
GHS	10	5,868,003	4.09%
XAF	4	5,541,710	3.86%
UGX	5	3,049,896	2.12%
TZS	3	6,520,422	4.54%
NGN	4	22,150,948	15.42%
RWF	5	3,593,545	2.50%
MWK	1	893,128	0.62%
EUR	2	838,087	0.58%
MZN	1	638,539	0.44%
	100	**114,903,913**	**80.01%**

(*) net of the effect of the forward exchange transactions
(**) 99 loans were outstanding as of 31 December 2016. In addition to these 99 loans, 3 overdue amortizations have been separated from the on-time portion of outstanding NGN loans and reclassified as USD loans. Similarly, 1 additional loan with 2 separate overdue amortizations has been split into two USD loans according to the NGN/USD exchange rates fixed at the payments' due dates."

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
RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund.

BOARD OF DIRECTORS

During the year ended 31 December 2016, an amount of USD 20,242 of travel expenses was reimbursed to Directors (2015: USD 26,961). The listing of the members of the Board of Directors is shown on page 3 of the annual report.

INVESTMENT MANAGER

Management fee

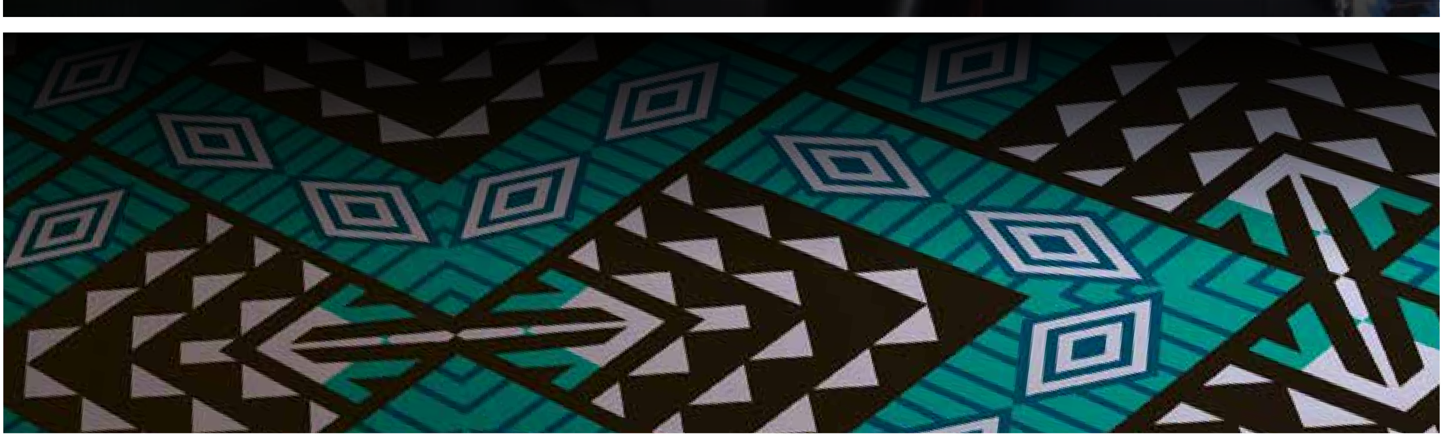
Symbiotics Asset Management S.A. serves as the Investment Manager of the Fund. The Investment Manager is entitled to a management fee. In addition, depending on the performance of the Fund, the Investment Manager might be entitled to additional performance based remuneration. See Note 9.1, 9.2, 10 and 11 for further details.

