FMO

Entrepreneurial
Development
Bank

INTERIM REPORT

2019

June 30, 2019

Our mission is to empower entrepreneurs to build a better world

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AT A GLANCE

FMO is the Dutch entrepreneurial development bank
We invest with the aim of enhancing local prosperity in emerging markets. We focus on the private sector in the following three industries: Energy, Financial Institutions and Agribusiness, Food & Water. In these markets we empower entrepreneurs to build a better world. We take risks that the commercial banking sector is not willing to take.

Our role extends beyond financing, as we challenge businesses to meet international environmental, social and governance standards. These businesses in turn create jobs, reduce inequality and improve our climate. Our strategy is to be your preferred partner to invest in local prosperity.

FMO has its head office in The Hague, the Netherlands, with local offices in Johannesburg, South Africa, and Nairobi, Kenya.

FIRST HALF 2019 INVESTING IN LOCAL PROSPERITY

227,000
Jobs supported

381 million Mobilized funds
49 million Government funds
586 million FMO's balance sheet

€1,016 million
Total investment volume

24%
Investments that contribute to reducing inequalities (% of total)

Investments in least developed countries and in inclusive business

66 million Mobilized funds
25 million Government funds
150 million FMO's balance sheet

€241 million
Total volume reduced inequalities investments

33%
Green investments (% of total)

Investments that mitigate climate change and support biodiversity conservation, reduced water usage, sustainable forestry and agriculture practices

238,000
Avoided greenhouse gas emissions (tCO_2eq)

105 million Mobilized funds
16 million Government funds
219 million FMO's balance sheet

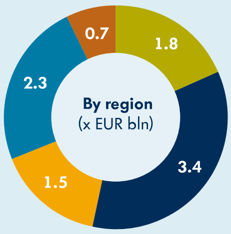
€340 million
Total volume green investments

FIRST HALF 2019 FINANCIAL PERFORMANCE

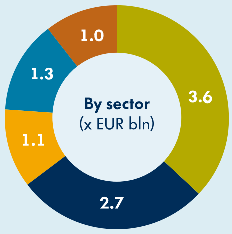
€9.7 billion[1]
Total committed portfolio

€58 million
Net profit

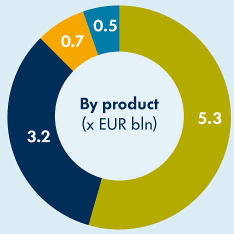
24.0
CET1 (%)



- Latin America & the Caribbean
- Africa
- Eastern Europe & Central Asia
- Asia
- Non-region specific



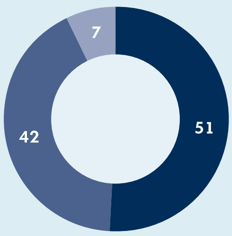
- Financial Institutions
- Energy
- Infrastructure, Manufacturing & Services
- Multi-Sector Fund Investment
- Agribusiness, Food & Water



- Loans
- Equity
- Mezzanine
- Guarantees

2019 RATINGS

Ownership structure %



- The State of the Netherlands
- Dutch banks
- Employers' associations, trade unions, and corporate and individual investors

Ratings

AAA
Fitch ratings

AAA
Standard&Poor's

85 / 100
Sustainalytics

Prime
Oekom Research

Employees

588
Total number of employees

57
Number of nationalities

[1] Including the funds we manage for the Dutch State

Key figures

Strategic objective	Performance metric	June 30, 2019	December 31, 2018	June 30, 2018	FY 2019 target
Higher impact portfolio	Total investment volume (x €m)	1,016	2,637	1,029	2,905
	of which				
	- for FMO's balance sheet	586	1,873	724	1,750
	- Government funds	49	135	27	195
	- Mobilized funds	381	629	278	960
	Green %/ Investment volume (x €m) [1]	33%/ 340	36%/ 940	34%/ 353	32%
	Reducing Inequalities %/ Investment volume (x €m) [1]	24%/ 241	36%/ 958	23%/ 237	27%
	ESG Target Performance (% risks managed)	100%	95%	97%	90%
Deeper relationships	Volume mobilized (x €m)	381	629	278	960
	Client Satisfaction (NPS score)	n/a	69.5	68.6	70.0
	Employee engagement	n/a	7.4	7.2	8.0
	Dutch business - related (x €m)	17	30	28	100
Higher productivity	Operating income (x €m)	138	286	174	370

Financial indicators	Performance metric	June 30, 2019	December 31, 2018	June 30, 2018
Profit & Loss account (x€m)	Operating income	138	286	174
	of which			
	- FX results of equity investments [2]	4	43	28
	- Revaluation of equity investments [2]	-7	-2	16
	Operating expenses	-60	-107	-52
	Impairments	-14	-12	15
	Net profit	58	151	124
	Underlying net profit [3]	54	108	96
Balance sheet (x €b)	Net loans	4.8	4.8	4.3
	Equity investment portfolio (incl. associates)	1.9	1.8	1.8
	Total assets	9.3	8.5	8.3
	Shareholders' equity	3.0	3.0	3.0
	Debentures & notes	5.8	5.1	4.9
Ratios at end of period (%)	Non Performing Loans (NPL)	7.3%	8.1%	6.3%
	Return on average shareholders' equity	3.8%	5.2%	8.6%
	Common Equity Tier 1 (CET 1)	24.0%	24.6%	25.8%

1 June 30, 2018 percentages have been adjusted for comparative purposes

2 Except for impairment losses, results from FX and revaluation in our equity investments are recorded in our equity up to and including 2017

3 Underlying net profit reflects our net profit excluding the FX results of equity investments; around 70% of our portfolio is denominated in USD

Letter from the Management Board

Dear reader,

As we review the first half of the year against our ambitions for the whole of 2019, we are pleased with the contributions we have made towards solving the world's most pressing challenges, inequality and climate change. We did so by working closely with our clients, governments, peers and the private sector.

Our investments aim for economic, social, environmental and governance impact in the countries in which our clients are based. This links closely with our ambitions towards achieving the Sustainable Development Goals. Some of our results from the first six months include:

- FMO launched its first ever risk-sharing facility under the NASIRA program with MFI Tamweelcom to support access to finance for Syrian refugee entrepreneurs. This facility will run as a pilot through the NASIRA program and MASSIF;
- We signed an agreement with Scatec Solar to take a 40% equity stake in the 32 MW Kamianka project in Ukraine. This project will provide more than 10,000 people with 100% green energy;
- FMO held the first Finture Solutions challenge in close collaboration with Rockstart to help Dutch start-ups to scale their business and have impact in the agri-food, renewable energy and water sectors in emerging markets;
- FMO provided capacity development support to Banco Improsa's gender finance approach aimed to better serve the women's market.

FMO in its mobilizing role

In the first half of 2019 we crowded in more private sector finance to invest alongside us. We used our own balance sheet to mobilize commercial investors and attract additional public funds. To strengthen our relationships with the Dutch private sector, we are establishing a joint venture between FMO's NL Business department and RVO (Netherlands Enterprise Agency) to ramp up our Dutch business-related activities. We expanded the volume of public funds currently under FMO's management. Earlier this year, we won the tender to manage the Dutch Fund for Climate and Development (DFCD) – worth EUR 160 million – together with SNV Netherlands Development Organization, World Wide Fund for Nature and Climate Fund Managers. This fund will support developing countries to build climate resilient economies and combat climate change.

Our commitments to the SDGs

Our efforts to achieve impact on Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10) and Climate Action (SDG 13) are on target. We also participated in various harmonization efforts, which seek to create a single, industry-wide approach to measuring and steering development impact. This will bring more meaning and consistency to everyone's work. Earlier this year, for example, FMO and fourteen other European Development Finance Institutions (EDFIs) launched a multi-year harmonization initiative on responsible financing and impact measurement. This will harmonize the way we measure indirect jobs and avoided GHG emissions. In June, FMO was also voted into the IFC Operating Principles Advisory Board.

Within FMO, we worked to create an environment that is conducive to driving impact. The Supervisory Board set up a separate Supervisory Board Committee on Impact & ESG that will function alongside the Audit and Risk Committee and Selection, Appointment and Remuneration Committee. By creating an Impact & ESG department, we improved how impact is embedded in our investment teams, decision-making and governance. We also launched four new values for FMO: 'Making the difference', 'Diversity', 'Quality' and 'Integrity'. Each value is underpinned by three behaviors that guide us in how we act as an organization and relate to our clients. A two-year program to further embed our values and behaviors in our thinking and decision-making is currently being rolled out. Furthermore, in line with our values, FMO defined diversity KPIs for Gender Equality (SDG 5) on which we will steer the organization and report performance.

Challenges we face

To make the world realize that the biggest challenges we are facing are Climate Change and Inequality, we sincerely believe that we as an industry of DFIs can make the difference. We will need to broaden our view and be part of the solution around the following challenges:

- As a DFI industry: the need to improve our accountability and transparency efforts around our achievements and challenges;
- In our local markets: the need for local governments to understand that good governance is an essential cornerstone for economic development;
- In our (DFIs) home markets: the need for policy development to take a long-term view on the challenges we face in our global economy;
- In the private sector of our (DFIs) home markets: the perceived risk profile of (doing business in) emerging markets, which generally reflects neither the entrepreneurial appetite nor the opportunities we encounter in emerging markets;

- In the global economy: political and monetary developments in our emerging countries, as well as trade wars on a global scale, which currently lead to lower returns than we were used to, especially in the Private Equity portfolio.

Our outlook

Our overall pipeline of investment opportunities looks healthy and we expect to see the effects of several important initiatives, amongst which in Venture Capital and Forestry, which we ramped up in H1 of 2019.

The financial performance at year-end 2019 will show mixed results. Although our loan portfolio will continue to show growth, we experience high liquidity in certain syndication markets amongst DFIs in particular.

The valuation of our Private Equity portfolio continues to be influenced by difficulties in the emerging markets and developing economies. The economic, political and monetary developments (incl. local currency FX rates) in the following geographies - Turkey, South Africa, Nigeria and India - have impacted the valuation of our Private Equity portfolio in the first half of 2019. We also note that at a global level, valuations of Banks and Insurance companies have been under pressure, resulting in lower valuation of our investments in financial institutions. Overall, we expect that the financial performance of the Private Equity portfolio will remain challenging in the short term. This leads us to conclude that the overall target for operating income for 2019 will not be met.

By and large, we believe that we are on track for our 2019 budgeted numbers for investments on SDG 8, SDG 10 and SDG 13, as well as for our operational costs, interest revenue and service fees.

In closing

Finally, we would like to take the opportunity to thank Mrs. Farah Karimi for her service as a member of FMO's Supervisory Board. We wish her all the best as she assumes her role as a member of the Dutch Senate.

Responsibility statement

In accordance with Article 5:25d(2)(c) of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*) we state that, to the best of our knowledge:

- The 2019 condensed consolidated interim accounts give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated undertakings;
- This Interim Report 2019 includes a fair overview of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim accounts 2019; and
- This Interim Report 2019 includes a description of the principal risks and uncertainties for the remaining six months of the financial year.

The Hague, August 22, 2019

Peter van Mierlo, Chief Executive Officer
Fatoumata Bouaré, Chief Risk & Finance Officer
Linda Broekhuizen, Chief Investment Officer

Our strategy

FMO
Entrepreneurial Development Bank

OUR VISION

We believe in a world in which, in 2050, more than 9 billion people live well and within the means of the planet's resources.

OUR SDGs

OUR MISSION

We empower entrepreneurs to build a better world.

STRATEGIC GOAL

Your preferred partner to invest in local prosperity.

OUR STRATEGY

→ Higher Impact Portfolio
→ Deeper Relationships
→ Higher Productivity

OUR MARKETS

OUR VALUES AND BEHAVIORS

Making the difference	Diversity	Quality	Integrity
We are courageous and entrepreneurial	We respect differences and listen	We communicate expectations and share feedback	We are responsible and compliant
We create value for all our stakeholders	We embrace dilemmas	We learn, professionalize and innovate together	We are transparent and build trust
We accelerate sustainable development	We include multiple perspectives	We are accountable and support clear decisions	We are true to our vision and mission

We believe in a world in which, in 2050, more than 9 billion people live well and within the means of the planet's resources. To achieve this, we need to overcome the global challenges as highlighted by the 17 SDGs. FMO aims to contribute to their solution by focusing on the following core SDGs:

- ***Decent Work and Economic Growth (SDG 8)***
- ***Reduced Inequalities (SDG 10)***
- ***Climate Action (SDG 13)***

Through sector-specific initiatives we further contribute to Zero Hunger (SDG 2), Gender Equality (SDG 5), Affordable and Clean Energy (SDG 7) and Partnerships for the Goals (SDG 17).

