FMO

Entrepreneurial
Development
Bank

annual report

2015

Investments that benefit communities
FMO's client the Kenyan Tea Development Agency invests throughout the tea supply chain. When they build tea processing factories they also build roads and connect power to the factories. These key facilities benefit the wider community and micro-entrepreneurs like this lady in her shop alongside the road in Nyeri.

Our mission is to empower entrepreneurs to build a better world.

– FMO annual report 2015 –

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case studies

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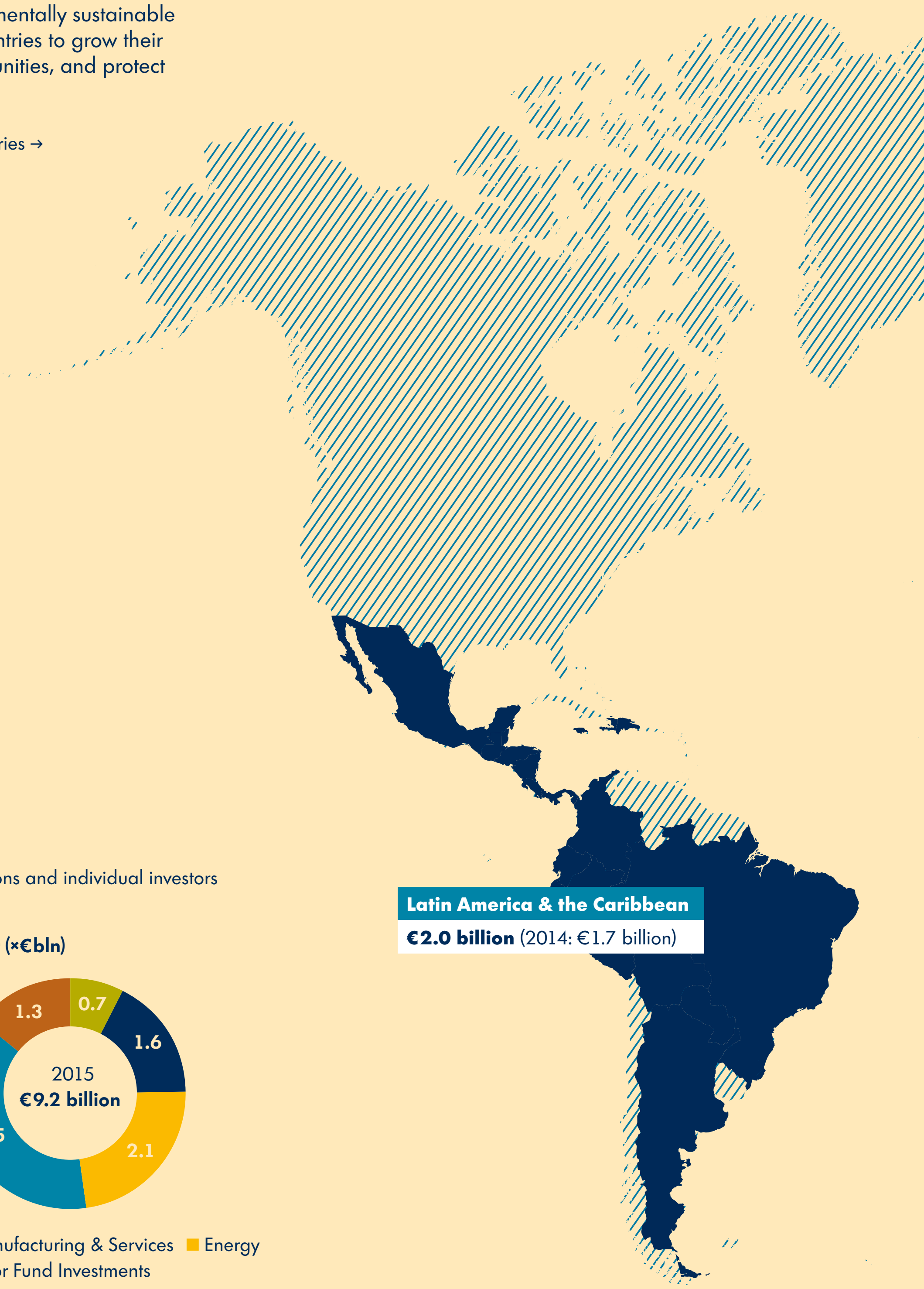
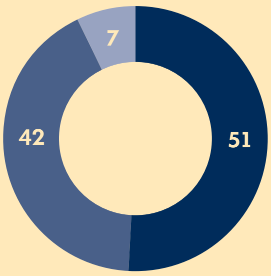
FMO at **a glance**

FMO is the Dutch development bank
Since 1970, we have been improving the lives of people in developing countries by supporting job creation and encouraging responsible businesses. We do this by investing in the private sector in a socially responsible and environmentally sustainable manner. In this way, we help countries to grow their economy, strengthen their communities, and protect the environment.

■ Investments in more than 85 countries →

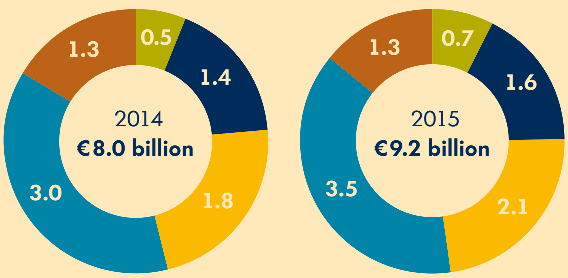


Ownership structure (%)



■ Dutch government ■ Dutch banks
■ Employers' associations, trade unions and individual investors

Total committed portfolio by sector (×€bln)



■ Agribusiness ■ Infrastructure, Manufacturing & Services ■ Energy
■ Financial Institutions ■ Multi-Sector Fund Investments

Development impact and performance

858,000
(in) Direct jobs supported (FTEs)

936,000
Avoided GHG emissions (tCO_2eq)

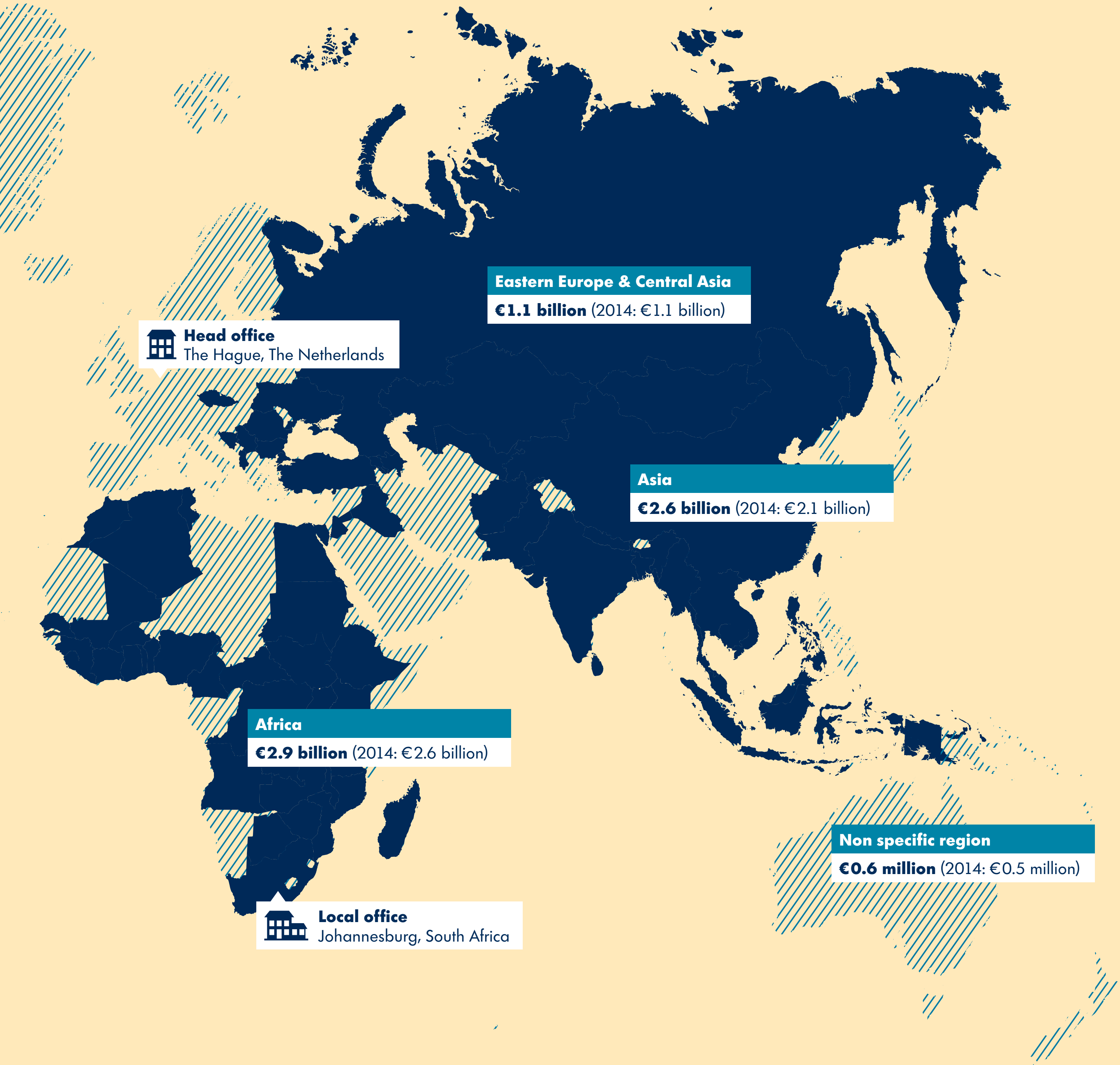
78%
of FMO investments in Low Income Countries and Lower Middle Income Countries

Net profit
€174 mln

New commitments and catalyzed funds
€2.507 mln

Average Full-Time Employees
372

Ratings
Fitch ratings: AAA
Standard & Poor's: AAA
Sustainalytics: 85
oekom research: B



FMO KEY FIGURES

The figures and percentages mentioned throughout this integrated annual report are the figures of the financing activities from FMO's own funds including the FOM facility. FMO also manages several funds for the Dutch government. Where the government funds are included, this is explicitly stated.