NOTE 14
APPROVAL OF THE FINANCIAL STATEMENTS

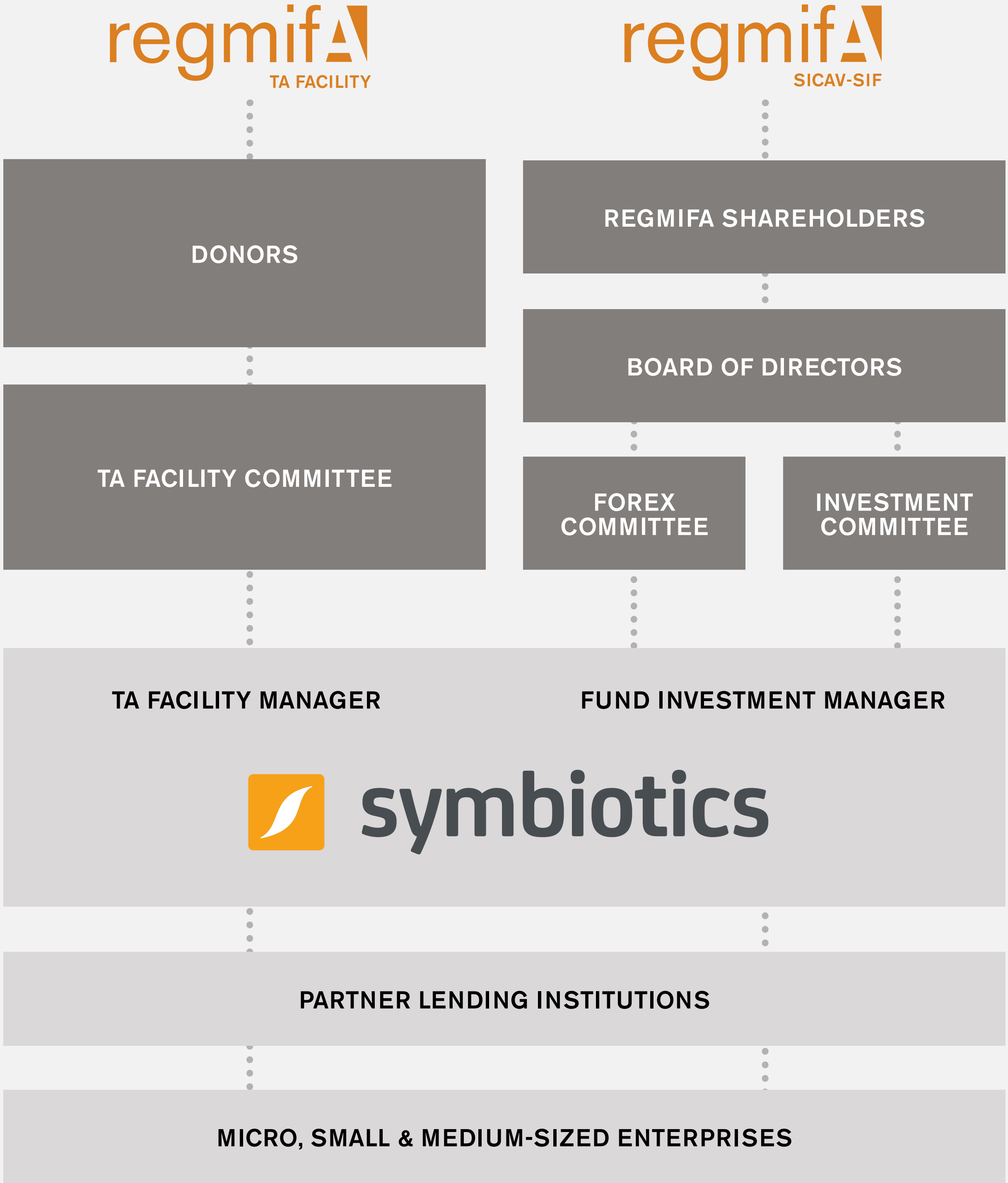
The Board of Directors reviewed the financial statements as of 05 May 2017 and decided to submit them to the Annual General Meeting of shareholders for approval.