FMO's ultimate strategic goal is to become the preferred partner to invest in local prosperity. We focus our efforts on three strategic objectives: higher impact portfolio, deeper relationships and higher productivity.

Higher Impact Portfolio

By reaching out to underserved markets, we invest in some of the world's most challenging business environments. The countries that we work in often have a fragile private sector, little job security and high poverty rates. As a development bank, FMO is expected to make a meaningful contribution towards opening up new markets, creating opportunities, and lowering thresholds for other financiers. FMO focuses on sectors and regions where we can have impact and we team up with others to achieve impact at scale.

Our strategic focus is on markets in Africa, Asia and the European Neighborhood[1]. By creating or supporting jobs and strengthening local economies, we contribute to stability in these underprivileged regions.

Our focus sectors are Financial Institutions, Energy and Agribusiness, and Food & Water. Investments in financial institutions aim to increase financial inclusion for Micro, Small and Medium Enterprises (MSME) and enable them to be agents of change in for instance green and inclusive finance. We will expand our current Venture Capital program, focused on pioneering technologies in our three core sectors, and find opportunities to reach out to the underserved and thereby reduce inequalities. In Agribusiness we add value to the entire supply chain from (innovations in) fertilizers and seeds to smallholder farmers and food processors, traders and companies. As such, we help to improve access to quality food. Through energy investments, we power economies and communities and promote the transition to a low-carbon system.

We aim to increase our share of investments in the total portfolio labeled 'green' and/or 'reducing inequalities' and to develop activities that will help keep global warming below 1.5 degrees. For instance, we do this by increasing efforts in forestry and soil management, supporting the adoption of renewable energy programs or initiatives in frontier markets, and by contributing to energy access and security in least developed countries. We also actively engage with our clients to increase their environmental and social standards in line with the IFC Performance Standards, including respect for human rights. This has a positive impact on local communities.

In partnership with European Development Finance Institutions (EDFI) we have begun to build an international coalition to harmonize impact management. Our focus is on gender equality (SDG 5), economic growth (SDG 8), reducing inequalities (SDG 10), climate action (SDG 13) and partnerships for the goals (SDG 17). Our first step has been to harmonize on jobs and avoided GHG emissions and the new methodology will replace our current one for measuring our 2020 Doubling and Halving ambition.

Deeper Relationships

We feel strongly about deepening relationships with our stakeholders, because by pooling resources and partnering with others we can significantly increase our impact. As part of efforts to deepen relationships, FMO mobilizes and blends funds, builds partnerships, manages funds on behalf of the Dutch government, supports Dutch businesses and builds employee and client relations.

One of our priorities is to engage commercial investors to co-invest alongside ourselves, both through fund management and syndicated transactions. We will optimize our blending strategy and develop new mobilizing vehicles to increase leverage of FMO's own investments. This increases funding to emerging markets.

We will strengthen relationships with our clients by creating additional value in the area of human capital, leadership and project development. This includes increasing capacity development to support innovative programs around green and gender and improving client service through optimizing processes and opening offices in Nairobi and Singapore. In addition, the NL Business department will ramp up its project development activities through the Development Accelerator Fund and step up efforts to develop partnerships to support Dutch business activities in emerging markets. Furthermore, we aim to increase the share of direct equity, platform investments and co-investments in our private equity portfolio.

Higher Productivity

We will continue to build a high performing organization that enables us to deliver high impact and build deeper relationships in a more efficient and productive way.

To this end, we will improve customer service, quality of data and increase productivity, for example by improving our Know Your Customer (KYC) renewal process and optimizing our investment, portfolio and fund management processes. We will further automate our product administration to reduce manual work, reduce operational risk and to support the implementation of commercial initiatives. We will enhance our impact management capability and improve impact measurement and reporting in line with investor and stakeholder expectations.

In addition, we will seek more effective collaboration within and across teams to increase deal production. Where possible we will create a consortium with partner organizations to capture synergies.

1 The European Neighborhood comprises Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Jordan, Lebanon, Libya, Moldova (the Republic of), Morocco, Syrian Arab Republic, Tunisia, Turkey, and Ukraine

Performance on our strategy

In the first half of 2019, performance on our non-financial targets is mostly on track. Additional efforts, however, are needed to mobilize third-party funds (deeper relationships). For higher productivity, we are on track to deliver our projects but we are behind target on net profit due to the fluctuations of the US dollar and the (re)valuations of our equity portfolio.

Higher Impact Portfolio

Based on our performance in the first half of 2019 we are on track to achieve most of our higher impact targets. We measure our success in line with our core SDGs.

Contribution to the SDGs per sector

In € million unless otherwise stated	SDGs	Total	Agribusiness, Food & Water	Energy	Financial Institutions	NL Business[2]	Private Equity
Total investment	8 Decent Work and Economic Growth	**€1,016**	€207	€224	€378	€7	€200
...resulting in jobs supported		**227,000**	24,000	23,000	97,000	-	83,000
FMO-A		**€586**	€83	€126	€201	€7	€169
+							
Government funds		**€49**	€4	€2	€12	€0	€31
+							
Mobilized funds		**€381**	€120	€96	€165	€0	€0
...of which Reducing Inequality	10 Reduced Inequalities	**€241**	€9	€55	€116	€7	€54
...% of total investment		**24%**	4%	24%	31%	100%	27%
Green investments...	13 Climate Action	**€340**	€35	€187	€26	€0	€92
...% of total investment		**33%**	17%	83%	7%	0%	46%
...resulting in GHG avoidance (in tCO_2eq)		**238,000**	0	159,000	0	0	79,000
ESG target performance[1]		**100%**	100%	100%	100%	N/A	100%

[1] Target applies to high-priority ESG risks for new clients contracted in 2017 and 2018 where FMO is in the lead.
[2] Total investments for Dutch Business reported elsewhere in this report (€17 million) include €9 million investment made through Agribusiness, Food & Water.

Decent Work and Economic Growth (SDG 8)

By creating or supporting jobs and strengthening local economies, we contribute to stability in underprivileged regions. In the first half year, we invested EUR 1 billion in developing and emerging markets of which EUR 586 million on FMO's own books (H1 2018: EUR 724 million), EUR 49 million of funds managed on behalf of the Dutch government (H1 2018: EUR 27 million) and EUR 381 million of mobilized funds (H1 2018: EUR 278 million). In line with our strategy, approximately 60% of our investments went towards countries in Africa and Asia, while 16% of investments were made in countries in the European Neighborhood. Compared to last year, we made more equity investments, committing EUR 200 million (H1 2018: EUR 54 million) of which 70% related to direct and co-investments in line with our target to shift 60% of our equity portfolio towards these types of investments. We are, however, lagging in exits. We are exploring which assets we can sell to improve our internal rate of return.

Since 2014, FMO uses an input-output based impact model to calculate the estimated number of direct and indirect jobs supported through investments made using FMO's own funds, funds we manage and funds we mobilized through others. This is expressed in Euros invested and measured at the time of contracting and provides the expected (or ex ante) impact of the total new investments made in a given year. We estimate that 227,000 jobs were supported through the investments made in the first half year of 2019, an increase compared to the same period last year (H1 2018: 175,000 jobs) due to a larger volume of mobilized funds and private equity investments.

Reduced Inequalities (SDG 10)

FMO labels investments to capture if and the extent to which they contribute towards reducing inequalities (RI). When the RI label applies to the investment, the level of ex ante impact is assigned to Least Developed Countries (LDCs) and/or inclusive business. Funds channeled towards LDCs, which according to the United Nations suffer severe structural impediments to sustainable development, reduce inequalities compared to higher income countries. Investing in inclusive business, meanwhile, reduces inequalities within countries by increasing access to goods, services, and livelihood opportunities on a commercially viable basis to people at the Base of the Pyramid (BoP). The BoP is defined as people who live on less than USD 8 per day in terms of purchasing power parity or who lack access to basic goods, services and sources of income. FMO's inclusive business investments target the un(der)banked, the unconnected, youth, women, smallholder farmers and rural populations.

In 2019, FMO invested a total of EUR 241 million in reducing inequalities (H1 2018: EUR 237 million) of which EUR 150 million from FMO's own books, EUR 25 million of funds managed on behalf of the Dutch government and EUR 66 million of mobilized funds. EUR 144 million contributed towards LDCs and EUR 98 million contributed towards inclusive business.

Examples include our recent equity investments in InCred and ftcash to increase access to financial services to the underbanked in India. By providing formal credit to underbanked (M)SMEs, individuals and through on-lending to MFIs/NBCFs, InCred supports inclusive economic growth. India has over 55 million MSMEs, which are leading contributors to the nation's employment and GDP. Ftcash focuses on improving access to credit for informal micro merchants that are largely underserved. Ftcash uses a proprietary algorithm to analyze payments and alternative data for originating loans and deducts collections directly from merchants' digital payments.

Climate Action (SDG 13)

FMO labels investments to capture their contribution to climate in terms of reducing greenhouse gas emissions, increasing resource efficiency, preserving and growing natural capital, and supporting climate adaptation. We base our decision to label an investment as green on criteria that are aligned with industry specific principles for climate mitigation, climate adaptation and other footprint reduction.

In 2019, FMO invested a total of EUR 340 million in green transactions (H1 2018: EUR 353 million), of which EUR 219 million from FMO's own books, EUR 16 million of funds managed on behalf of the Dutch government and EUR 105 million of mobilized funds. Approximately 60% of the total volume was invested in solar, wind and hydro. These investments resulted in an estimated greenhouse gas avoidance of 238,000 tons CO_2 equivalent, a decrease compared to the same period last year (H1 2018: 414,000 tons CO_2 equivalent).

An example of a green transaction was the agreement signed by FMO with Scatec Solar to take a 40% equity stake in the 32 MW Kamianka project in Ukraine, which will provide more than 10,000 people with 100% green energy. FMO's equity stake was financed by the Access to Energy Fund, which FMO manages on behalf of the Dutch government. The project offers both positive climate impact and benefits for the local community, which fully aligns with our strategic ambitions.

ESG Performance

FMO actively engages with its clients to increase their environmental, social and governance standards. We monitor the ESG risks and performance of our high-risk clients using the ESG Performance Tracker (ESG-PT), which was first introduced in 2018. Each tracker contains a list of pre-defined ESG risks, based on the IFC Performance Standard and international best practice. It is used to identify ESG risks for clients and to categorize the level of exposure. For each relevant risk, we assess what the client is doing to mitigate that risk. Building on existing processes, the ESG-PT is initially completed at the Finance Proposal stage. At every Customer Credit Review and Large Change Request, the risks and performance are assessed and updated in the ESG-PT. This ensures we have baseline data and at least annual updates over the life of the investment. This allows us to see how a single client and the entire portfolio have improved their ESG risk management during the lifetime of an investment.

For steering purposes, we set a target on a sample of clients that we believe pose the highest ESG risk and that are within FMO's span of control. For these clients, our target is that 90% of high-priority ESG risks are either fully compliant with our standards or actively on their way to compliance. For 2019, we identified 41 clients of which most are in our Energy, Agribusiness, Food & Water and Private Equity portfolio. In the first half of 2019, 14 clients and 106 applicable risks were assessed. None were reported unmitigated, which means that our ESG Target Performance was 100%. We further monitor the ESG performance of each individual client - within or outside the target sample - in line with the action plan agreed between FMO and our clients.

Deeper Relationships

Performance for the first half of 2019 suggests we are on track to deliver on target. However, we need to step up efforts to mobilize third parties.

Mobilized funds

Our efforts to crowd in more private capital towards projects with high development impact have resulted in EUR 381 million (H1 2018: EUR 278 million) of mobilized volume in the first half of 2019, of which EUR 233 million from private investors. Although FMO performed better compared to the same period last year, we still experience high liquidity in certain syndication markets among Development Finance Institutions in particular, and the resulting downward pressure on prices might crowd out private investors. FMO is looking to shift to other markets and clients, which could lead to fewer and smaller syndicated transactions.