	2015	2014	2013	2012	2011
(in)Direct Jobs supported[1] (FTEs) (×'000)	858	n/a	n/a	500	500
Avoided GHG emissions[2] (tCO_2eq) (×'000)	936	n/a	n/a	600	600
Green investments[3] (€×mln)	685	530	n/a	n/a	n/a
Catalyzed funds[4] (€×mln)	923	879	822	n/a	n/a
New commitments[5] (€ mln)	1,584	1,632	1,524	1,390	1,306
· of which are government funds	184	177	144	160	165
Total committed portfolio (€×mln)	9,256	8,013	6,633	6,281	5,874
· of which are government funds[6]	1,194	978	844	831	828
Net loans	4,307	3,860	2,981	2,817	2,585
Equity investments portfolio[7]	1,500	1,149	962	914	795
Shareholders' equity	2,511	2,138	1,963	1,815	1,665
Debt securities and debentures/notes	5,348	4,197	3,610	3,292	2,679
Total assets	8,421	7,088	6,184	5,564	5,059
Income					
Net interest income	227	169	155	154	147
Income from equity investments	44	72	43	89	46
Other income including services	49	19	56	28	45
Total income	**320**	**260**	**254**	**271**	**238**
Total expenses	**-79**	**-62**	**-62**	**-57**	**-52**
Operating profit before value adjustments	**241**	**198**	**192**	**214**	**186**
Value adjustments					
· to loans and guarantees	-10	-36	4	-23	-23
· to equity investments	-19	-15	-22	-23	-36
Total value adjustments	**-29**	**-51**	**-18**	**-46**	**-59**
Taxes	-41	-25	-36	-27	-25
Net profit	**174**	**124**	**133**	**145**	**93**
Average number of full-time employees	372	362	342	306	283
FMO's direct environmental footprint: offset CO_2 emissions (tons)(×'000)[8]	4.1	5.1	4.9	6.3	3.6

[1] (In)Direct jobs supported is the indicator for our 2020 strategic goal to double the impact. We measure this by comparing the baseline period – the average of the 2010-2012 new investments – with the endline period – the average of the 2018-2020 new investments. 2015 was the first year that we measured our progress

[2] Avoided GHG emissions is the indicator for our 2020 strategic goal to halve the footprint by doubling GHG avoidance. It is measured in a similar way as the (in)direct jobs supported. 2015 was the first year that we measured our progress

[3] Green investments are the new investments for FMO's account, the government funds and catalyzed funds that have been labeled as green investments

[4] Catalyzed funds are the new investments made on behalf of third parties

[5] New commitments and Total committed portfolio concern both investments for FMO's account and investments for government funds managed by FMO

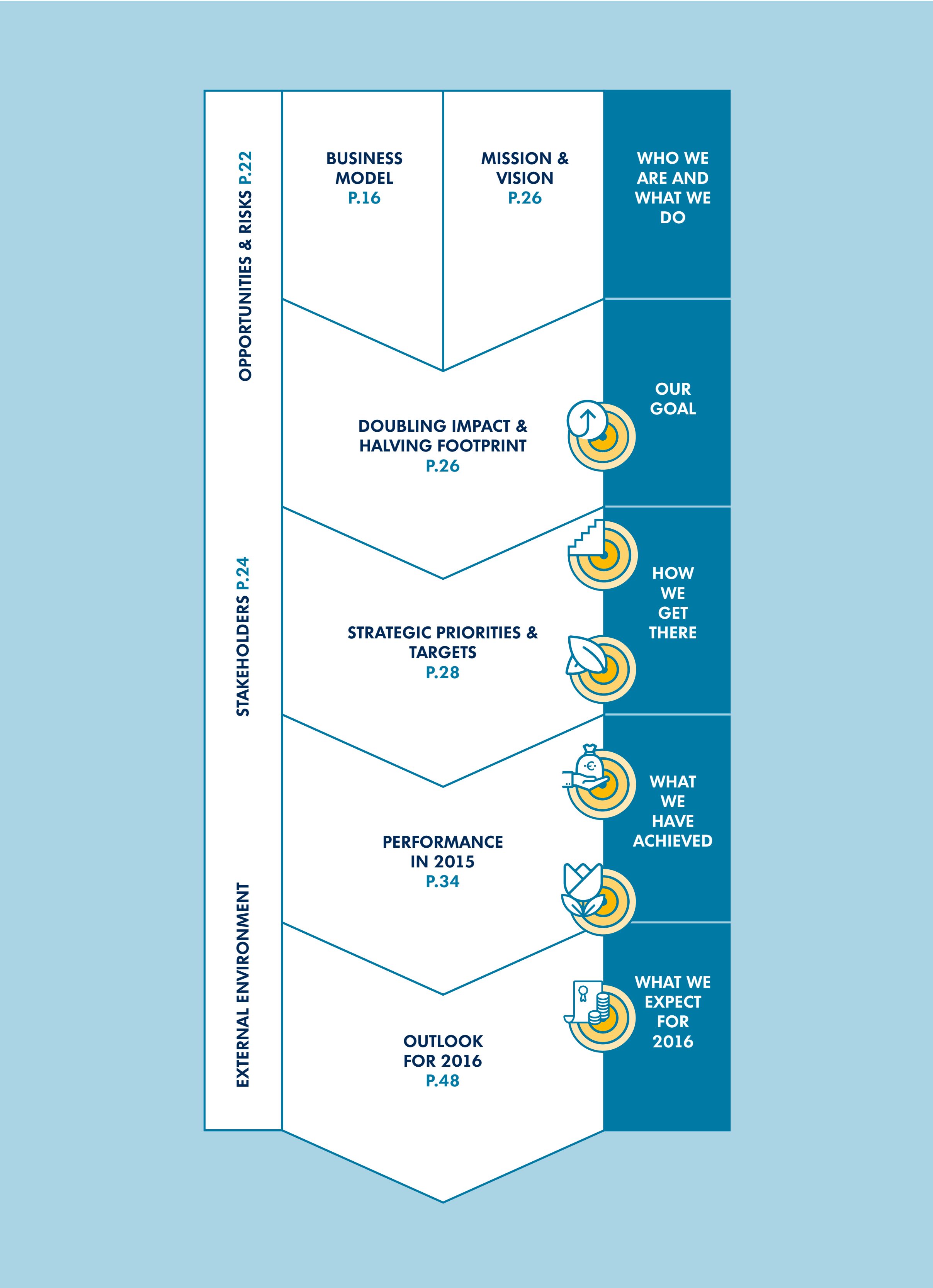
[6] The government funds include MASSIF, IDF, AEF and FOM OS

[7] Including investments in associates

[8] FMO fully offsets the CO_2 emissions from its own operations. We compensate our CO_2 emissions, the largest share resulting from employee flight travel, through the purchase of CO_2 credits (REDD+ projects) and directly through KLM, our most important carrier. The CO_2 emissions in 2015 are substantially lower than in 2014 due to slightly lower flight travel and FMO making a full switch to green electricity. For more information, see www.fmo.nl/our-footprint

HOW WE CREATE VALUE

In pursuit of our vision, we built our strategy to become the leading impact investor by doubling impact and halving footprint by 2020. We have defined six strategic priorities to give accountability on how we have and will continue to create value for our stakeholders. More information on the strategic priorities, indicated as icons, can be found on pages 28 and 29.



Rwanda's first solar power farm
Twaha Twagirimana, *Plant Supervisor*

In 2015, Gigawatt Global held a ceremony to launch its solar field. Completed in record time, it is the first major solar power farm in east Africa – creating jobs, providing a sustainable income for the Agahozo Shalom Youth Village and empowering the country with access to clean electricity. FMO arranged the Senior Debt package for this transaction.

Report of the **management board**

Letter from the CEO

– Nanno Kleiterp –
Chief Executive Officer

Dear stakeholder,
I am pleased to present the results of a successful 2015 in which we achieved our main goals for the year: through our new commitments we increased both the number of direct and indirect jobs and the amount of greenhouse gases avoided. At the same time our clients satisfaction survey shows that our clients were highly satisfied with FMO's services.

We initiated a number of innovations with the Dutch government and corporate sector, which will catalyze additional public and private funding to finance green and inclusive growth. And we achieved a record level of financial profit, while the quality of our portfolio did not materially deteriorate in the current challenging economic environment.