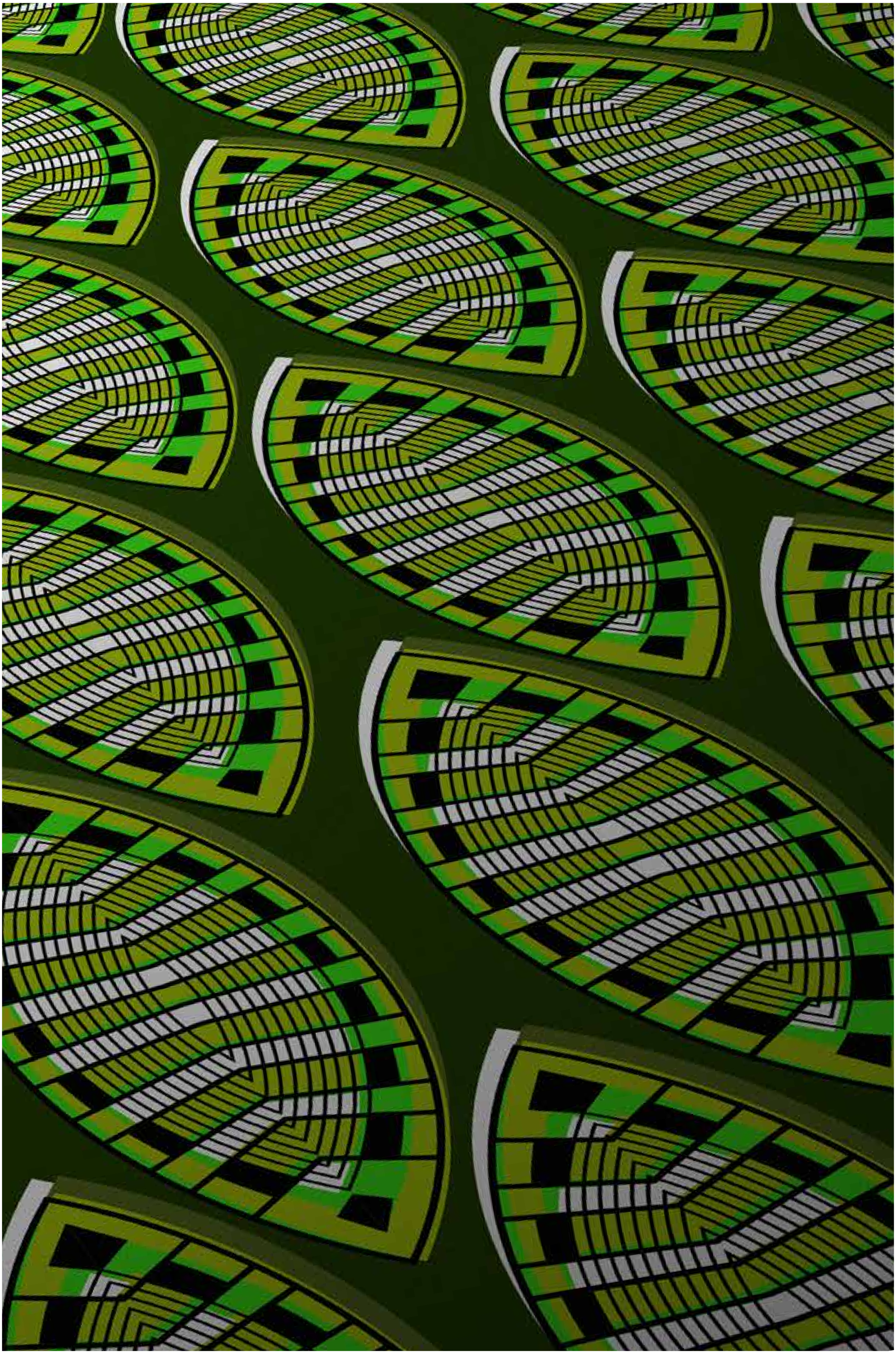
NOTE 15
SUBSEQUENT EVENTS

There is no event subsequent to the year ended that requires a disclosure in these financial statements.



ORGANIZATIONAL STRUCTURE AND INVESTMENT MANAGER





GOVERNANCE

BOARD OF DIRECTORS

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

MR. RUURD BROUWER
Chairman

DR. MARCEL GÉRARD GOUNOT

MR. PHILIPPE SERRES
(until 10.08.2016)

MR. STEFAN HIRCHE

MR. KARL-HEINZ FLEISCHHACKER

MR. ARTHUR SLETTEBERG

DR. GIUSEPPE BALLOCCHI
(since 09.03.2016)

MR. FRANÇOIS LAGIER
(since 11.08.2016)

INVESTMENT COMMITTEE

The following persons served as members of the Investment Committee of the Fund and their alternate during the year:

MR. KARL-HEINZ FLEISCHHACKER
MR. STEFAN HIRCHE (alternate)

MR. NJORD ANDREWES
MR. OLE SANDSBRATEN (alternate)

MR. YVES FERREIRA
MR. FRANCESCO CONSIGLIO (alternate)

MS. PETRA ZEIER
MR. CHRISTOPHE FAVRE (alternate)

MR. STEFAN HIRCHE
MR. GIUSEPPE BALLOCCHI (alternate)

FX COMMITTEE

The following persons served as members of the Foreign Exchange Committee of the Fund during the year:

DR. GIUSEPPE BALLOCCHI
CFA

MR. HELIE D'HAUTEFORT

MR. MARKUS SCHMIDTCHEN

TA FACILITY COMMITTEE

The following persons served as members of TA Facility Committee of the Fund during the year:

MS. KLAUDIA BERGER

MR. SAMI MASRI

DR. GIUSEPPE BALLOCCHI

CONTACT

INVESTMENT MANAGER AND TA FACILITY MANAGER

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Portfolio Manager

MR. MARIANO LARENA
Senior Investment Manager

MS. NELLY ELIMBI
TA Facility Manager

MS. HANNAH MURRAY
Assistant Portfolio Manager, REGMIFA

symbiotics

Symbiotics Information, Consulting and Services
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MR. DUNCAN FRAYNE
Regional Director

MR. PATRICK D'HUART
Manager, Financial Institutions

MR. RYAN ANDERSEN
Investment Analyst

MS. LUCILE DHUY
Investment Analyst

MS. AMY PENTLAND-SMITH
Associate

MS. LISA PUTTER
Investment Analyst

MS. SOPHIA SKRZYPEC
Investment Analyst

MS. SOPHIE VINCENT
Investment Analyst

MS. ANISSA KADI
Investment Analyst

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

BCEAO
Banque Central des Etats de L'Afrique de L'Ouest; Central Bank of West African States

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

ICO
Instituto de Crédito Oficial; Spanish Development Bank

IFC
International Finance Corporation

KfW
Kreditanstalt für Wiederaufbau

LuxFLAG
Luxembourg Fund Labeling Agency

MAEC
Ministerio de Asuntos Exteriores y de Cooperación; Spanish Ministry of Foreign Affairs and Cooperation

MFI
Microfinance Institution

MIS
Management information system

MIV
Microfinance investment vehicle

MSME
Micro, small and medium-sized enterprise

NBFI
Non-bank financial institution

NGO
Non-governmental organization

NMI
Norwegian Microfinance Initiative

OeEB
Oesterreichische Entwicklungsbank; Development Bank of Austria

PLI
Partner Lending Institution

PROPARCO
Société de Promotion et Participation pour la Coopération Economique; Investment and Promotions Company for Economic Cooperation

TA
Technical Assistance

TAF
Technical Assistance Facility


LaFabrique.ch

SYMBIOTICS SA
Investment Manager and TA
Facility Manager of REGMIFA

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