Public funds

A total of EUR 49 million was invested through government funds under FMO management. EUR 14 million was invested through the Access to Energy Fund, EUR 14 million through the Building Prospects fund and a further EUR 21 million through MASSIF. We also manage a Capacity Development (CD) program on behalf of the Dutch government. CD supports knowledge transfer and provision of technical expertise, especially around green and gender investments, support to smallholders and innovative opportunities like Fintech. In 2019, CD provided EUR 1.9 million of funding towards new projects.

We reached several milestones in the first half of 2019. Following the renewal of the mandate for Building Prospects, with a focus on climate adaptation and resilience as well as gender equality, we partnered with impact investment hub Lady Agri to explore a business case for considering gender in agriculture investments. We hope this will be the start of a long-term partnership that will help us tailor our products to the needs of women.

In addition, we launched our first risk-sharing facility for Syrian refugees in Jordan through MASSIF, which will run as a pilot under the NASIRA program. NASIRA encourages financial institutions in the European Neighborhood and Sub-Saharan Africa to provide loans to young, female and/or migrant entrepreneurs for their (micro) business, thereby tackling one of the root causes of irregular migration. Until now, Jordanian banks have refrained from providing financing to Syrians living in Jordan, largely due to perceived high risks. Likewise, with a political solution to the Syrian crisis still pending, most Microfinance Institutions (MFIs) have remained on the sidelines.

Furthermore, we won the tender to manage the EUR 160 million Dutch Fund for Climate and Development (DFCD) in a consortium with SNV Netherlands Development Organization, World Wide Fund for Nature and Climate Fund Managers. This pioneering partnership of NGOs and financiers aims to help developing countries build climate resilient economies.

Dutch business

One of our priorities is to build relations with the Dutch business community in order to facilitate Dutch business-related investments in and exports to emerging markets and developing countries. In the first half of 2019, a total of EUR 17 million Dutch business-related investments were made (H1 2018: EUR 28 million). Half was made on FMO's own book and half through the Building Prospects fund. Also, there were four new contracts signed under FMO's project development facilities, of which two with WWF and one partnership facility with IFC. FMO will team up with these institutions to develop projects. An important milestone in FMO's Dutch SME approach was the 12-year loan framework that was signed with Banco de Inversión y Comercio Exterior from Argentina to facilitate a more efficient way to support small transactions for Dutch (SME) exporters. Furthermore, the first Finture Solutions challenge was held in close collaboration with Rockstart. The aim of Finture Solution is to help scalable and innovative Dutch start-ups scale their business across emerging markets and create impact in the agri-food, renewable energy and water sectors. Out of 102 applicants five winners were selected and each received EUR 125,000 and support from FMO to further develop their ideas.

Employee engagement

FMO firmly believes it should practice what it preaches when it comes to the SDGs, for example with respect to Gender Equality (SDG 5). FMO has the ambition to be one of the leading organizations in the Netherlands, as well as among DFIs, in the area of diversity and inclusion. Diversity is one of our four corporate values. In 2019, we started reporting internally on 7 key performance indicators (KPIs) related to different gender aspects of the workforce: gender balance, recruitment, turnover, reward, bonuses, promotions and engagement. Per 30 June, these indicators show a positive picture. The workforce is equally distributed, with 49% women and 51% men. The other indicators show there is no bias in recruitment, turnover, promotions or bonuses. The gender-pay differences show a mixed picture of relatively small differences. In the highest salary scales (senior management), women earn 1% more than men. In the salary scales for senior officer and advisers, women earn 3% less than men, which can partly be explained by the higher average age of men in this category.

	FMO employee statistics: 7 Gender diversity & inclusiveness metrics				
		total	**female**	**male**	**% women**
1. Gender balance	Total number of employees per June 30, 2019	588	289	299	49%
	Employees in senior and middle management per June 30, 2019	68	29	39	43%
2. Recruitment	Net growth January - June 2019 (Head Count)	9%	9%	10%	
3. Turnover	Staff turnover January - June 2019 (Head Count)	4%	3%	4%	
4. Reward	Gender pay gap based on simple average salary per group				
	(minus means average salary for women is lower)				
	Senior management (salary scale 13-15)	1%			
	Middle management (salary scale 12)	-3%			
	Staff (salary scale 4-11)	-9%			
5. Bonuses	% of bonus amount awarded over 2018	100%	49%	51%	
6. Promotions	Promotion ratio January - June 2019	12%	13%	11%	
7. Engagement	Engagement score based on latest survey (October 2018)	7.4	7.2	7.5	

Other FMO employee statistics	June 30, 2019	December 31, 2018
Number of external employees	135	104
Total number of employees (internal and external)	723	637
% Non-Dutch employees	30%	27%
% Country of birth not NL	41%	38%
Number of nationalities (excl. NL)	57	50
Absenteeism	3.5%	3.3%

Higher Productivity

Performance for the first half of 2019 with respect to higher productivity shows mixed results. We are on track to deliver on our project portfolio, but we are behind with respect to the financial performance of our equity portfolio.

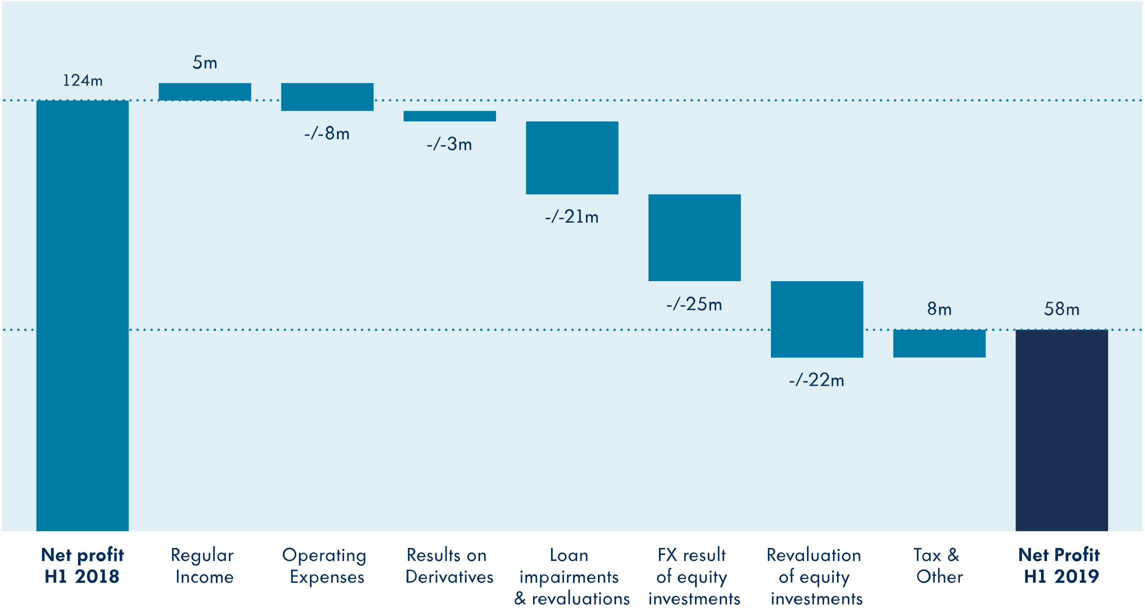
Strategic projects

FMO manages a project portfolio aimed to improve efficiency and effectiveness to get our house in order and develop new propositions, segments for future growth and put key cornerstones in place for digital transformation.

For instance, we initiated the Financial & Economic Crime (FEC) program to improve our Know Your Customer (KYC) process, policies and procedures. At the beginning of the year, we adjusted the KYC Policy, Manual and Questionnaire. In May, we kicked-off a KYC remediation program to review 1,450 existing KYC files by the end of 2020 to meet the requirements of the Dutch central bank (DNB).

Financial performance

H1 2019 results in comparison with H1 2018



FMO recorded mixed results across loans and equity investments, our two main business activities. Overall net profit for the first half of 2019 amounts to EUR 58 million (H1 2018: EUR 124 million). The main drivers for this net result are:

- An improvement in the regular income primarily due to continued strong performance in the loan portfolio, leading to a net interest income of EUR 105 million (H1: 2018 EUR 99 million);
- An increase in operating expenses by EUR 8 million due to increased staff costs resulting from the recruitment of new staff and contractors. Also, additional project expenses were incurred related to the implementation of strategic initiatives;
- Impairments on the loan portfolio returned to normalized levels (H1 2019: EUR 14 million). In 2018 we reported a net release of EUR 15 million, which was the result of a combination of releases on stage 3 provisions as well as recoveries on credit impaired exposures. Overall the non-performing loans portfolio improved to 7.3% (YE 2018: 8.1%);
- Our private equity results, including currency effects, amounted to a EUR 3 million loss in 2019 (H1 2018: EUR 44 million gain):
  - EUR/USD FX effects EUR 4 million gain (H1 2018: EUR 29 million gain). The average appreciation of the EUR/USD in 2018 led to a material gain, whilst the volatility in the first half of 2019 was less significant;
  - Depreciation portfolio including local currency effects EUR 7 million loss (H1 2018: EUR 15 million gain). Our investments in Turkey, South Africa, Nigeria and India have been impacted by the appreciation of the USD against local currencies. Also, individual direct investments in Pakistan and Nigeria have underperformed. Finally, we find that the valuation of our investments in the financial sector, of which the valuation is based on global benchmarks, were impacted as a result of a downward trend in this sector;
- Lower corporate tax charge in 2019 aligns with the decrease in the gross result.

The CET-1 ratio per June 2019 is 24.0% compared to 24.6% at year-end 2018. In 2019, the risk weighted assets have increased due to the appreciation of the EUR/USD exchange rate as well as the acquisition of new investments in the equity portfolio. This is having a downward effect on the CET-1 ratio. The net profit for H1 2019 is not included in the calculation of the CET-1 ratio. If added, the CET-1 ratio would be approximately 0.5% higher.

Portfolio information

In the tables below, we present our committed portfolio per region and sector. The committed portfolio of the funds we manage for the Dutch State are not included. Of the total committed portfolio of €8,526 million an amount of €5,922 million relates to the on-balance Loans to the private sector and €2,604 million relates to the on-balance Equity investments and Associates.

Committed portfolio distributed by region and sector[1]

	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
At June 30, 2019						
Africa	1,005,865	806,969	183,306	475,187	368,930	2,840,257
Asia	703,476	634,450	153,253	338,273	228,690	2,058,142
Latin America & the Caribbean	593,300	576,259	276,949	88,994	135,480	1,670,982
Europe & Central Asia	672,505	278,586	197,508	147,486	155,993	1,452,077
Non-region specific	194,368	100,887	75,326	13,865	120,531	504,977
Total	**3,169,514**	**2,397,150**	**886,342**	**1,063,804**	**1,009,625**	**8,526,435**

	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
At December 31, 2018						
Africa	964,908	793,381	182,032	453,543	366,095	2,759,959
Asia	720,849	589,193	140,990	344,273	220,352	2,015,657
Latin America & the Caribbean	639,801	230,790	208,775	147,620	174,914	1,401,900
Europe & Central Asia	627,370	590,072	231,379	87,174	160,228	1,696,223
Non-region specific	198,225	88,712	78,349	13,941	120,374	499,601
Total	**3,151,153**	**2,292,148**	**841,525**	**1,046,551**	**1,041,963**	**8,373,340**

In the tables below, we present our committed portfolio of the top 10 countries per sector. The committed portfolio of the funds we manage for the Dutch State are not included.