I am proud of the support we provided to our clients, helping them cope with the economic challenges that characterized last year. The drop in commodity prices and the Chinese slowdown had an effect on some of our clients and required us to be prudent in managing our risks. We contracted and catalyzed transaction volumes of €2.5 billion that supported more than 858,000 jobs and avoided more than 936,000 tons of greenhouse gases in our markets. Besides, we facilitated the adoption of best practice in ESG and financial risk management through the successful use of our Capacity Development funds for our clients.

FMO engaged intensely with its key stakeholders throughout the year with the purpose of identifying material issues and receiving input for how these issues should affect our strategy and operations going forward. These engagements are reflected throughout the report. Besides day-to-day account management vis-à-vis key parties, these material topics are selected based on the results of a materiality survey, a client satisfaction survey and separate stakeholder discussions which we held during the second half of the year.

2015 was a volatile year. On the one hand we experienced the disruptive effects of changing weather patterns, terrorist attacks and migration as symptoms of the deep seated problems of climate change and inequality. On the other hand, I also feel that 2015 was a year of hope for a better future for this generation and for our children. I was particularly excited that UN member states reached agreements about new sustainability goals to shift towards a greener and more inclusive future in 2030. The ambition of UN member states – formulated at the COP21 in Paris – to keep global warming below 2 degrees Celsius, provided another strong signal that the move to a sustainable future is by now felt on a global scale to be urgent.

In other words, FMO's agenda of previous years is increasingly felt to be a mainstream agenda for all. That is an encouragement to move ahead with our strategy to become the leading impact investor by doubling impact and halving footprint. It is also a major opportunity to help and guide more public and private investors to our markets and to facilitate their investing in worthwhile green and inclusive projects. This role of catalyzing other investors towards such projects requires that they are structured according to the needs of each group of investors. We have the experience to do that and this role in blending finance will become increasingly important to us in 2016 and the years to come.

"…through our new commitments we increased the number of jobs and the amount of greenhouse gases avoided."

We will continue to be a development bank that provides tailor made financing to its clients in emerging markets. And we will continue to provide advice and share our international networks with our clients and partners.

In light of all the external changes and the new opportunities that these provide us, our strategy will evolve. To that end, we started three innovative initiatives: Climate Investor One, taking on the management of the European Commission's ElectriFI in the field of energy finance and the Development Business Partner initiative to provide infrastructure finance for Dutch companies investing in emerging markets. These initiatives have in common that they blend public and private financing sources and support project development from identification, to equity finance, through to debt finance. These are innovations that will help in building new coalitions between public and private investors, in pooling their particular types of capital and hence investing larger amounts in green and inclusive projects over time. These initiatives may not create an impact today, but will do so over time working towards 2020.

Early March in the new year, we were shocked by the violent death of Mrs. Berta Cáceres, a well-respected human rights activist. She was a vocal opponent to a project in Honduras in which FMO is co-financier. At FMO, we give the highest priority to carefully engaging all involved parties in our projects through intensive dialogue and consultation with local population. The right of speech for those who stand for their rights and livelihoods of people are of high value to FMO and we reject and condemn any violence against these individuals or groups.

I would like to thank FMO's employees for a year of hard work and mutual inspiration. These times of change are inspiring to all, yet also demanding, as they require a fine balance between strategic rigor on the one hand and innovative strength on the other. Leadership and accountability are required from the top down as well as from the bottom up. I look forward to another year of progress for FMO and in particular to coming closer to achieving our goal of a green and inclusive future for all. We will continue to build on more structured stakeholder engagement, welcoming involvement and input from stakeholders, including NGOs, to make sure that our investment processes are performed well. To realize our strategy and safeguard our financial sustainability in the challenging economic environment, FMO will consolidate while continuing to support its clients.

On a personal note, after 29 years at FMO, of which 21 years in the Management Board, including eight years as Chairman, I will step down as per October 1st of this year, when my second four-year term as CEO comes to an end. I look back on beautiful years in which FMO went through major change, putting impact and sustainability at the core of its strategy and developing innovative financing while at the same time the organization professionalized, increasing its reach in our markets on a large scale. One important thing stayed the same and that is the ambition of all who work at FMO to empower entrepreneurs to create a better world.

I feel privileged to have been part of such a special bank for the last 29 years.

Nanno Kleiterp
Chief Executive Officer

From ESG risk management to **promoting ESG best practices**

– **Hugo Verkuijl** –
Program Development Manager at Hivos

'Only through cooperation and a sound exchange of information can we take steps towards respecting the land rights of indigenous people,' said Lilianne Ploumen, Minister of Foreign Trade and Development Cooperation, at the start of the first multi-stakeholder dialogue on land governance, held at the end of 2014. This case study exemplifies how FMO shares and exchanges best practices and knowledge in order to build on its own environmental, social and governance (ESG) policies.

Since then, some forty corporations, knowledge institutes and NGOs have been meeting on a regular basis to discuss land rights in developing countries. FMO is an active participant in these meetings, among other things as the initiator of a working group that also includes Tropenbos International, the Royal Tropical Institute (KIT) and Hivos. 'It's a fine initiative, and we complement each other well', says agricultural economist Hugo Verkuijl on behalf of Hivos.

What do the working group's activities entail?

'The full name of the working group is "Alternative Tenure and Business Models for locally controlled sustainable land use and forest management". It is a response to the various instances we have seen in the past years of investments in developing countries where commercial corporations forced local communities and small farmers off their land. Out of concern about this kind of land grabbing, FMO, KIT, Tropenbos and Hivos together decided to tackle the question of what business models would reinforce rather than weaken the land ownership – or, at any rate, land use – of local communities and small farmers. In order to answer that question, we conducted some twenty interviews with FMO staff and entrepreneurs.'

What were your findings?

'We noticed that a lot of investments are made on a "do no harm" basis. In other words: a corporation requests financing for an undertaking and ensures that the negative impact on the environment is minimal. The rationale behind this is that the investment will do some harm somewhere anyway, so it is best to be conscientious, ensure proper compensation and make sure that as few people as possible are harmed. In and of itself that's fine, but in addition to doing no harm we should also aim to do some good. So that's the question: how do you bring about positive social and environmental effects?'

And what's the answer?

'An example would be less focus on big agribusiness. I am convinced that investing in business models that reinforce the land ownership of local communities can also lead to increased economic growth. For the past 25 years I have mainly been living and working in Africa. I have worked for the government and have been an entrepreneur in Mali for ten years now. I set up a company there that actively developed an alternative business model to reinforce the land rights of small farmers. That's been a very positive experience. As the farmers became shareholders in the company, they ended up protecting the property, which had a positive impact on regional economic development.'

FMO's client the Moringa fund has at its core the aim to restore ecosystems for the benefit of small-scale farmers.

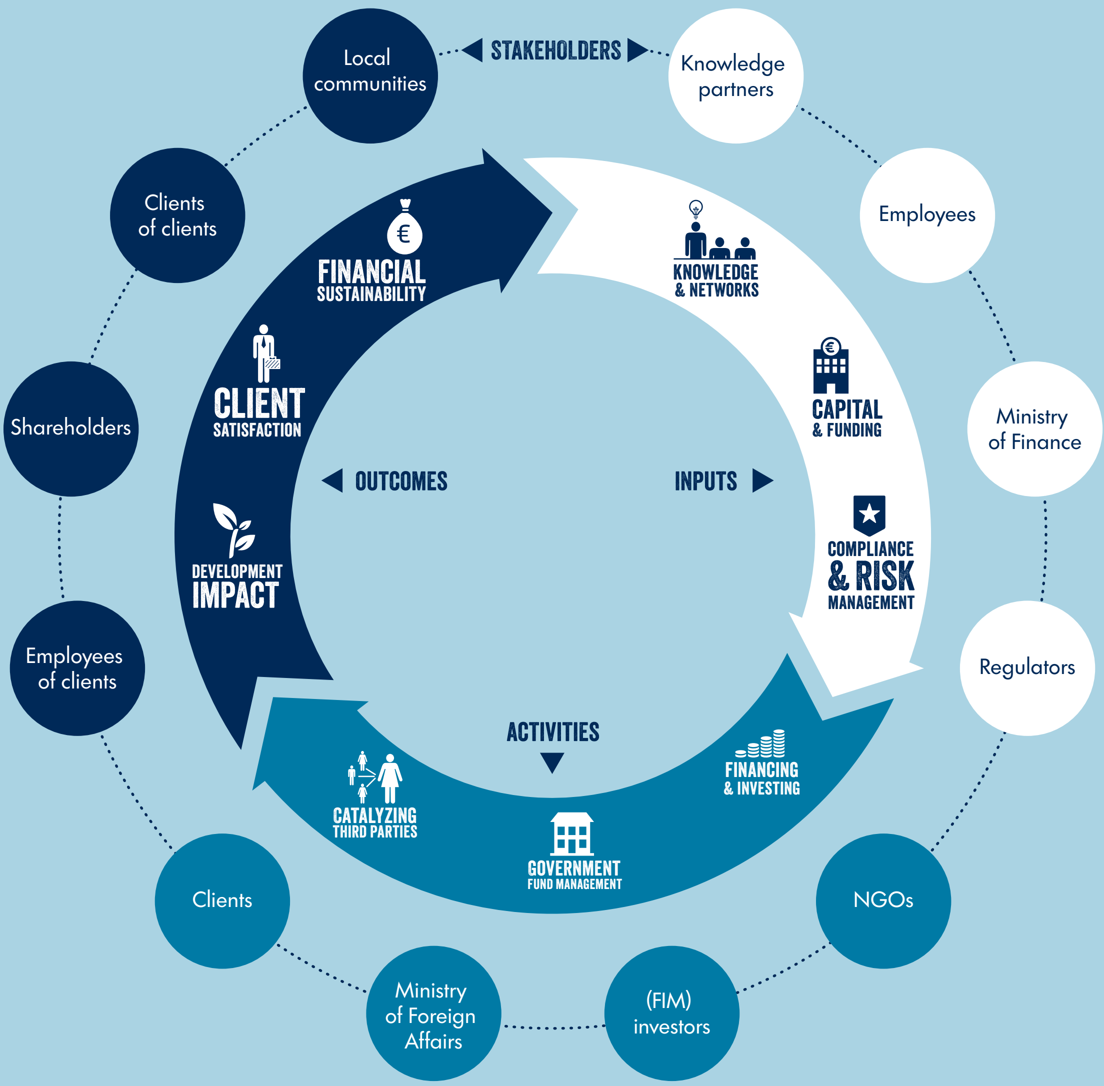
So, you contributed practical experience to the working group. What did the other parties contribute, and how did your cooperation take shape?
'FMO is an important driving force. By means of this initiative, FMO demonstrates that it is a frontrunner in the impact investing landscape. That is very beneficial and important. Also, as a bank, FMO looks at this issue from a different point of view than Hivos does, as an organization that has mainly social aims. We complement each other beautifully. The same goes for KIT and Tropenbos.

'For example, KIT has plenty of experience with the processes involved in decentralization and the role that governments play in land allocation. Tropenbos introduced the notion that it is not always necessary to pursue land ownership. They pointed out that in countries like Burkina Faso attaining full land ownership through registration in the land register involves making a substantial investment. Small farmers often lack the necessary funds and sometimes end up selling some land first in order to own another piece of land. That is why Tropenbos came up with the concept of "good enough tenure", based on the more traditional land rights system. This offers new possibilities. When looking for an alternative business model to reinforce land ownership, "good enough tenure" may be a better option for small farmers in actual practice.'

What will be done with all these insights?
'Our research will result in a guide for impact investors, in which we will present cases and include lessons and recommendations. It will explain what type of investment will yield the biggest returns with respect to society and the environment. The guide will be published in June. Our target audience includes everyone who is looking to invest in agribusiness with the intention of making a positive impact. That would be the development banks, but also regular banks and pension funds. They may end up learning a lot. We hope that ultimately more investments will be made in alternative business models that also have a social and environmental impact, resulting in reinforced land use and/or land ownership by local communities. That could truly change the world.'

Initial findings of this working group's scoping study were published in October 2015: www.tropenbos.org/news

Our business model



Our business model has been shaped and is continuously adjusted through our stakeholder engagements.

Our inputs

Knowledge & networks

Many years of sustainable investing in emerging markets, combined with our focus on key sectors, has enabled us to build a strong knowledge base. We employ specialized and diverse staff who not only have high qualifications and strong credentials, but also exemplify our corporate values: engaged, excellence, cooperation, and making the difference.

Partnering with development finance institutions (DFI) partners and other commercial parties is central to our approach to business. Our financing partners deliver valuable local knowledge about the markets in which we operate, and cofinance transactions with us. Our local office in Johannesburg, South Africa, which we share with our German counterpart, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), enables us to better serve African clients by pooling our skills locally. Our knowledge partners facilitate the transfer of best practices to our clients.

Capital & funding

We were founded as a public-private partnership with 51% of our shares held by the Dutch State, through the Ministry of Finance. As part of the Dutch government's international development agenda, our mandate is to promote private sector development in developing countries. The Dutch government also guarantees our financial commitments and entrusts us with the management of a number of government initiated funds that have strong synergies with our own strategy.

Compliance & risk management

While risks are inherent to our operations, we manage them within well-defined boundaries. FMO is committed that its employees, clients and counterparties adhere to the ethical standards put in place and we maintain a zero tolerance approach to any form of unethical behavior. Our In Control Framework ensures continuous measurement and monitoring of the drivers in our risk universe. This is further explained in chapter 'Corporate Governance.' The financial risk profile is supported by holding prudent levels of capital and liquidity and diversification of the portfolio over regions and sectors. We also run environmental, social and governance risks (ESG) in our portfolio. We find it part of our mission not to avoid such risks but to mitigate them through the application of the IFC Performance Standards and due dilligence covering ESG issues in line with best market practices, such as OECD guidelines, robust controls and by engaging with our stakeholders as well as requesting clients to engage with their stakeholders.

Our activities

Financing & investing

We provide a range of financial products including long-term project financing, loans, guarantees, capital market transactions, mezzanine, and invest through private equity and other tailor-made financing. Our direct clients are companies, financial institutions, private equity fund managers and infrastructure project developers in developing countries.

Government fund management

Through the funds that we manage on behalf of the Ministry of Foreign Affairs we invest regularly at an early stage in higher-risk projects, which often deliver substantial development impact. These funds are: the MASSIF fund, focusing on SME banks and other financial intermediaries in the field of financial inclusion and SME lending; the Access to Energy Fund focusing on access to energy services in low income countries; and the Infrastructure Development Fund, which invests in infrastructure projects in low-incomes countries.

Catalyzing third parties

We manage third party capital funds, which are invested alongside FMO in eligible transactions. Through these funds, FMO Investment Management BV offers investors access to our expertise with regard to responsible emerging market investing while providing our clients with increased access to financing and diversified lending. We also catalyze commercial banks and other development finance institutions with our syndicated loans.

Our outcomes

Development impact

We actively seek clients and projects that have high potential for positive impact in terms of economic growth, social progress and environmental sustainability. With our support, our clients create jobs ("employees of clients"), manufacture products and deliver services in an environmentally sustainable and socially responsible way. This impact is even higher when taking supply chain effects into account ("clients of clients" and "suppliers of clients"). If local communities are affected through our financing, our clients ensure that they are compensated properly as part of the ESG agreement that we reach with the client. Through engagement with non-governmental organizations (NGOs) we aim to learn and improve on our ESG investment policies.

Client satisfaction

In addition to these innovative products and services, and tailor-made financial and non-financial services, our clients also benefit from access to our knowledge, networks and partnerships. We further support our clients by offering environmental and social management support and assistance with corporate governance.

Financial sustainability

Our objective is to generate a financially sustainable return for our shareholders while remaining within the boundaries of our risk appetite. Our long-held conviction is that development impact and sound financial returns can and should go hand in hand.

How we engage with our stakeholders

Stakeholder group	Frequency	Formal engagement
Ministry of Finance and Ministry of Foreign Affairs	Regular	Policy meetings
Development Finance Institution partners	Scheduled	Business meetings
Knowledge partners	Scheduled	Organized meetings
Clients	Frequent	Regular business meetings, invitations to specific events or conferences
(FMO IM) Investors	Scheduled	Roadshows, sustainability bond newsletters, frequent meetings
Dutch Central Bank (DNB)	Scheduled	Regular organized meetings
Non-governmental organizations (NGOs)	Scheduled	Specific organized meetings
Employees	Scheduled	Works council meetings
Shareholders	Annually	Annual General Meeting of Shareholders
Local communities and clients of clients	Ad hoc	Ad hoc meetings

HOW WE INVEST

FMO's investment officers frequently travel to our markets where they meet existing clients, talk to local stakeholders and meet local companies and financial institutions. During these meetings, investment opportunities are discussed. The perspective of development impact is crucial: does the investment lead to economic growth and to more jobs, what are the local supply chain effects and how does the investment impact the environment?

In addition, the investment officer makes an initial assessment of the financial sustainability of the project. If these initial assessments are found satisfactory, then the project will enter FMO's investment process, in which the project is structured. This is easier said than done, since each project has its own virtues, ESG challenges and other particularities. Here follows a description of the most essential features in FMO's investment process:

Additionality

In selecting clients, the front office is strict in choosing those projects where FMO can add to the market by providing services and financial products that the market either does not provide at all, or does not provide on an adequate scale or on reasonable terms because of perceived risks. This can be both in financial terms or related to environmental, social or governance themes where we can provide our client with additionality.

Country focus

As a development bank our operations are in developing countries. Investment officers in the different sector and product departments operate in focus regions and countries. We distinguish between low income countries (LICs), lower middle income countries (LMICs) and upper middle income countries (UMICs) as defined by the World Bank. Because of the long lead times of our business, we agreed with the Dutch government to use one historical World Bank country income list which we use over a four year period to invest at least 70% of our own business in LICs and LMICs, of which at least 35% in the 55 poorest countries.

Client selection

- Investment plan
- Additionality
- Country focus
- Exclusion list

Appraisal & approval

- Know Your Customer
- Financial & ESG risk assessment
- Willingness client to implement FMO standards
- Green investments process

Know Your Customer

Our Know Your Customer process ensures that we comply with international anti-money laundering and terrorist financing regulations and national anti-money laundering. We perform due diligence on all clients, which include checks such as verifying the ultimate beneficial owners of the client we finance, identifying politically exposed persons and screening against international sanction lists. These checks are also performed continuously during our relationship with existing clients. FMO does not involve agents or intermediaries to source new clients.