Committed portfolio of top 10 countries by sector[1]

	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
At June 30, 2019						
India	196,874	197,039	61,775	77,443	47,997	581,127
Turkey	158,990	101,606	76,475	46,769	86,787	470,626
Nigeria	130,112	32,300	39,565	46,235	63,211	311,424
Argentina	22,508	97,187	157,568	-	13,869	291,131
Georgia	185,434	33,740	-	-	50,636	269,811
Bangladesh	120,857	35,165	17,747	19,279	35,652	228,701
South Africa	28,606	81,767	15,903	31,237	48,307	205,820
Ghana	88,365	61,055	7,912	-	48,440	205,773
Ukraine	-	67,139	85,209	29,250	18,570	200,167
Armenia	130,224	45,624	9,451	-	-	185,298
Total	**1,061,971**	**752,622**	**471,605**	**250,212**	**413,470**	**2,949,879**

	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
At December 31, 2018						
India	176,047	168,380	65,143	74,276	31,470	515,316
Turkey	166,536	105,132	77,408	46,388	89,257	484,721
Georgia	186,499	35,047	6,167	-	64,848	292,561
Nigeria	113,223	34,919	44,172	32,264	66,808	291,386
Bangladesh	133,687	36,656	17,729	24,180	40,609	252,861
Argentina	12,801	98,426	110,517	-	14,094	235,838
Ghana	95,542	62,164	8,729	-	48,334	214,769
South Africa	35,367	77,607	6,056	31,798	48,627	199,455
Uganda	23,579	114,049	26,189	-	11,637	175,454
Armenia	119,047	46,237	9,385	-	-	174,669
Total	**1,062,328**	**778,617**	**371,495**	**208,906**	**415,684**	**2,837,030**

1 The sectors presented are the strategic sectors in which FMO is active. These sectors are different than the operating segments per servicing unit as presented in Note 4 Segment Information.

CONDENSED CONSOLIDATED BALANCE SHEET

(before profit appropriation)	Notes	June 30, 2019	December 31, 2018
Assets			
Banks		32,765	54,642
Short-term deposits			
-of which: Amortized cost	(5)	490,159	391,635
-of which: Fair value through profit or loss	(5)	1,315,177	756,216
Interest-bearing securities at amortized cost		384,998	402,380
Derivative financial instruments		318,865	247,823
Loans to the private sector			
-of which: Amortized cost		4,028,168	4,085,022
-of which: Fair value through profit or loss		739,832	685,799
Equity investments		-	
-of which: Fair value through OCI		84,554	77,553
-of which: Fair value through profit or loss		1,613,636	1,504,427
Investments in associates		222,944	215,539
Property, plant and equipment		39,223	15,182
Current tax receivables		36,452	24,448
Deferred income tax assets		9,250	8,357
Current accounts with State funds and other programs		230	494
Other receivables		17,304	20,597
Total assets		**9,333,559**	**8,490,114**
Liabilities			
Short-term credits		115,660	76,051
Derivative financial instruments		249,231	217,174
Debentures and notes	(7)	5,802,881	5,139,881
Current accounts with State funds and other programs		2,639	4,173
Wage tax liabilities		321	262
Deferred income tax liabilities		3,751	2,801
Other liabilities	(8)	42,280	1,331
Accrued liabilities		20,468	10,086
Provisions		53,044	54,547
Total liabilities		**6,290,274**	**5,506,306**
Shareholders' equity			
Share capital		9,076	9,076
Share premium reserve		29,272	29,272
Contractual reserve		2,261,694	2,261,694
Development fund		657,981	657,981
Fair value reserve		23,825	17,773
Actuarial result pensions		-23,531	-21,123
Translation reserve		-5,307	-6,758
Other reserves		32,162	32,162
Undistributed profit		58,053	3,570
Shareholders' equity (parent)		**3,043,225**	**2,983,647**
Non-controlling interests		60	161
Total shareholders' equity		**3,043,285**	**2,983,808**
Total liabilities and shareholders' equity		**9,333,559**	**8,490,114**
Contingent liabilities			
- Encumbered funds (single resolution fund)	(6)	389	-
- Effective guarantees issued	(6)	76,712	75,066
- Effective guarantees received	(6)	-208,649	-199,027
Irrevocable facilities	(6)	1,817,031	1,809,189

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(before profit appropriation)	Notes	June 30, 2019	June 30, 2018
Income			
Interest income from financial instruments measured at AC		159,282	132,098
Interest income from financial instruments measured at FVPL		29,410	31,259
Interest expenses from financial instruments measured at AC		-67,669	-43,788
Interest expenses from financial instruments measured at FVPL		-16,352	-20,409
Net interest income		**104,671**	**99,160**
Fee and commission income		2,982	2,190
Fee and commission expense		-574	-441
Net fee and commission income	**(9)**	**2,408**	**1,749**
Dividend income		11,537	13,404
Results from equity investments	(10)	-3,439	43,758
Results from financial transactions		5,479	559
Remuneration for services rendered	(12)	14,528	14,279
Other operating income		2,738	726
Total other income		**30,843**	**72,726**
Total income		**137,922**	**173,635**
Operating expenses			
Staff costs		-42,155	-38,643
Other administrative expenses		-13,884	-11,413
Depreciation and impairment of property, plant and equipment		-3,660	-1,930
Other operating expenses		-43	-28
Total operating expenses		**-59,742**	**-52,014**
Impairments on			
Interest-bearing securities		-	10
Loans		-14,385	12,180
Loan commitments		-22	2,510
Guarantees issued		592	441
Total impairments		**-13,815**	**15,141**
Results on associates			
Share in the result of associates		2,023	3,403
Total result on associates		**2,023**	**3,403**
Profit before taxation		**66,388**	**140,165**
Income tax		-8,444	-16,227
Net profit		**57,944**	**123,938**
Net profit attributable to			
Owners of the parent company		58,053	123,794
Non controlling interests		-109	144
Net profit		**57,944**	**123,938**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(before profit appropriation)	Notes	June 30, 2019	June 30, 2018
Net profit		**57,944**	**123,938**
Other comprehensive income			
Share of other comprehensive income of associates due to exchange differences		1,451	5,920
Income tax effect		-	-
Items to be reclassified to profit and loss		**1,451**	**5,920**
Fair value reserve of equity instruments at FVOCI		7,002	8,166
Actuarial gains/losses on defined benefit plans		-1,077	3,021
Income tax effect		-2,281	-2,750
Items not reclassified to profit and loss		**3,644**	**8,437**
Total other comprehensive income, net of tax		**5,095**	**14,357**
Total comprehensive income		**63,039**	**138,295**
Total comprehensive income attributable to			
Owners of the parent company		63,148	138,151
Non-controlling interests		-109	144
Total comprehensive income		**63,039**	**138,295**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Contrac-tual reserve	Develop-ment fund	Fair value reserve	Actuarial result pensions	Trans-lation reserve	Other reserves	Undis-tributed profit	Non-controlling interests	Total
Balance at January 1, 2018	**9,076**	**29,272**	**2,114,443**	**657,981**	**18,074**	**-21,369**	**-16,696**	**32,162**	**14,039**	**7,071**	**2,844,053**
Total other comprehensive income, net of tax	-	-	-	-	6,171	-	5,920	2,266	-	-	14,357
Changes in subsidiary Equis DFI Feeder L.P.[1]	-	-	-	-	-	-	-	-	-	-6,664	-6,664
Net profit	-	-	-	-	-	-	-	-	123,794	144	123,938
Dividends	-	-	-	-	-	-	-	-8,484	-5,556	-	-14,040
Balance at June 30, 2018	**9,076**	**29,272**	**2,114,443**	**657,981**	**24,245**	**-21,369**	**-10,776**	**25,944**	**132,277**	**551**	**2,961,644**
Balance at December 31, 2018, as previously reported	**9,076**	**29,272**	**2,261,694**	**657,981**	**17,773**	**-21,123**	**-6,758**	**32,162**	**3,570**	**161**	**2,983,808**
Total other comprehensive income, net of tax	-	-	-	-	6,052	-	1,451	-	-	-	7,503
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	-2,408	-	-	-	-	-2,408
Changes in subsidiary Equis DFI Feeder L.P.[1]	-	-	-	-	-	-	-	-	-	8	8
Net profit	-	-	-	-	-	-	-	-	58,053	-109	57,944
Dividends	-	-	-	-	-	-	-	-	-3,570	-	-3,570
Balance at June 30, 2019	**9,076**	**29,272**	**2,261,694**	**657,981**	**23,825**	**-23,531**	**-5,307**	**32,162**	**58,053**	**60**	**3,043,285**

1 Changes driven by movements in the underlying investment portfolio of Equis DFI Feeder such as subscription and sales

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	June 30, 2019	June 30, 2018
Operational activities			
Net profit		58,053	123,794
Adjustment for non-cash items:			
- Result of associates		-2,023	-3,403
- Unrealised (gains) losses arising from changes in fair value		44,878	-9,730
- Unrealised (gains) losses arising from changes in foreign exchange rates		10,998	1,825
- Unrealised (gains) losses arising from other changes		7,645	11,645
- Amortization of premiums/discounts debentures and notes		5,814	443
- Actuarial (gains) losses		-1,077	3,021
- Impairments/Value adjustments		15,251	-8,937
- Depreciation and impairment of PP&E assets		3,660	1,930
- Income tax expense		8,444	16,347
Changes in:			
- Income taxes payable / receivable		-20,448	-44,614
- Loans		5,499	-24,882
- Equity investments		-117,349	-41,217
- Other assets and liabilities[1]		-14,469	92,086
- Short-term deposits[1]		-574,490	-454,438
- Short-term credits[1]		39,778	-35,894
Net cash flow from operational activities		**-529,836**	**-372,024**
Investment activities			
Purchase of interest-bearing securities		-	-
Redemption/sale of interest-bearing securities		17,601	-
Investments in PP&E assets		-7,700	-2,273
Divestments in PP&E assets		-	-
Net cash flow from investment activities		**9,901**	**-2,273**
Financing activities			
Proceeds from issuance of debt securities, debentures and notes	(7)	1,085,065	295,019
Redemption of debt securities, debentures and notes	(7)	-498,507	-495,568
Lease payments		-1,635	-
Dividend paid		-3,570	-14,040
Net cash flow from financing activities		**581,353**	**-214,589**
Net cash flow		**61,418**	**-588,886**
Cash and cash equivalents			
Net foreign exchange difference		-24,897	17,776
Banks and short term deposits at January 1		929,506	1,545,411
Banks and short term deposits at June 30		966,027	974,301
Total cash flow		**61,418**	**-588,886**
Operational cash flows from interest and dividends			
Interest received		147,383	147,161
Interest paid		-84,021	-55,538
Dividend received		11,537	13,404

1 Movement is excluding foreign exchange results. Foreign exchange results are included in unrealized gains (losses).

Banks and short term deposits
The balance as mentioned in the cash flow statement corresponds with the following items in the consolidated balance sheet:

Cash position maturity bucket < 3 months	**June 30, 2019**	**June 30, 2018**
Banks	32,765	48,525
Short term deposits	1,805,336	1,450,685
-of which > 3 months	-872,074	-524,909
Banks and short term deposits < 3 months	**966,027**	**974,301**

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

1 CORPORATE INFORMATION
FMO was incorporated in 1970 as a public limited company with 51% of shares held by the Dutch State and 49% held by commercial banks, state unions and other members of the private sector. The company is located at Anna van Saksenlaan 71, The Hague, The Netherlands. FMO finances activities in developing countries to stimulate private sector development. In addition, FMO provides services in relation to government funds and programs.

Financing and investing activities
FMO is the Dutch entrepreneurial development bank. We support sustainable private sector growth in developing and emerging markets by investing in ambitious entrepreneurs. We specialize in sectors where our contribution can have the highest long-term impact: financial institutions, energy, and agribusiness.

FMO's main activity consists of providing loans, guarantees and equity capital to the private sector in developing countries. Furthermore FMO offers institutional investors access to its expertise in responsible emerging market investing through its subsidiary FMO Investment Management B.V.

A part of the investment financing is guaranteed by the Dutch State under the Faciliteit Opkomende Markten (FOM), in which FMO itself participates as a 5% to 20% risk partner. Any losses to be claimed under the guarantee are reported under 'Other receivables'.

We arrange syndicated loans by bringing together investors – commercial banks and other development finance institutions (DFIs) - with FMO structuring the financing. This enables us to provide our clients with increased access to finance and more diversified lending, while giving our financial partners efficient opportunities to enter new markets.

FMO also supports Dutch investments in emerging markets. Apart from focusing on Dutch companies, including SME's investing abroad, FMO supports companies seeking trade finance for their exports to our markets when commercial financial products are not available.

Commercial fund management
FMO's subsidiary, FMO Investment Management B.V. (FMO IM), carries out portfolio management activities for third party investment funds, which are invested in FMO's transactions in emerging and developing markets. Through these funds FMO IM offers investors access to our expertise in responsible emerging market investing.