It cannot always be prevented that a client is involved or alleged to be involved in illicit acts during our long term relationship. If such an event occurs, FMO initiates a dialogue with the client to understand the background in order to be able to assess the validity of the allegations. When FMO is of the opinion that no improvement by the client will be achieved or the risk to FMO's reputation is unacceptably high, FMO can invoke legal clauses in the contract to terminate the client relationship. As an awareness measure, FMO's staff is regularly trained on compliance topics. In 2015, all staff underwent the mandatory compliance e-learning also covering Know Your Customer aspects.

Green investments process

We apply criteria to establish whether a transaction classifies as green. FMO's green eligibility criteria are aligned with the Common Principles for Climate Mitigation Finance and Climate Change Adaptation Finance. Eligible projects may include renewable energy projects and energy efficiency projects.
We also acknowledge projects that lead to other footprint reduction such as biodiversity conservation and water efficiency. All transactions that classify as a green investment (except straightforward green projects such as renewable energy) are subject to an independent internal check.

ESG risk management and knowledge building

During the initial assessment, we also assess the client's potential positive or negative effect on social, environmental and governance conditions bench-marked against the IFC Performance Standards with the help of independent industry experts. In those cases where the client is unequipped to meet these requirements at the time of contracting, an action plan is developed with the client. Through the Capacity Development program we can support our clients in implementing these action plans by improving their management skills and technical expertise in the areas of risk management or ESG topics. We also organize topical conferences, seminars and training sessions on ESG best practices to facilitate knowledge transfer, both for our clients and – at the broader level – with peers and industry stakeholders.

Capturing impact and footprint data

From the start of the process up to contracting we collect and record data related to the transaction, which is used to calculate the direct and indirect impact and footprint of the transaction.

Annual client reviews

Throughout the lifetime of the investment we monitor financial performance as well as progress on the ESG requirements. We will step in if action plans are not pursued according to the contract, without losing sight of the fact that impact takes time.

Thematic evaluation

Every year an extended thematic evaluation is carried out looking at realized versus expected outcomes. In order to achieve the appropriate level of depth, this thematic evaluation is focused on a specific sector or product and covers development impact, FMO's investment outcome and the non-financial role FMO has played, including additionality.

Contracting

- Financial contract clauses
- ESG contract clauses
- ESG action plan

Monitoring

- Annual client review
- ESG annual progress reporting
- Thematic evaluation

Climate Investor One,

an innovative startup within a banking setting

– Georges Beukering –
Senior Investment Officer
at FMO

An interview with Georges Beukering, in charge of FMO's new climate fund, **Climate Investor One** (CIO).

CIO is a finance initiative that combines three innovative investment facilities into one to enable the early-stage development, construction financing, and refinancing of renewable energy projects in developing countries. FMO, together with Phoenix InfraWorks, started this initiative in May 2014 to catalyze private sector investments.

What is the rationale behind CIO?
'Our role is to bridge gaps between public and private spheres, to catalyze private money, and to become a strategic role model for future renewable energy investments in developing countries.

We know that there is generally sufficient money for renewable energy projects in developing countries but the development of these projects is risky and banks are too conservative to be involved in this early phase. Eventually, we sat down with people from the field and came up with various interesting ideas, out of which our initiative developed: one facility with three funds each tied to a specific phase of a renewable energy project's life cycle. The market endorses the concept because, simply put, we have separated the equity for the construction phase and the debt for the operational phase of energy projects. This makes the financing of renewable energy transactions a lot faster and simpler so that more megawatts can be built faster.'

What is it that makes CIO so special?
'First of all, CIO is particularly special because it ensures financing for the entire lifecycle of renewable energy projects.

Its diverse investor base is crucial as well. Eventually, we will have both public and private sector investors, and because governments have shown willingness to absorb the most risky parts of the investments, commercial investors find it attractive to invest in renewable energy in emerging markets.

Even within the team you can see the power of mixing public and private. Andrew Johnstone, for instance, is the founder of Phoenix InfraWorks, the company that partners with FMO to manage CIO. He is a well-known and talented commercial infrastructure investor, bringing an entirely different mindset and a different network of private sector financiers to the initiative.'

Tell us what it is like to work as an entrepreneur within FMO.
'FMO has room for innovation. I felt that in May 2014, when CIO was introduced. My Director at the time was supportive of and involved in the original proposal and soon thereafter the Management Board rapidly approved a sizeable budget for further development. Later, I found that it can be challenging to be an entrepreneur in a banking environment because the focus is on the core workstream rather than setting up a new business. Fortunately, we received great internal support - both moral and financial - to fill the gaps by recruiting externals for, among other things, legal work, administrative tasks, and marketing support.'

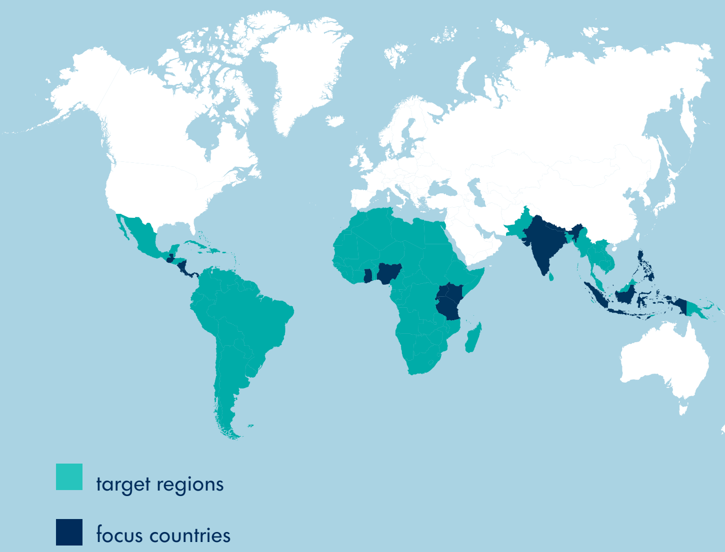
That seems like a fair deal.
'It is. Our team is a small entrepreneurial bubble within a bigger banking environment. One thing I realized is the importance of gathering the right people.

Eventually CIO will further distance itself from FMO, although FMO will always be an important shareholder and as founding father, FMO will continue to play a central enabling role for CIO.'

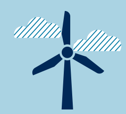
So we should envision FMO as an enabling founding father?
'Exactly. FMO has many other priorities but we feel CIO is on FMO's priority list while management also allows us to work in a self-sufficient manner.'

What did you personally learn most from this initiative so far?
'Before CIO I focused much more on synergy and consensus, which is common in a bigger organization. The small and independent team I work in now allows me to be more productive, which has given me more personal strength and greater satisfaction.'

Climate Investor One



Impact



Access to electricity in underserved markets
CIO will develop up to 1,500 MW (ca. 20 projects) and build up to 750 MW (ca. 10 projects) of new renewable energy generation capacity in the Target Regions, resulting in 2,150,000 MWh of additional electricity production and reaching (the equivalent of) around 6 million people.

Targeting reductions in global CO_2 emissions
CIO aims to realize an estimated annual avoidance of 1.5 million ton in CO_2 emissions through the ca. 10 projects it develops, finances and builds. This is the equivalent of 500,000 Dutch cars being taken off the road for one year or the equivalent of providing 170,000 Dutch households with clean electricity.

Job creation
CIO will support job creation in project development, construction and operation. This will facilitate wider economic co-benefits and sectors in the project supply chain.

"PEOPLE WILL ALWAYS NEED POWER, **COME BOOM OR BUST**"
- Warren Buffett -
Bloomberg News

External environment

2015 was a volatile year on many fronts worldwide. Having said that, it was also an exciting year. Here we present the global and industry trends, as well as FMO specific developments that affect our operating environment.

A global call for a better world

2015 offered true hope and new perspectives with regard to the longer-term fight against worldwide poverty and climate change. Lengthy political discussions resulted in two landmark conferences during which important decisions were taken. The first, the United Nations Summit in September on the post-2015 development agenda adopted the Sustainable Development Goals (SDGs). These goals sketch a path to a sustainable and inclusive world in 2030. And secondly, the 2015 United Nations Climate Change Conference (COP 21) resulted in an agreement among 196 countries to keep global warming below 2 degrees Celsius. Based on equality principles, individual countries will be accountable for reaching their own individual greenhouse gas emission reduction objectives, regardless of size, political significance or income level.

Both COP 21 and SDG agreements foresee an important role for private capital as part of the required solutions. Companies are to take responsibility and use their entrepreneurial spirit to contribute to a better future. During meetings in Addis Ababa and Lima international development banks committed to playing a more catalytic role by mobilizing private sector investment.

Stakeholders' dilemmas

Stakeholders stress the importance of FMO in minimizing the environmental footprint of its investments and triggering inclusive forms of growth to create lasting development impact. At the same time they underscore the importance of FMO operating in a financially sustainable way. This presents FMO with the dilemma of having to find a workable tradeoff between its financial sustainability and impact results, which increasingly require innovative approaches.

Opportunities & Risks
- COP21 and the SDGs contribute to a broad recognition of the importance and urgency of sustainable and inclusive development, thereby supporting the supply of worthwhile projects.