Services concerning government and public funds
Apart from financing activities from its resources, FMO provides loans, guarantees, grants and equity capital from government funds, within the conditions and objectives of those funds. The funds consist of subsidies provided under the General Administrative Law Act regarding MASSIF, Access to Energy Fund ('AEF'), Building Prospects ('BP'), Capacity Development Program ('CD'), Partnership Development Fund ('PDF'), Development Accelerator ('DA'), Fund Emerging Markets for Developing Countries (also called 'FOM-OS') and Dutch Fund for Climate and Development ('DFCD').

FMO incurs a risk in MASSIF as it has an equity share of 2.17% (2018: 2.17%). For the remaining interest in MASSIF, and the full risk in the other government funds, FMO has a contractual right and obligation to settle the results arising from the funds' activities with the State. The State takes predominantly the economic risks in these funds. FMO has limited power over policy issues regarding these funds and receives a remuneration for managing these funds. Therefore, except for FMO's equity share in MASSIF, the funds' assets, results and liabilities are not included in the annual accounts.

In 2016 the EDFI Management Company (of which FMO is one of the shareholders together with the other EDFIs) has been established in Brussels to manage EC funding for the Electri-FI global facility. In 2018 the Agri-FI investment facility as well as the Electri-FI Country Windows investment facility have been added. FMO, as accredited entity for the EC, acts as delegatee (contractee) for the EC and has sub-delegated all operational activities related to Electri-FI/Agri-FI and Electri-FI Country Windows to the EDFIMC. In the course of 2019 EDFIMC expects to obtain EC-accreditation and take over FMO's contractee-role.

FMO has received funds from the EU, USAID and the Dutch Government with the purpose to invest directly in Climate Investor One, a facility raised by FMO and managed by Climate Fund Managers (CFM) in 2016 . Climate Investor One (CIO) is a blended finance, capital-recycling facility mandated with delivering renewable energy infrastructure projects in emerging markets through its contribution to each phase of a project's lifecycle. Climate Investor One will create sustainable positive impact on the environment and communities of developing countries.

In December 2018, the EC approved up to EUR 75 million in guarantees and signed the contract for risk sharing facility NASIRA. The facility uses guarantees to allow banks to on-lend to underserved entrepreneurs within the European neighborhood and Sub-Saharan Africa. It targets portfolios consisting of loans of young, female and migrant entrepreneurs including refugees, returnees and internally displaced people. The goal of these guarantees is to allow local banks to provide loans to groups they perceive as too risky. Risk sharing reduces the perceived and real risks of lending to vulnerable and underserved parts of the population and enables financing for people who want to grow their business.

2 BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated annual accounts as at December 31, 2018 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These 2019 condensed consolidated interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies, presentation and methods of computation are consistent with those applied in the preparation of FMO's consolidated financial statements for the year ended December 31, 2018. The consolidated interim accounts do not include all the information and disclosures that are required for the consolidated annual accounts, and should be read in conjunction with FMO's consolidated annual accounts as at December 31, 2018.

2.2 Group accounting and consolidation

The company accounts of FMO and the company accounts of the subsidiaries Nuevo Banco Comercial Holding B.V., Asia Participations B.V., FMO Investment Management B.V., FMO Medu II Investment Trust Ltd., Equis DFI Feeder L.P. and Nedlinx B.V. are consolidated in these interim accounts.

The activities of Nuevo Banco Comercial Holding B.V., Asia Participations B.V., FMO Medu II Investment Trust Ltd. and Equis DFI Feeder L.P. consist of providing equity capital to companies in developing countries. FMO Investment Management B.V. carries out portfolio management activities for third party investment funds, which are invested in FMO's transactions in emerging and developing markets. Nedlinx B.V. is incorporated to finance Dutch companies with activities in developing countries. FMO has a 63% stake in Equis DFI Feeder L.P. and all other subsidiaries are 100% owned by FMO.

2.3 Foreign currency translation

FMO uses the euro as the unit for presenting its annual accounts and interim reports. All amounts are denominated in thousands of euros unless stated otherwise.

2.4 Adoption of new standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation FMO's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of January 1, 2019. FMO has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following standards, amendments to published standards and interpretations were adopted in the current year.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Nature of the effect of IFRS 16

Prior to the adoption of IFRS 16, FMO only entered into operating leases where the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

FMO adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Upon transition FMO recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. Right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. This treatment was applied to all leases on a lease-by-lease basis.

FMO also applied the available transition relief, recognition exemptions and practical expedients wherein it:

- Only applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics instead of determining an incremental borrowing rate for every lease.
- Excluded initial direct costs from the measurement of right of use assets on transition.
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application as well as to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.

- Applied the use of hindsight in determining which lease renewal options to include in assessing the lease term of right of use assets upon transition.
- Relied on an assessment of onerous contracts in order to determine whether any lease contracts give rise to an impairment on the related right of use asset.
- Has not separated non-lease components from lease components and instead account for all components as a lease.

Balance sheet impact - Increase in assets and liabilities	**June 30, 2019**	**January 1, 2019**
Property, Plant and Equipment - Right-of-use assets	20,001	13,682
Net impact on total assets	**20,001**	**13,682**
Other liabilities - Lease liabilities	20,218	13,682
Retained earnings	-	-
Net impact on total liabilities and equity	**20,218**	**13,682**

Impact on profit (loss) for the year	**June 30, 2019**
Increase in depreciation and impairment of fixed assets	-1,386
Increase in finance costs	-480
Decrease in other operating expenses	1,649
Decrease in profit for the year	**-217**
Impact on other comprehensive income for the year	**-**

Summary of new IFRS 16 accounting policies

Set out below are the new accounting policies of FMO upon adoption of IFRS 16, which have been applied from the date of initial application.

FMO assesses whether a contract is or contains a lease, at inception of a contract. FMO recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low value assets (value below EUR 5 thousand). For these leases, FMO recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FMO recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of use assets are subject to impairment testing.

At the commencement date of the lease, FMO recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by FMO and payments of penalties for terminating a lease, if the lease term reflects FMO exercising the option to terminate.

In calculating the present value of lease payments, FMO uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset.

FMO determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. FMO applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, FMO reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew (e.g., a change in business strategy).

Amounts recognised in the statement of financial position and profit and loss

	Buildings	Office equipment	Vehicles	Total right-of-use assets	Lease liabilities
January 1, 2019	11,595	425	1,662	13,682	13,682
Additions	7,319	15	371	7,705	7,705
Depreciation	-932	-61	-393	-1,386	-
Finance costs	-	-	-	-	480
Payments	-	-	-	-	-1,649
June 30, 2019	**17,982**	**379**	**1,640**	**20,001**	**20,218**

2.5 Other standards adopted in 2019

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. The interpretation has no impact on FMO.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

In case of plan amendment, curtailment or settlement, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for remeasurement. Also these amendments include clarification of the effect of plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. This IAS 19 amendment will have a minor impact when a plan amendment occurs.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 is applicable to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Furthermore, the paragraph regarding interests in associates or joint ventures that do not constitute part of the net investment has been deleted. The amendment is effective starting from January 1, 2019. These amendments have a minor impact on FMO as all investments in associates are accounted for using the equity method.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

Under the original IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower. In October 2017 the IASB amended the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments in case of early repayment of loans. This amendment is effective for annual reporting periods beginning on or after January 1, 2019 and does not have impact for FMO.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 with early application permitted.

These amendments had no impact on the condensed interim financial statements of FMO.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the condensed interim financial statements of FMO.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019 with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

These amendments had no impact on the condensed interim financial statements of FMO.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the condensed interim financial statements of FMO.

2.6 Standards issued but not yet effective

Other significant standards issued, but not yet endorsed by the European Union and not yet effective up to the date of issuance of FMO's Interim Report 2019, are listed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after January 1, 2021. This standard does not have an impact on FMO.

Amendments to the Conceptual Framework for Financial Reporting

On March 28, 2018 IASB presented the revised Conceptual Framework for Financial Reporting. The Conceptual Framework is not a standard itself but can be used as general guidance for transactions/ events where specific IFRS standards are not available. Main improvements in the revised Conceptual Framework include the introduction of concepts for measurement and presentation & disclosures, guidance for derecognition of assets and liabilities. In addition definitions of an asset & liability and criteria for recognition have been updated. These amendments are effective for annual periods beginning on or after January 1, 2020 and will have minor impact on FMO.

Amendment to IFRS 3 Business Combinations

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations in order to help entities determine whether an acquired set of activities and assets is a business or not. An entity shall apply the amendments to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendments will have minor impact on FMO.

Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments are effective for annual periods beginning on or after January 1, 2020 and must be applied prospectively. FMO will assess and incorporate the amendments to material into the valuation of all financial instruments, however the amendments are expected to have a minor impact on FMO.

2.7 Estimates and assumptions

In preparing the condensed consolidated interim accounts in conformity with IAS 34, management is required to make estimates and assumptions affected reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The same methods for making estimates and assumptions have been followed in the condensed consolidated interim accounts as were applied in the preparation of FMO's consolidated annual accounts as at December 31, 2018, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which has been described above.

2.8 Segment Reporting

The operating segments are reported in a manner consistent with internal reporting to FMO's chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board. FMO presents its operating segments based on servicing unit. Reference is made to Note 5 Segment Information for more details on operating segments.

3 RISK DEVELOPMENTS

For a detailed overview of FMO's risk governance and risk management approach please refer to the section "Risk Management" in FMO's consolidated annual accounts as at December 31,2018. The risk developments in the first half year of 2019 are disclosed below.

3.1 Capital adequacy

FMO complies with the CRR/CRD-IV requirements and reports its capital ratios to the Dutch central bank on a quarterly basis. FMO calculates the external capital requirement for its entire portfolio based on the standardized approach. At the end of June 2019, the Total Capital ratio decreased to 24.8% from 25.5% as per December 2018. The decrease in capital ratio is mainly driven by increased risk weighted assets for credit and counterparty risk and a larger open foreign exchange position.

	June 30, 2019	December 31, 2018
IFRS shareholders' equity	3,043,225	2,983,647
Tier 2 capital	175,000	175,000
Regulatory adjustments:		
-Interim profit not included in CET 1 capital	-58,053	-30,062
-Other adjustments (deducted from CET 1)	-188,721	-173,589
-Other adjustments (deducted from Tier 2)	-80,190	-77,790
Total capital	**2,891,261**	**2,877,206**
Of which Common Equity Tier 1 capital	*2,796,451*	*2,779,996*
Risk weighted assets	**11,655,895**	**11,297,598**
Of which:		
-Credit and counterparty risk	*9,191,844*	*8,977,048*
-Foreign exchange	*1,886,630*	*1,723,354*
-Operational risk	*505,331*	*515,514*
-Credit valuation adjustment	*72,090*	*81,682*
Total capital ratio	24.8%	25.5%
Common Equity Tier 1 ratio	24.0%	24.6%

Following specific provisions in the CRR, FMO is required to deduct from its regulatory capital significant and insignificant stakes for subordinated loans and (in)direct holdings of financial sector entities above certain thresholds. These thresholds correspond to approximately 10% of regulatory capital. Exposures below the 10% thresholds are risk weighted accordingly.

3.2 Credit risk

FMO's non-performing loan portfolio (loans at amortized cost and loans at FVPL) decreased from EUR 417,000 at year-end 2018 to EUR 373,000 as of June 30, 2019. The ratio of non-performing loans compared to the total loan portfolio decreased in the course of 2019 from 8.1% to 7.3% as a result of write-offs and prepayments of credit impaired assets, while no exposure became non performing during the period. In parallel, the coverage ratio (impairments under stage 3 divided by non-performing loans) increased from 36% to 41%.

All Interest Bearing Securities (credit quality of AA+ or higher) and Banks (credit quality of BBB- or higher) are classified as Stage 1. An amount of EUR 63 thousand is calculated for the ECL of both asset classes as per June 30, 2019.

The following table shows the credit quality and the exposure to credit risk of the loans to the private sector at amortized cost at June 30, 2019. No material change is identified compared to the year-end 2018.