Link to our strategy
- **Increase green investments**
- **Foster inclusive investments**

Uncertain economic conditions

On the economic front, growth improved in the US and to a lesser extent in Europe, while emerging market growth decelerated, following continued lower growth in China and a strong drop in commodity prices. There was a net capital outflow from emerging markets for the first time since many years mostly directed towards the US. Where some of our clients in the affected countries dealt with financial difficulties, others profited especially from low commodity prices.

Stakeholders' dilemmas

Our stakeholders underline that creating development impact and supporting clients through difficult times remain core to FMO. This, however, needs to be balanced with our financial sustainability.

Opportunities & Risks
- Economic instability may further harm countries that export commodities or have large current account deficits. This may limit the ability of our clients to grow, may reduce the value they create in their countries and may hurt their ability to fulfill their obligations to financiers.
- For FMO, it also creates an opportunity to support our existing clients and selectively finance new ones that are fundamentally strong yet may suffer under tight financial conditions.

Link to our strategy
- **Ensure financial sustainability**

Changing market dynamics

Over the past years, the perceived urgency of tackling climate change has led to an increased availability of public capital to be invested in worthwhile projects, in particular for mitigating climate change. Potential sources of private capital are local and international institutional investors as well as local banks which manage increasing amounts of local savings on their balance sheets.

As the supply of both public and private capital increases, the role of development banks such as FMO will further broaden from financing only towards knowledge and network sharing and early stage project development. The importance of catalyzing other forms of capital for worthwhile projects will increase. In particular, there is a lot of potential for blending public and private capital sources, structuring roles based on their risk bearing capacity.

Stakeholders' dilemmas

Stakeholders broadly feel that FMO's activities should go beyond finance only and that FMO should remain clearly additional to commercial banks. In general, clients were satisfied with their relationships while stressing the potential added value that FMO can have through knowledge sharing.

Both clients and the major Dutch stakeholder groups feel that FMO's networking role should be extended further. FMO should attract public funds that can bear a high risk profile, to subsequently catalyze private investors into investing in projects that provide an impulse toward a greener and more inclusive future. Playing out this role challenges FMO to find ways to combine innovative initiatives with the standardization that comes with its day-to-day operations.

Opportunities & Risks
- There is an opportunity for FMO to catalyze both public and private sources of capital in its projects, structuring risk-return profiles according to needs.
- FMO is challenged to change from financier only to an integrated provider of finance, knowledge and networks.

Link to our strategy
- **Catalyze private and public capital**

Rules and regulations become stricter

Even before 2015, bank regulations became more stringent. In particular, CRD IV has had a significant impact on FMO's business especially on our business in the financial sector, as it involves higher capital requirements and deductions from own capital base for subordinated debt and insignificant equity investments in financial institutions. It is expected that more changes to Basel capital regulations and higher capital charges for high risk products will almost certainly lead to change. In addition, IFRS 9 will ensure more financial transparency, but also requires substantial efforts to implement.

Stakeholders' dilemmas

Both development impact and FMO's financial sustainability and risk appetite score as material, but stakeholders clearly indicate that development impact is most material to them. An essential part of FMO's added value as development bank comes from the ability to provide long term high risk capital. Being a regulated bank ensures sound risk management but limits this ability.

Opportunities & Risks
- Higher capital requirements for products such as equity investments, challenge FMO to define mitigating measures, as providing high risk finance in developing countries is our core business.

Link to our strategy
- **Ensure financial sustainability**

Accountability and transparency more important

Importance of environmental, social and governance (ESG) issues has increased and all parties have become more demanding of their stakeholders. FMO requests transparency from its clients on a broad range of ESG and financial issues. Likewise, our stakeholders have also become more demanding towards FMO. The government is particularly interested in the development impact of FMO's operations and our approach to managing ESG risks with our clients. The role of NGOs has become more prominent. In particular, NGOs sharpen the discussion with FMO on the application of its ESG standards in its dealings with clients.

Stakeholders' dilemmas

Considering our mandate and setup as development bank, our stakeholders expect world class governance and transparency from us. As part of our development mandate they also expect us to promote best practices in ESG, where relevant in close consultation with local communities. In raising these standards, NGOs present FMO with the dilemma of striking the right balance between economic development on the one hand and environmental and social progress on the other hand, while at the same time respecting confidentiality clauses.

Opportunities & Risks
- We are rightfully challenged to be more transparent and raise ESG standards in our approaches with clients, but acknowledge that this may come at the risk of burdening clients with additional processes and reporting while not living up to NGO's expectations.
- We see an opportunity to learn from local and international NGOs, to build common agendas and to increase discipline.

Link to our strategy
- **Strengthen accountability**

Trade and aid central to the Dutch political agenda

The shift from aid only to development through trade has been underlined by the shape of the international agreements mentioned earlier, emphasizing the role of private capital in tackling the world's sustainability and poverty challenges. The Dutch government put this principle into action again in 2015, facilitating trade and private investment through the organization of many trade missions and selective application of subsidies.

Stakeholders' dilemmas

Many Dutch parties feel that FMO's convening power to bring different parties to the table will only become more important in the years to come. This will require FMO to find the right balance in allocating resources to existing activities in developing countries on the one hand and new activities aimed at Dutch companies on the other hand.

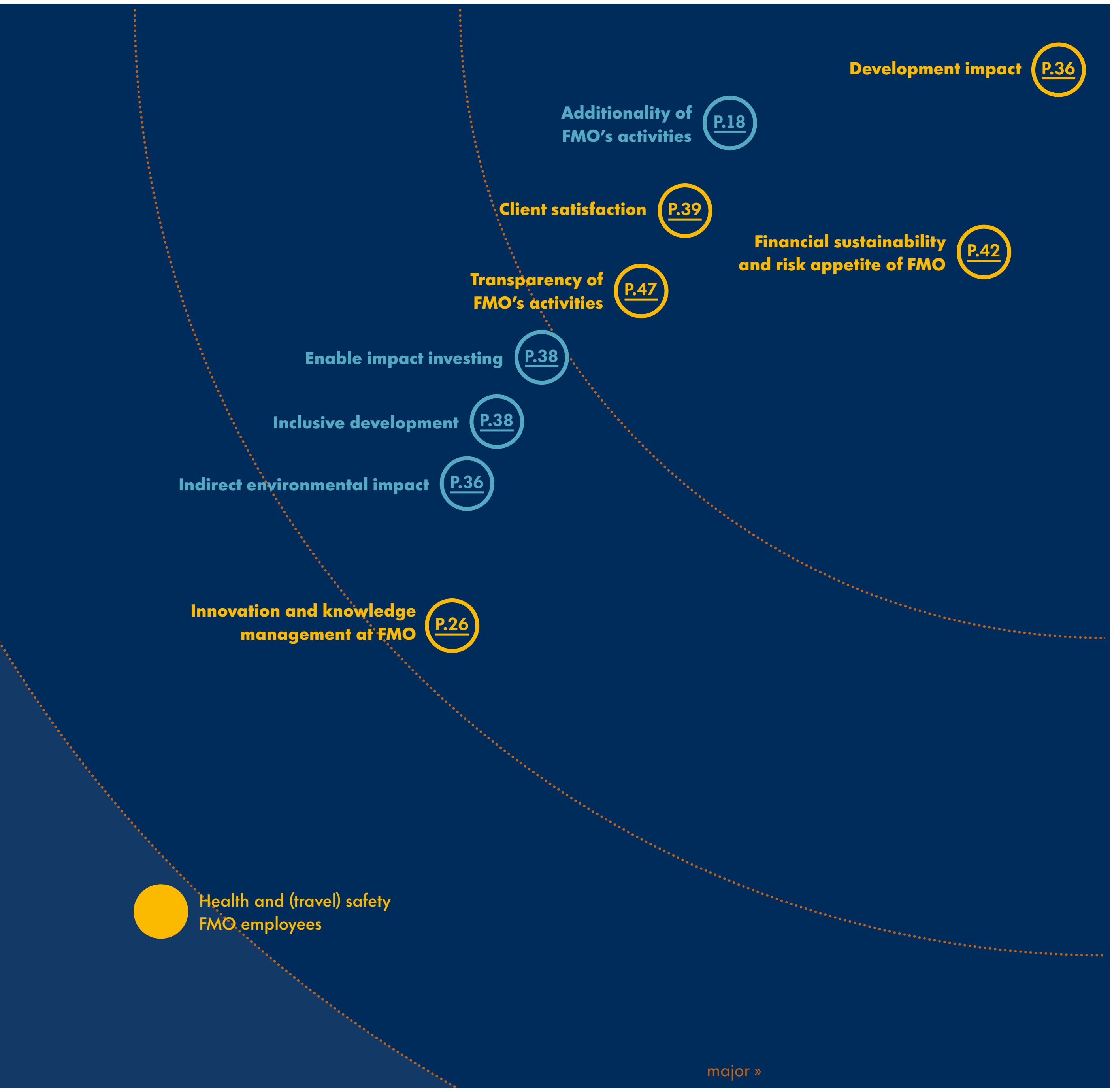
Opportunities & Risks
- For FMO this is a major opportunity to support Dutch companies investing in developing countries and to strengthen its ties with Dutch stakeholders, both from the government and from the business community.
- Other Dutch financiers have entered in FMO's markets, requiring FMO to strengthen its offering to government and other stakeholders.

Link to our strategy
- **Increase Dutch business**

MATERIALITY MATRIX

Considering how fast the world of development finance is changing, we have given priority to systematically asking stakeholder groups what is material to them and which actions they feel FMO should take on these themes. Feedback was requested during formal engagements with our stakeholders and we also undertook a client satisfaction survey and a materiality survey among important stakeholder groups in which 27 individual stakeholders took part. To give more depth to some of these outcomes, we held separate discussions with representatives from the Dutch government, the Dutch business community, NGOs and other interested parties. The outcome of the materiality survey is presented in the matrix below, where the ten most material topics have been marked. We distinguish between the topics based on where the impact occurs. This can be either within our organization or outside via our investments. The way we manage these topics is addressed in 'Our business model' and 'Our strategy', and how we performed on them is described on the pages indicated in the table below. Although we have used these topics to inform the report, the remaining topics are also important to us and are being managed or addressed via our policies and procedures but are not further explained in this report. For more information on our policies and procedures, please see our website www.fmo.nl.

Scope: FMO's own organisation FMO's investments P.00 Page reference



→ Importance to strategy FMO

Our strategy

We believe in a world where, in 2050, nine billion people will be able to live well and within the limitations of the planet. We are making this belief a reality by empowering entrepreneurs to build a better world. To that end, FMO invests in businesses, projects and financial institutions, by providing capital, knowledge and networks to support sustainable growth. We do this with the ultimate goal of empowering people to apply their skills and improve their own quality of life.

In light of our vision and mission, we have defined our strategy to become the leading impact investor by doubling impact and halving footprint by 2020. It is our ambition to double the impact and halve the footprint by doubling the number of expected direct and indirect jobs supported as well as doubling the amount of expected Greenhouse gas (GHG) emissions avoided per annum. These goals are measured in our annual new investments between the 2010-2012 baseline period and the 2018-2020 endline period.

Development impact is an inherent part of our investment process. However, defining impact, setting objectives, steering the organization and reporting on the impact actually achieved are also involved. All of our major stakeholders – including the government, investors, clients and NGOs – demand that we do all of the above and that we are accountable for the results achieved. It is our ambition to do so, as this will give us the discipline and focus to allocate our resources properly so as to attain both the desired impact and our financial objectives.

We steer our organization in an integrated manner to reach our financial, impact and footprint objectives. In maintaining and further growing our capital base, financial objectives are a prerequisite for impact creation in the future. And our impact and footprint objectives serve to steer our business to high impact opportunities.

Defining impact and footprint

Defining impact and footprint is complex, as they are broad terms encompassing all kinds of economic, social and environmental elements. Although impact can be very tangible at the level of a client (additional jobs supported, profit, CO_2 reductions, etc.), it is equally intangible at levels beyond the client, i.e. when looking at indirect effects. For instance, the development impact of a port lies only partially in the construction of the port itself. Rather, the core of the impact of the port is triggered by the stimulus that it gives to trade. As there is no single truth when measuring indirect effects and no single definition of impact that covers all of the above, FMO uses the FMO impact model to calculate the most crucial impact effects of its investments, while adhering to internationally agreed definitions and frameworks as much as possible. That is why we have chosen to define the number of jobs supported as our impact indicator and the amount of greenhouse gas (GHG) avoided[9)] as our footprint indicator.

Jobs reflect core economic and social effects of an investment, while GHG avoided is the indicator most directly connected to climate change. We also calculate the indirect effects of our investments so as to estimate the effects of our investments throughout the local value chain. Although it is easier just to measure impact and footprint effects at the project level, this would create a partial and even misleading picture of the impact of an investment.

Limitations of our framework

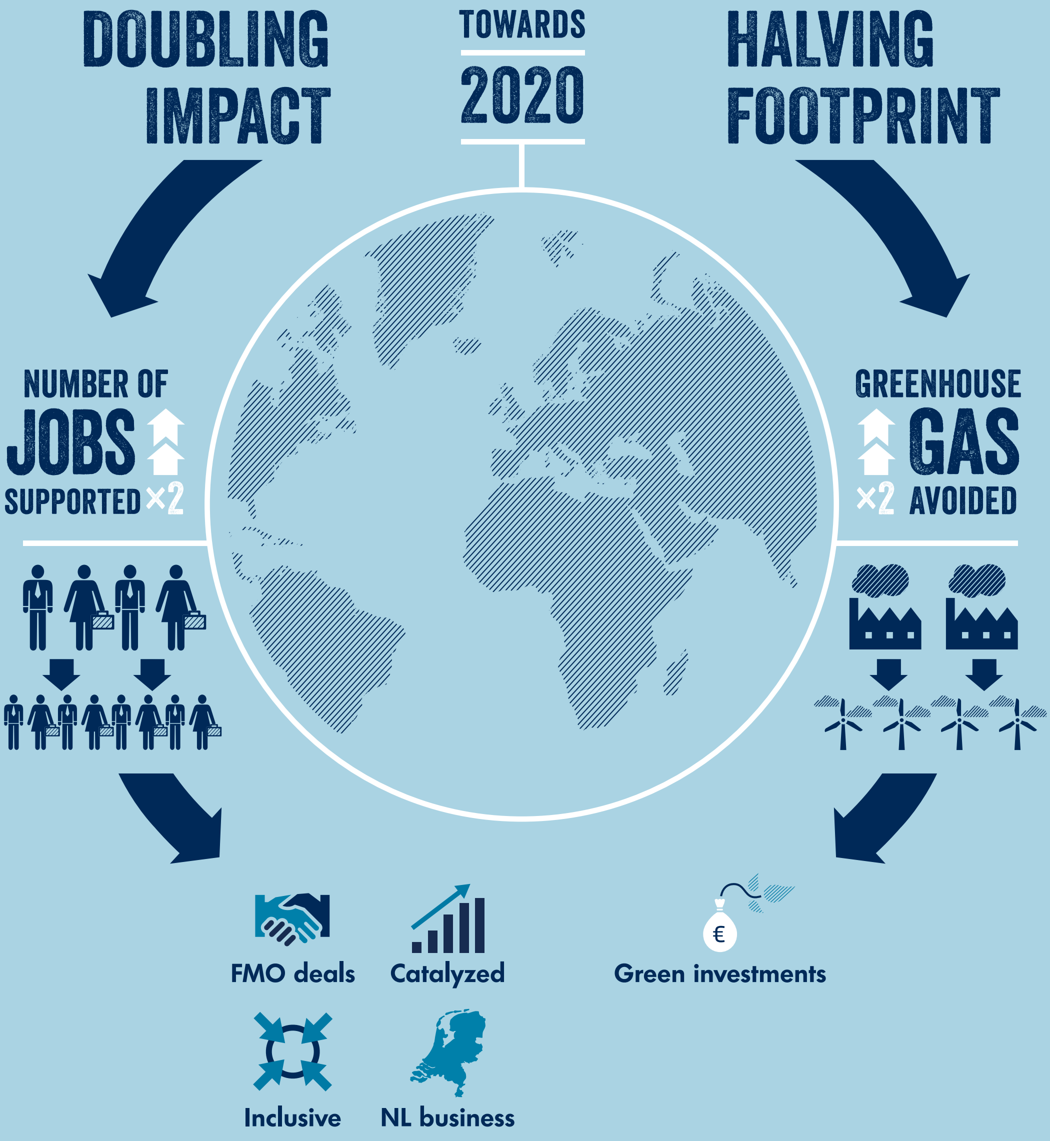
FMO realizes that its true impact cannot be fully covered by the indicators of jobs supported and greenhouse gas avoided. However, our organization has consciously opted for a small number of key indicators that it can steer on. It may be that over time other indicators tracking our progress on these topics, may need to be developed.

Stimulating innovation in our organization

For any financial institution, the quality and efficiency of operations require a certain level of standardization of processes and procedures. This also applies to FMO. However, FMO is in a line of business where innovation is important and at times we need to push the boundaries to make a difference versus other market players. Within our banking model and our financial constraints, we do however try to create as much room as possible for innovation. We tend to set up these initiatives as part of the FMO organization, while allowing a dedicated budget and sufficient capacity to work out ideas in the course of a certain time frame. Innovations worked out along these lines sometimes generate success, and sometimes fail. This pattern is to be expected for early-stage initiatives. A case study of such innovation is included on page 20.

[9)] Greenhouse gas avoided is defined as the difference between the country's industry average greenhouse gas emissions and the greenhouse gas emissions of the project that we finance.

To become the leading impact investor



Our strategy has been shaped by our mission to empower entrepreneurs to build a better world.

STEERING THE ORGANIZATION

To reach our strategic ambition to double our impact and halve the footprint we will do more transactions that create higher impact per euro invested. In consultation with our main shareholder the Ministry of Finance we established an average return on shareholders' equity of 6.2% as desired level of return to ensure FMO's financial sustainability. Maintaining this level of financial return is a precondition to our impact and footprint ambitions. Finally, we want to be accountable for results achieved. To realize our ambitions the following strategic priorities are consistently put on our organization.

Priority
Ensure financial sustainability

All transactions are to fit within our risk appetite and enable an average 6.2% return on share-holders' equity. To ensure efficient operations we steer on a cost to income ratio between 25%-30%.

Priority
Foster inclusive investments

We continue to pilot investing in projects that target the base of the pyramid. Our focus is on learning from experiences going forward. With the experiences gained we can determine how we can best support these types of projects.