Loans to the private sector at June 30, 2019

Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair value	Total
F1-F10 (BBB- and higher)	148,301	10,400	-	597	159,298
F11-F13 (BB-,BB,BB+)	1,799,704	107,505	-	354,382	2,261,591
F14-F16 (B-,B,B+)	1,588,268	215,802	93,768	321,380	2,219,218
F17 and lower (CCC+ and lower)	32,426	79,528	168,307	93,090	373,351
Sub-total	**3,568,699**	**413,235**	**262,075**	**769,449**	**5,013,458**
Less: amortizable fees	-42,821	-3,752	-1,812	-	-48,385
Less: ECL allowance	-33,056	-18,268	-116,132	-	-167,456
Less: FV adjustments	-	-	-	-29,617	-29,617
Carrying value	**3,492,822**	**391,215**	**144,131**	**739,832**	**4,768,000**

Loans to the private sector at December 31, 2018					
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
F1-F10 (BBB- and higher)	117,087	12,271	-	895	130,253
F11-F13 (BB-,BB,BB+)	1,844,692	111,888	-	360,429	2,317,009
F14-F16 (B-,B,B+)	1,582,796	235,828	93,830	259,965	2,172,419
F17 and lower (CCC+ and lower)	16,654	86,442	187,121	106,597	396,814
Sub-total	**3,561,229**	**446,429**	**280,951**	**727,886**	**5,016,495**
Less: amortizable fees	-42,073	-3,754	-2,256	-	-48,083
Less: ECL allowance	-30,580	-16,767	-108,157	-	-155,504
Less: FV adjustments	-	-	-	-42,088	-42,088
Carrying value	**3,488,576**	**425,908**	**170,538**	**685,798**	**4,770,820**

The following table shows the credit quality and the exposure to credit risk of the financial guarantees at June 30, 2019.

Financial guarantees[1]		**June 30, 2019**			**December 31, 2018**
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
F1-F10 (BBB- and higher)	26,374	879	-	27,253	28,808
F11-F13 (BB-,BB,BB+)	191,712	64,277	-	255,989	166,210
F14-F16 (B-,B,B+)	140,057	9,425	-	149,482	198,715
F17 and lower (CCC+ and lower)	13,187	-	2,280	15,467	15,496
Sub-total	**371,330**	**74,581**	**2,280**	**448,191**	**409,229**
ECL allowance	-1,315	-550	-570	-2,435	-3,009
Total	**370,015**	**74,031**	**1,710**	**445,756**	**406,220**

The following table shows the credit quality and the exposure to credit risk of the loan commitments to private sector at June 30, 2019. These represents contract signed but not disbursed yet.

Loans commitments			**June 30, 2019**			**December 31, 2018**
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Other**[2]	**Total**	**Total**
F1-F10 (BBB- and higher)	-	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	290,590	5,626	-	53,984	350,200	356,806
F14-F16 (B-,B,B+)	336,719	9,720	6,972	36,712	390,123	413,878
F17 and lower (CCC+ and lower)	10,290		4,785	5,054	20,129	60,002
Total nominal amount	**637,599**	**15,346**	**11,757**	**95,750**	**760,452**	**830,686**
ECL allowance	-3,829	-645	-	-	-4,474	-4,485
Total	**633,770**	**14,701**	**11,757**	**95,750**	**755,978**	**826,201**

1 Total financial guarantees represent EUR 76,012 classified as contingent liabilities and EUR 371,479 classified as irrevocable facilities, as per Section 6 Commitments and Contingent Liabilities.

2 Loan commitments for which no ECL is calculated (Fair Value loans or expired availability date).

The following tables shows the movement in ECL for the period June 30, 2019. No material change is identified compared to the year-end 2018.

IFRS 9 Changes in ECL for loans to the private sector in 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at December 31, 2018	-30,580	-16,767	-108,157	-155,504
Additions	-5,550	-852	-	-6,402
Exposures derecognised or matured (excluding write-offs)	1,298	113	3,483	4,894
Transfers to Stage 1	-486	486	-	-
Transfers to Stage 2	756	-756	-	-
Transfers to Stage 3	-	1,439	-1,439	-
Impact on ECL of exposures transferred between stages during the period	-	-	-	-
Unwind of discount	-	-	-	-
Changes to risk profile	2,017	-1,825	-12,261	-12,069
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	2,858	2,858
Foreign exchange adjustments	-511	-105	-616	-1,232
At June 30, 2019	**-33,056**	**-18,268**	**-116,132**	**-167,456**

IFRS 9 Changes in ECL for financial guarantees in 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at December 31, 2018	-1,511	-297	-1,201	-3,009
Additions	-355	-277	-	-632
Exposures matured (excluding write-offs)	179	-17	-	162
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages during the period	-	-	-	-
Unwind of discount	-	-	-	-
Changes to risk profile	384	42	672	1,099
Foreign exchange adjustments	-11	-2	-42	-55
At June 30, 2019	**-1,315**	**-550**	**-570**	**-2,435**

IFRS 9 Changes in ECL for loan commitments in 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECLs as at December 31, 2018	-4,051	-434	-	-4,485
Additions	-1,447	-	-	-1,447
Exposures derecognised or matured (excluding write-offs)	1,271	-24	-	1,247
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	26	-26	-	-
Transfers to Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages during the period	-	-	-	-
Unwind of discount	-	-	-	-
Changes to risk profile	-22	-159	-	-181
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	394	-3	-	391
At June 30, 2019	**-3,829**	**-645**	**-**	**-4,474**

The modelling methodologies, assumptions and inputs applied in determining ECL in the current period are consistent with those applied in the financial year ended December 31, 2018

3.3 Equity risk

Despite the increase in the equity portfolio due to new acquisitions during first half year of 2019, the results from equity investments amounted to a loss of EUR 3 million (H1 2018: EUR 44 million gain). The loss is a result of challenging economic, political and monetary developments in our main geographies - India, South Africa, Turkey and Nigeria. Moreover, valuations of investments in the financial sector have been under pressure. As large part of FMO's equity portfolio is denominated in USD, the average appreciation of EUR to USD exchange rate was relatively lower compared to the same period last year, generating lower foreign exchange gains in comparison to first half year of 2018. Refer to Note 10, Results from Equity Investments, for more information.

3.4 Concentration risk

FMO expects moderate economic growth in emerging and developing economies on short term. However, there may well be differences among countries, as outlooks for countries are formed by the interaction between country-specific characteristics and external developments. Among the important geographies for FMO, there are two countries that are currently going through a crisis, Turkey and Argentina. Both local currencies have been depreciating over the first half of 2019. From year-end 2018 until half year 2019, the Turkish Lira and Argentinian Pesos have respectively depreciated by nearly 9% and 12%, compared to EUR.

Turkey is an important market for FMO. The country has been hit by a FX-crisis in the summer of 2018 and the Turkish economy and the banking sector are struggling to absorb the impact of the FX-crisis. Turkey received downgrades by external rating agencies. As a consequence, the internal rating decreased to F14 in 2018 (2017: F12), lowering the country limit and increasing the country limit utilization. As of June 30, 2019, FMO's exposure including impairments is EUR 355 million for debt and EUR 68 million for equity, excluding committed not disbursed and guarantees received. Exposure is diversified in Financial Institutions, Energy, Agribusiness, Food and Water sectors. FMO has no direct exposure to the sensitive construction industry or real estate. FMO monitors its portfolio closely in Turkey and did not encounter non-performing loans in the country so far but saw a decrease in its fair value of the private equity portfolio, primarily due to the currency depreciation.

Besides Turkey, Argentina is also going through a crisis. Over the course of 2018, GDP declined by 2.5% and is forecasted to decline by another 1.2% according to the IMF. Argentina is currently reforming its economy in order to comply with the largest IMF programme in the country's history (USD 57 billion). Additionally, the upcoming presidential elections planned in October 2019 already have caused turmoil in the market, far most marked by the strong currency depreciation after the results of the primary elections, where opposition candidate won 47% of the votes versus 32% of the votes for the ruling president.

As of June 30, 2019, the exposure including impairments is EUR 245 million for debt and EUR 42 million for equity, excluding committed not disbursed and guarantees received. Exposure is diversified among FMO's sectors, with largest exposure in the Energy sector, followed by Agribusiness, Food and Water and Financial Institutions.

Despite FMO's debt exposure in Argentine Peso is hedged in line with risk appetite, the currency crisis can affect the underlying economy. Therefore, ongoing developments in Argentina are being closely monitored by FMO.

Overall, FMO keeps a well-diversified portfolio across a wide range of countries, which is assured through its limits framework on countries and sectors. Diversification across countries and sectors is a key strategy to safeguard the credit quality of the portfolio. Through its framework, FMO is able to absorb potential losses which may emerge from country crises as stated above.

3.5 Compliance risk

In the first half of 2019, no significant integrity incidents related to FMO employees have been reported and there were no integrity incidents at existing clients outside FMO's risk appetite.

Following the DNB onsite examination in 2018, FMO responded by setting up a Financial Economic Crime (FEC) enhancement programme to address the findings and recommendations of DNB. The FEC programme includes remediation of Know Your Customer (KYC) files, which has started and will run through 2020.

3.6 Regulatory risk

This section describes the latest insights and regulatory publications that could impact FMO's future risk position in addition to those described on page 159 of the 2018 Annual Report.

In January 2019 the Basel Committee published the new minimum capital requirements for market risk (bcbs 457). In this publication the Basel Committee created a "Simplified Standardized Approach" for market risk, which would allow FMO to apply a factor of 1.2 to its current market risk capital charge for its open FX positions. The simplified standardized approach, and specific eligibility thresholds, were not included in the final CRR-2 text. The European Commission will publish a Delegated Act in 2019 on the capital requirements for market risk, which will align with the final Basel Standard. Whether FMO is eligible to use the Simplified Standardized Approach, or the more complex Sensitivity Approach, will be determined in the Delegated Act. The potential capital charge using the Sensitivity Approach will depend on the final new risk weights and the type of liquid currency exposures FMO has after the look-through implementation (as described in the paragraph below).

In January 2019 the European Banking Authority (EBA) published a guideline (EBA/GL/2019/01) specifying which types of exposures are to be associated with particularly high risk. The guideline requires that institutions that apply the standardized approach for credit risk should label exposures with a particular high risk in case these exposures show structural differences that are not reflected in the existing flat risk weights. Applying the criteria in the guideline, FMO has determined that all subordinated debt exposures, and all project finance with a client rating worse than F13 (BB-) will be labelled as high risk items. The guideline applies as of July 1, 2019

In May 2019, the European Council adopted a comprehensive legislative package of reforms to CRR, CRD IV, the BRRD and the SRM Regulation (the "EU Banking Reforms"), including measures to increase the resilience of EU institutions and enhance financial stability. Most of the rules will start applying in mid-2021. The most relevant reform for FMO is the requirement to apply a look through for investments in equity and debt funds. In short, investments in Collective Investment Undertakings (CIUs, or Funds) are no longer automatically labelled as 'high risk' with a 150% risk weight. Instead, risk weights will be determined using the look-through approach (LTA) or mandate-based approach (MBA) which requires an institution to look at the funds underlying investments and calculate the risk weights based on funds actual investments and leverage.

In June 2019, in accordance with the EBA Guidelines on Management of Non-Performing and Forborne Exposures, FMO submitted a NPE (non-performing exposure) Strategy and Operational Plan to the Dutch Central Bank. This was required as FMO's NPE ratio was above the 5.0% threshold at the end of 2018.

4 SEGMENT INFORMATION

The Management Board sets performance targets, approves and monitors the budgets prepared by the front office servicing units. These shall therefore perform in accordance with the strategy and targets. Since the Management Board steers the performance based on front office servicing unit, the presentation of operating segments has been changed since 2018. The operating segments are presented per front office servicing unit instead of strategic sector. The strategic sectors are the sectors in which FMO is active according to its strategic objectives. These have not changed and will be presented as such in FMO's Annual Report. In the first half year of 2019 there were no transactions between the operating segments.

FMO presents the results of its operating segments using a financial performance measure called underlying profit. Underlying profit excludes the currency effects of the results from equity investments, since all fair value changes including currency effects recorded in the profit and loss account. FMO therefore believes that the underlying profit is more relevant for understanding FMO's financial performance.

Underlying profit as presented below is an alternative performance measure and not a measure of financial performance under IFRS. A reconciliation of the underlying net profit to the net profit as reported under IFRS is made.

At June 30, 2019	**Financial Institutions**	**Energy**	**Agribusiness, Food & Water**	**Private Equity**	**Partnership for impact**	**Other**	**Total**
Interest income	71,092	62,544	35,369	2,440	18	17,229	188,692
Interst expenses	-18,648	-21,501	-9,255	-20,159	-289	-14,169	-84,021
Net fee and commission income	1,390	716	449	441	-	-588	2,408
Dividend income	-	-	-	11,537	-	-	11,537
Results from equity investments	-	-	-	-7,511	-		-7,511
Results from financial transactions	3,335	976	333	1,406	-	-571	5,479
Remuneration for services rendered	2,834	3,053	1,304	4,176	3,107	54	14,528
Other operating income	-	936	294	-	-	1,508	2,738
Total underlying income	**60,003**	**46,724**	**28,494**	**-7,670**	**2,836**	**3,463**	**133,850**
Operating expenses	-15,298	-12,706	-10,193	-13,949	-4,628	-2,968	-59,742
Total operating expenses	**-15,298**	**-12,706**	**-10,193**	**-13,949**	**-4,628**	**-2,968**	**-59,742**
Impairments on loans and guarantees	1,418	-15,625	1,723	-1,307	-19	-5	-13,815
Impairment on associates	-	-	-	-	-	-	-
Total impairments	**1,418**	**-15,625**	**1,723**	**-1,307**	**-19**	**-5**	**-13,815**
Profit before results from associates and taxation	46,123	18,393	20,024	-22,926	-1,811	490	60,293
Share in results from associates	-	-	-	2,023	-	-	2,023
Taxation	-6,823	-2,721	-2,962	3,928	268	-72	-8,382
Underlying net profit	**39,300**	**15,672**	**17,062**	**-16,975**	**-1,543**	**418**	**53,934**
Currency effect equity investments	-	-	-	4,010	-	-	4,010
Net profit under IFRS	**39,300**	**15,672**	**17,062**	**-12,965**	**-1,543**	**418**	**57,944**

Segment assets at June 30, 2019	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Loans to the private sector	1,970,171	1,759,092	909,332	46,350	18,983	64,072	4,768,000
Equity investments and investments in associates	-	-	-	1,921,135	-	-	1,921,135
Other assets	778,870	695,424	359,487	777,808	7,505	25,330	2,644,424
Total assets	**2,749,041**	**2,454,516**	**1,268,819**	**2,745,293**	**26,488**	**89,402**	**9,333,559**
Contingent liabilities – Effective guarantees issued	50,338	26,374	-	-	-	-	76,712
Assets under management (loans and equity investments) managed for the risk of the state	167,354	238,812	116,060	399,717	-	6,613	928,556

At June 30, 2018	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Interest income	66,452	55,880	31,002	2,573	301	7,149	163,357
Interst expenses	-22,049	-15,797	-6,091	-12,675	-176	-7,409	-64,197
Net fee and commission income	378	793	1,223	-522	-	-123	1,749
Dividend income	-	-	-	13,404	-	-	13,404
Results from equity investments	-	-	-	14,959	-		14,959
Results from financial transactions	-1,096	-2,642	-859	2,598	-	2,558	559
Remuneration for services rendered	2,498	3,759	1,412	4,127	2,437	46	14,279
Other operating income	-	-	-	-	-	726	726
Total underlying income	**46,183**	**41,993**	**26,687**	**24,464**	**2,562**	**2,947**	**144,836**
Operating expenses	-12,864	-11,291	-9,312	-12,120	-3,634	-2,793	-52,014
Total operating expenses	**-12,864**	**-11,291**	**-9,312**	**-12,120**	**-3,634**	**-2,793**	**-52,014**
Impairments on loans and guarantees	1,819	10,047	4,256	-957	39	-63	15,141
Impairment on associates	-	-	-	-	-	-	-
Total impairments	**1,819**	**10,047**	**4,256**	**-957**	**39**	**-63**	**15,141**
Profit before results from associates and taxation	35,138	40,749	21,631	11,387	-1,033	91	107,963
Share in results from associates	-	-	-	3,403	-	-	3,403
Taxation	-7,058	-8,185	-4,345	2,840	207	892	-15,649
Underlying net profit	**28,080**	**32,564**	**17,286**	**17,630**	**-826**	**983**	**95,717**
Currency effect equity investments	-	-	-	28,221	-	-	28,221
Net profit under IFRS	**28,080**	**32,564**	**17,286**	**45,851**	**-826**	**983**	**123,938**

Segment assets at June 30, 2018	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Loans to the private sector	1,803,815	1,538,664	816,922	42,269	16,923	49,261	4,267,854
Equity investments and investments in associates	-	-	-	1,758,706	-	-	1,758,706
Other assets	678,409	578,686	307,242	677,340	6,364	18,527	2,266,568
Total assets	**2,482,224**	**2,117,350**	**1,124,164**	**2,478,315**	**23,287**	**67,788**	**8,293,128**
Contingent liabilities – Effective guarantees issued	97,300	2,088	-	-	-	1,712	101,100
Assets under management (loans and equity investments) managed for the risk of the state	168,537	234,865	104,566	370,472	-	335	878,775

5 FINANCIAL INSTRUMENTS

5.1 Accounting classification

The following table shows the carrying amounts of financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which FMO has access at that date.

At June 30, 2019	FVPL - mandatory	FVPL- designated	Fair value hedging instruments	FVOCI- equity instruments	Amortized cost	Financial liabilities used as hedged items	Total
Financial assets measured at fair value							
Short-term deposits	1,315,177	-	-	-	-	-	1,315,177
Derivative financial instruments	-	152,101	166,764	-	-	-	318,865
Loans to the private sector	739,832	-	-	-	-	-	739,832
Equity investments	1,613,636	-	-	84,554	-	-	1,698,191
Total	**3,668,646**	**152,101**	**166,764**	**84,554**	**-**	**-**	**4,072,065**
Financial assets not measured at fair value							
Banks	-	-	-	-	32,765	-	32,765
Short-term deposits	-	-	-	-	490,159	-	490,159
Interest-bearing securities	-	-	-	-	384,998	-	384,998
Loans to the private sector	-	-	-	-	4,028,168	-	4,028,168
Current accounts with state funds and other programs	-	-	-	-	230	-	230
Other receivables	-	-	-	-	17,304	-	17,304
Total	**-**	**-**	**-**	**-**	**4,953,624**	**-**	**4,953,624**
Financial liabilities measured at fair value							
Derivative financial instruments	-	241,852	7,379	-	-	-	249,231
Total	**-**	**241,852**	**7,379**	**-**	**-**	**-**	**249,231**
Financial liabilities not measured at fair value							
Short-term credits	-	-	-	-	115,660	-	115,660
Debentures and notes	-	-	-	-	2,374,601	3,428,280	5,802,881
Current accounts with state funds and other programs	-	-	-	-	2,639	-	2,639
Other liabilities	-	-	-	-	42,280	-	42,280
Accrued liabilities	-	-	-	-	20,468	-	20,468
Total	**-**	**-**	**-**	**-**	**2,555,648**	**3,428,280**	**5,983,928**

At December 31, 2018	FVPL - mandatory	FVPL- designated	Fair value hedging instruments	FVOCI- equity instruments	Amortized cost	Financial liabilities used as hedged items	Total
Financial assets measured at fair value							
Short-term deposits	756,216	-	-	-	-	-	756,216
Derivative financial instruments	-	172,602	75,221	-	-	-	247,823
Loans to the private sector	685,799	-	-	-	-	-	685,799
Equity investments	1,504,427	-	-	77,553	-	-	1,581,980
Total	**2,946,442**	**172,602**	**75,221**	**77,553**	**-**	**-**	**3,271,818**
Financial assets not measured at fair value							
Banks	-	-	-	-	54,642	-	54,642
Short-term deposits	-	-	-	-	391,635	-	391,635
Interest-bearing securities	-	-	-	-	402,380	-	402,380
Loans to the private sector	-	-	-	-	4,085,022	-	4,085,022
Current accounts with state funds and other programs	-	-	-	-	494	-	494
Other receivables	-	-	-	-	20,597	-	20,597
Total	**-**	**-**	**-**	**-**	**4,954,770**	**-**	**4,954,770**
Financial liabilities measured at fair value							
Derivative financial instruments	-	210,209	6,965	-	-	-	217,174
Total	**-**	**210,209**	**6,965**	**-**	**-**	**-**	**217,174**
Financial liabilities not measured at fair value							
Short-term credits	-	-	-	-	76,051	-	76,051
Debentures and notes	-	-	-	-	2,442,786	2,697,095	5,139,881
Current accounts with state funds and other programs	-	-	-	-	4,173	-	4,173
Other liabilities	-	-	-	-	1,331	-	1,331
Accrued liabilities	-	-	-	-	10,086	-	10,086
Total	**-**	**-**	**-**	**-**	**2,534,427**	**2,697,095**	**5,231,522**

5.2 Short-term deposits

	June 30, 2019	December 31, 2018
Collateral delivered (related to derivative financial instruments)	67,305	66,531
Commercial paper	1,121,771	590,350
Money market funds	193,406	165,866
Dutch central bank	421,982	324,615
Mandatory reserve deposit with Dutch central bank	872	489
Total short term deposits	**1,805,336**	**1,147,851**

Mandatory reserve deposits are not available for use in FMO's day-to-day operations.

5.3 Fair values

Fair value hierarchy

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

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

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

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

Valuation processes

For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, FMO uses the valuation processes to decide its valuation policies and procedures and analyze changes in fair value measurement from period to period.

FMO's fair value methodology and governance over applied methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the Investment Risk Committee (IRC). The IRC approves the fair values measured including the valuation techniques and other significant input parameters used. The appropriateness of the valuation techniques applicable to the underlying instruments is assessed as part of the valuation process and any potential changes between levels in the fair value hierarchy are considered.

Valuation techniques

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

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

1. Recent broker/ price quotations
2. Discounted cash flow models
3. Option-pricing models

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

Investments are measured at fair value when a quoted market price in an active market is available or when fair value can be estimated reliably by using a valuation technique. The main part of the fair value measurement related to investments (level 3) is based on net asset values of investment funds as reported by the fund manager and are based on advanced valuation methods and practices. When available, these fund managers value the underlying investments based on quoted prices, if not available multiples are applied as input for the valuation.

The table below presents the carrying value and estimated fair value of FMO's non fair value financial assets and liabilities.

The carrying values in the financial asset and liability categories are valued at amortized cost except for the funding in connection with hedge accounting. The underlying changes to fair value of these assets and liabilities are therefore not recognized in the balance sheet.

	June 30, 2019		December 31, 2018	
Non fair value financial assets-liabilities	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Short term deposits at AC	490,159	490,159	391,635	391,635
Banks	32,765	32,765	54,642	54,642
Interest-bearing securities	384,998	394,374	402,380	406,561
Loans to the private sector at AC	4,028,168	4,123,036	4,085,022	4,167,007
Total non fair value financial assets	**4,936,090**	**5,040,333**	**4,933,679**	**5,019,845**
Short-term credits	115,660	115,660	76,051	76,051
Debentures and notes	5,802,881	5,832,235	5,139,881	5,128,431
Total non fair value financial liabilities	**5,918,541**	**5,947,895**	**5,215,932**	**5,204,482**

The valuation technique we use for the fair value determination of loans to the private sector and non-hedged funding is based on the discounted cash-flow method. The discount rate we apply is a spread curve based on the average spread of the portfolio.

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

At June 30, 2019	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
-Short-term deposits mandatorily at FVPL	1,315,177		-	1,315,177
-Derivative financial instruments	-	313,254	5,612	318,865
-Loans to the private sector mandatorily at FVPL	63,317	-	676,515	739,832
-Equity investments	30,523	-	1,583,114	1,613,636
Financial assets at FVOCI				
-Equity investments	-	-	84,554	84,554
Total financial assets at fair value	**1,409,017**	**313,254**	**2,349,794**	**4,072,065**
Financial liabilities at FVPL				
-Derivative financial instruments	-	249,231	-	249,231
Total financial liabilities at fair value	**-**	**249,231**	**-**	**249,231**

At December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
-Short-term deposits mandatorily at FVPL	756,216	-	-	756,216
-Derivative financial instruments	-	243,199	4,624	247,823
-Loans to the private sector mandatorily at FVPL	15,194	-	670,605	685,799
-Equity investments	25,028	-	1,479,399	1,504,427
Financial assets at FVOCI				
-Equity investments	-	-	77,553	77,553
Total financial assets at fair value	**796,438**	**243,199**	**2,232,181**	**3,271,818**
Financial liabilities at FVPL				
-Derivative financial instruments	-	217,174	-	217,174
Total financial liabilities at fair value	**-**	**217,174**	**-**	**217,174**

Movements in financial instruments measured at fair value based on level 3	Derivative financial instruments	Loans to the private sector	Equity investments	Total
Restated Balance at January 1, 2018	734	590,405	1,466,775	2,057,914
Total gains or losses				
-In profit and loss (changes In fair value)	3,890	-6,206	-36,280	-38,596
-In other comprehensive income (changes in fair value)	-	-	-245	-245
Purchases /disbursements	-	88,113	283,387	371,500
Sales/repayments	-	-81,344	-152,417	-233,761
Write-offs	-		-	-
Accrued income	-	4,906	-	4,906
Exchange rate differences	-	23,025	-4,268	18,757
Derecognition and/or restructuring FVPL versus AC	-	56,520	-	56,520
Reclassification Loans versus Equity	-	-4,814	-	-4,814
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance at December 31, 2018 as previously reported	**4,624**	**670,605**	**1,556,952**	**2,232,181**
Total gains or losses				
-In profit and loss (changes In fair value)	968	3,113	-10,031	-5,950
-In other comprehensive income (changes in fair value)	-	-	6,530	6,530
Purchases /disbursements	-	38,721	147,031	185,752
Sales/repayments	-	-32,150	-34,501	-66,651
Write-offs	-	-1,035	-	-1,035
Accrued income	-	-1,638	-	-1,638
Exchange rate differences	20	3,659	2,154	5,832
Derecognition and/or restructuring FVPL versus AC	-	2,038	-	2,038
Reclassification Loans versus Equity	-	-6,798	6,798	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-7,264	-7,264
Balance at June 30, 2019	**5,612**	**676,515**	**1,667,668**	**2,349,795**

Valuation techniques and unobservable inputs used measuring fair value of loans to the private sector

Type of debt investment	Fair value at June 30, 2019	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	120,953	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/lower fair value of €6m.
	285,006	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch wil result 1% increase/ decrease
	55,455	Credit impairment	n/a	n/a
Debt Funds	215,101	Net Asset Value	n/a	n/a
Total	**676,515**			

Valuation techniques and unobservable inputs used measuring fair value of equity investments

Type of equity investment	Fair value at June 30, 2019	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	884,536	Net Asset Value	n/a	n/a
Private equity direct investments	45,558	Recent transactions	Based on at arm's length recent transactions	n/a
	473,234	Book multiples	1.0 – 2.5	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €47m.
	177,521	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 6 - 14)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €18m. To be recorded in other comprehensive income
	17,030	Discounted Cash Flow (DCF)	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €2m.
	37,540	Put option based on guaranteed floor	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €4m.
	32,248	Firm offers	1.0 - 1.4	n/a
Total	**1,667,668**			

6 COMMITMENTS AND CONTINGENT LIABILITIES

To meet the financial needs of borrowers, FMO enters into various irrevocable commitments (loan commitments, equity commitments and guarantee commitments) and contingent liabilities. These contingent liabilities consist among others of financial guarantees, which commit FMO to make payments on behalf of the borrowers in case the borrower fails to fulfill payment obligations. Though these obligations are not recognized on the balance sheet, they do obtain Credit Risk similar to loans to private sector. Therefore, provisions are calculated for financial guarantees and loan commitments according to IFRS 9 ECL measurement methodology.

Furthermore, the contingencies include an irrevocable payment commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions with the option to fulfil part of their obligation to pay the annual ex - ante contributions to the Single Resolution Fund (SRF) through IPCs.

	June 30, 2019	December 31, 2018
Contingent liabilities		
Encumbered funds (single resolution fund)	389	
Effective guarantees issued	76,712	75,066
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-2,731	-3,331
Total contingent liabilities	**74,369**	**71,735**
Guarantees received		
Effective guarantees received	208,649	199,027
Total guarantees received	**208,649**	**199,027**

Nominal amounts for irrevocable facilities is as follows:

	June 30, 2019	December 31, 2018
Irrevocable facilities		
Contractual commitments for disbursements of:		
- Loans	760,452	830,686
- Grants	1,924	1,734
- Equity investments and associates	683,176	642,606
- Contractual commitments for financial guarantees given	371,479	334,163
Total irrevocable facilities	**1,817,031**	**1,809,189**

For 2019 total irrevocable facilities contain 85% USD, 14% EUR and 1% other currencies (2018: 84% USD, 12% EUR, 2% other).

7 DEBENTURES AND NOTES

Debentures and notes includes issued debt instruments in various currencies under FMO's Debt Issuance Programmes. In addition, a subordinated note of EUR 175 million is also included in the Debenture and Notes. Under IFRS this note is classified as financial liability, but for regulatory purposes is considered as Tier 2 capital. This note was issued on December 8, 2015 with a maturity of five years. The note is issued at 99.28% of the aggregated nominal amount at a fixed coupon rate of 1.5%. The note is non-convertible and can be called on first call date or the call date can be extended for another five years.

The following table summarizes the carrying value of the debentures and notes. Increase in Debentures and notes is mainly result of issuance of FMO's Green Bond.

	June 30, 2019	December 31, 2018
Debentures and notes under hedge accounting	3,428,280	2,697,095
Debentures and notes valued at AC	2,374,601	2,442,786
Total debentures and notes	**5,802,881**	**5,139,881**

The nominal amounts of the debentures and notes are as follows:

	June 30, 2019	December 31, 2018
Debentures and notes under hedge accounting	3,282,945	2,605,045
Debentures and notes valued at AC	2,353,463	2,451,277
Total debentures and notes	**5,636,408**	**5,056,322**

The movements can be summarized as follows:

	2019
Balance at January 1	5,139,881
Amortization of premiums/discounts	5,815
Proceeds from issuance	1,085,064
Redemptions	-498,507
Changes in fair value	70,294
Changes in accrued expense	11,972
Exchange rate differences	-11,638
Balance at June 30	**5,802,881**

Line item 'changes in fair value' represents the fair value changes attributable to the hedge risk in connection with the debentures and notes used for hedge accounting purposes.

8 OTHER LIABILITIES

The increase in other liabilities is result of implementation of IFRS 16 standard as per January 1, 2019 and deposits placed by customers. The deposits placed by customers are related to funds received from the Dutch State, which will be transferred to FMO's partners involved in government or public funds.

	June 30, 2019	December 31, 2018
Amortized costs related to guarantees	296	322
Other liabilities	1,693	1,009
Lease liabilities	20,218	-
Deposits placed by customers	20,073	-
Total other liabilities	**42,280**	**1,331**

9 NET FEE AND COMMISSION INCOME

	June 30, 2019	June 30, 2018
Prepayment fees	253	717
Front-end fees for FVTP loans	226	90
Administration fees	1,262	1,115
Other fees (like arrangement, cancellation and waiver fees)	1,242	269
Total fee and commission income	**2,982**	**2,190**
Custodian fees and charges for the early repayment of debt securities	-574	-441
Total fee and commission expense	**-574**	**-441**
Net fee and commission income	**2,408**	**1,749**

10 RESULTS FROM EQUITY INVESTMENTS

The results from equity investments also contain the fair value changes of equity investments including currency exchange effects. In first half year of 2019, the result from equity investments decreased with EUR 47 million to EUR -3 million (H1 2018: €44 million). This decline is mainly caused by reduction of underlying investments. Moreover, the loss is fortified due to the average appreciation of EUR to USD exchange rate in comparison to first half year of 2018. Lastly, loss of EUR2 million was recorded on sales of equity investments (including capital distributions).

Results from equity investments	June 30, 2019	June 30, 2018
Unrealized results from changes in fair value	**-1,934**	**51,551**
Results from sales and distributions:		
-Realized results	4,158	54,252
-Release unrealized results	-5,664	-62,045
Net results from sales and distributions	**-1,506**	**-7,793**
Total results from equity investments	**-3,439**	**43,758**

11 DIVIDENDS

In the General Meeting of Shareholders in May 2019 the proposal for the appropriation of profit for the 2018 financial year was approved. The distributable amount of the net profit amounts to EUR 3.6 million which has been fully distributed as cash dividend.

12 REMUNERATION FOR SERVICES RENDERED

	June 30, 2019	June 30, 2018
Funds and programs managed on behalf of the State:		
- MASSIF	5,472	5,314
- Infrastructure Development Fund	3,971	3,964
- Access to Energy Fund	1,068	1,065
- FOM OS	100	150
- Capacity Development Program	-	168
Syndication fees, remuneration from directorships and others	3,916	3,617
Total remuneration for services rendered	**14,528**	**14,279**

Remuneration for managing funds and programs is assessed for market conformity. Related management expenses are included in operating expenses.

13 INCOME TAX

Income tax of EUR 8 million decreased compared to 2018 due to lower profit before tax whilst the average weighted annual rate of 13.5% increased (H1 2018: 12.5%). The higher tax rate is mainly due to lower results from equity investments for which participation exemption is applicable.

Current income tax receivables amount to EUR 36.5 million (December 31, 2018: EUR 24.4 million).

14 EVENTS AFTER THE END OF THE REPORTING PERIOD

In first half of August 2019 the Argentinian Peso has shown accelerated depreciation and caused tension in financial markets. For more details, reference is made to section 3.4 Concentration Risk. This event has no impact on the figures as per June 30, 2019.

15 RELATED PARTIES

FMO defines the Dutch State, subsidiaries, associated companies, the Management Board and Supervisory Board as related parties. This is in line with the Annual Report 2018.

In the first half of 2019 no loans or investments were transferred from the State Funds to FMO.

REVIEW REPORT

To: the Management Board of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague, which comprises the condensed consolidated balance sheet as at 30 June 2019, the condensed consolidated profit and loss account, condensed consolidated statement of comprehensive income, condensed statement of changes in shareholder's equity and condensed consolidated statement of cash flows for the 6-month period then ended 30 June 2019, and the condensed consolidated notes, comprising a summary of the significant accounting policies and other explanatory information.

Management Board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the 6-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 22 August 2019

Ernst & Young Accountants LLP

Signed by W.J. Smit

LIST OF ABBREVIATIONS

AC	Amortized cost
BCBS	Basel Committee on Banking Supervision
BRRD	Bank Recovery and Resolution Directive
BoP	Base of the Pyramid
CET-1	Comment Equity Tier 1
CIO	Climate Investor One
CIU	Collective Investment Undertakings
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DCF	Discounted Cash Flow
DFCD	Dutch Fund for Climate and Development
DFI	Development Finance Institution
DNB	De Nederlandse Bank (Dutch Central Bank)
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EC	European Commission
ECL	Expected Credit Loss
EDFI	European Development Finance Institution
EU	European Union
FEC	Financial & Economic Crime
FOM	Faciliteit Opkomende Markten
FMO IM	FMO Investment Management
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GDP	Gross Domestic Product
GHG	Greenhouse gas
IAS	International Accounting Standards
IASB	International Accounting and Standards Board
IFC	International Finance Corporation
IFRIC	Internationl Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPC	Irrevocable payment commitment
IRC	Investment Risk Committee
KPI	Key performance indicators
KYC	Know Your Customer
LDC	Least Developed Countries
LTA	Look-through approach
MBA	Mandate-based approach
MSME	Micro, Small and Medium Enterprises
NPL	Non performing loans
NPE	Non performing exposures
NPS	Net promoter score
OCI	Other comprehensive income
SIC	Standing Interpretations Committee
SDG	Sustainable Development Goals
SPPI	Solely payments of principal and interest
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
USD	US dollar
tCO_2eq	One (1) tonne of CO_2 equivalent

ADDITIONAL INFORMATION

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REPORTING SCOPE

This interim report covers activities that took place or had effect on the first six months of 2019.

FMO publishes its integrated annual report in April. This report is audited by the external auditor. Please read the 2018 auditor's report for detailed information on the scope and result of their work. Previous reports are available on www.fmo.nl or via https://annualreport.fmo.nl.