Priority
Increase green investments

We intend to double greenhouse gas avoid-ance by increasing our investments in climate change mitigation and adaptation. Other green investments that we target are projects aimed at improving resource efficiency, waste and land management, or that protect biodiversity.

Priority
Catalyze private and public capital

We aim to increasingly leverage our own financing with investments catalyzed from third party financiers. We do this by arranging more loan syndications and scaling up our commercial fund management activities as well as by blending public and private capital.

Priority
Increase Dutch business

FMO will support mid-sized and large Dutch corporates investing in developing countries by providing relevant networks as well as by developing new services.

Priority
Strengthen accountability

We aim to become as accountable for our development impact as we are for our financial results. We are also pro-actively engaging with our stakeholders and strive to be as open as possible about our approaches to clients.

SECTOR FOCUS

We focus our investment activities in the Financial Institutions, Agribusiness and Energy sectors and through the Infrastructure, Manufacturing & Services (IMS) sectors we source transactions with partners thereby diversifying our portfolio. A sizeable part of our investments is done through debt and equity funds. If these debt and equity funds operate in more than one sector, we separately present these as Multi Sector Fund Investments.

Financial Institutions

Why we invest in this sector

- Accessible finance is a cornerstone for viable economies and strong private sectors
- A healthy financial sector can bolster entrepreneurs and individuals alike

How we invest in this sector

- Provide long term funding, risk capital and local currency financing
- Focus on SME financing
- Promote green lines
- Look for MFI+ models to serve the unbanked
- Organize industry events to enable knowledge sharing on ESG best practices

Agribusiness

Why we invest in this sector

- Long term sustainable access to food for all projected 9 billion people in 2050
- Minimize footprint through new technologies and the use of international standards

How we invest in this sector

- Finance sustainable agribusiness companies throughout the value chain
- Include smallholders in the value chain
- Pursue green opportunities with a focus on water for agriculture

Energy

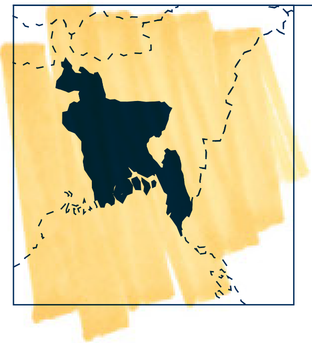
Why we invest in this sector
- Billions of people's lack of access to clean, reliable and affordable energy services is one of the world's most critical development challenges

How we invest in this sector
- Focus on renewable energy & energy efficiency
- Equally important to provide access to energy in less developed economies

Infrastructure, Manufacturing, Services

Why we invest in this sector
- Crucial to delivering essential human services while creating jobs and supporting long-term economic growth

How we invest in this sector
- Team up with partners from our local and global networks to expand the available expertise and financing opportunities for our clients
- Finance energy efficiency particularly in transport, logistics and hospitality sectors



Bangladesh
148.460 km²
159.1 mln citizens

Reducing the indirect **environmental footprint in Bangladesh**

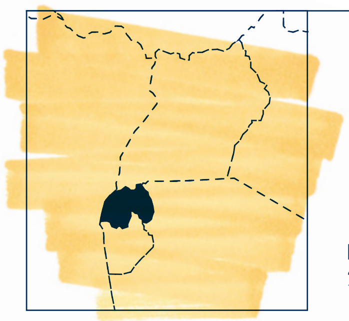
The case for Summit Alliance Port Limited in Bangladesh

When one thinks of words like 'green' and 'sustainable', renewables are likely to come to mind. However, FMO's green investments are not only in the Energy sector; GHG avoidance can also be achieved through investments in financial institutions, agribusiness, or – in this case – infrastructure. A broad range of FMO's investments is in the real economy, such as textile factories, hotels, transport, or telecom networks. Although they are very different kinds of companies, most of these investees do business in areas that weigh heavily on the environment. Perhaps, this is when FMO's balancing act of supporting jobs and development, while halving the footprint, becomes most challenging.

Last year, FMO provided Summit Alliance Port Limited (SAPL) with a €18.5 million corporate loan from the Infrastructure Development Fund (IDF). This infrastructure service provider for import and export activities will build the country's first private sector river container terminal near Dhaka enabling transport by river from the coastal port city of Chittagong all the way up to the capital.

The switch from transport over land to transport over water generates a significant reduction in CO_2 emissions. Additionally, local businesses will benefit from the extra transport routes because more boats means less congestion and less time in traffic. These are 'the sort of projects we like to support most', says Willy Bulsink, Senior Investment Officer who structured this loan, especially since 'green' is high on FMO's agenda.

Looking forward, as the builder of the first private sector river terminal, SAPL faces some great challenges with e.g. licenses, regulations and taxes. However, FMO provides support on several levels. For example, as SAPL's first international lender, FMO has introduced new international standards into the company for further professionalization. When all the pieces come together, the project has the potential to play a positive role in the unstoppable infrastructure development of Bangladesh.



Rwanda
26.340 km²
11.3 mln citizens

Fostering inclusive development by **tackling child malnutrition**

Financing a green field processing plant for nutritious food in Rwanda

For several years now, the government of Rwanda, committed to fighting chronic malnutrition in the country, has been implementing measures such as the manufacturing of enhanced nutritional foods for vulnerable groups like the poor in rural areas. As one of the industry leaders in addressing malnutrition, Royal DSM was invited by the government, in close collaboration with the Clinton Health Access Initiative (CHAI), to invest in the manufacturing of affordable, nutritious and high-quality foods.

The Africa Improved Foods Company joint venture was established by DSM together with FMO, IFC, CDC, and the Rwandan government. Given the green field nature of the project, FMO provided the long term financing required for the economic viability of the project.

With this financing, Africa Improved Foods will construct and operate a 45,000-tons-per-year processing plant for fortified cereals producing nutritious porridge for infants (6-24 months) and pregnant and lactating women to prevent chronic malnutrition of infants.

The company aims to provide more than 1 million people annually with adequate nutrition by 2017. A significant portion of the final product will be sold to the World Food Program, which will distribute it in the broader region (Southern Sudan, Uganda, Burundi, etc.). For its own vulnerable populations, the Rwandan government will distribute the product at no cost. A small proportion will be marketed as a branded product to food retailers in East Africa.

This base of the pyramid project further promotes inclusive growth as it sources soybeans and corn from Rwandan farming cooperatives. This will provide approximately 9,000 smallholder farmers a stable, sustainable income for a proportion of their harvest.

The company aims to provide 1 million people annually with adequate nutrition by 2017.

Summit Alliance Port Limited

Sector
Infrastructure

Country
Bangladesh

FMO investment
€12 million*

Year of investment
2015

Financial products
Senior debt

**from the Infrastructure Development Fund*

Impact

Inland navigation will reduce GHG with approximately 20,000 tons per annum. Road haulage is estimated to have an annual GHG emission of 31,396 tCO_2 versus 10,640 tCO_2 for river transportation.

Reduction in road transport of 67,500 trucks in 2016, which will gradually increase to a reduction of 108,000 trucks per annum as of 2020.

Africa Improved Foods Ltd

Sector
Agribusiness

Country
Rwanda

Total project size
€53 million

Year of investment
2015

FMO investment
€12 million*

Financial products
Senior debt and equity

**from the Infrastructure Development Fund*

Impact

Additional income opportunities for approximately 9,000 farmers in Rwanda.

Support to agri-manufacturing and related value chains in Africa.

€923 mln

Additionally catalyzed from third parties

Target: €875 million

€1.6 bln

Total new contracts FMO & government funds

Target: €1.6 billion

858,000

(in)direct number of jobs supported (FTEs)

936,000

Avoided GHG emissions (tCO_2eq)

27%

Green investments as share of total investments

Target: 25%

25%

FMO cost to income ratio

Target range: 25%-30%

7.0%

FMO's net 5-year average return on shareholders' equity

Target: 6.2%

84%

ESG action items due to be implemented in 2015

Target: 85%

Performance on our strategy

Persistently low commodity prices and the continued slowdown of the Chinese economy triggered a lower growth environment in emerging markets in 2015, with important markets actually going into recession. Many commodity exporting countries such as Mongolia, Nigeria, Azerbaijan and a number of countries in Latin America had a difficult year while some major commodity importing countries, such as India, actually benefitted from these circumstances. Despite this challenging environment, FMO performed well on its strategic priorities and the aligned targets for 2015.

Doubling impact and halving footprint

Through new commitments for own account and the funds managed for the government, totaling €1.6 billion in 2015, catalyzed transactions of €923 million and green transactions at 27% of these new commitments, FMO supported the creation of roughly 858,000 direct and indirect jobs and 936,000 tons of greenhouse gas emissions avoidance.

In the next paragraphs we describe how these strategic priorities have affected our outcomes: 'Development impact', 'Financial sustainability' and 'Client satisfaction'. In 'Our organization' we describe how the 2015 performance has affected key inputs or activities of our business model which were not discussed in the paragraphs before.

Ensure financial sustainability

Financially, FMO outperformed on its targets and achieved a record net profit of €174 million, resulting in a return on shareholders' equity of 7.5% and a 5 year average return on shareholders' equity of 7.0%. The cost to income ratio amounted to 25% – the lower end of the 25%-30% targeted range. In November, Standard & Poor's upgraded FMO's long term rating from AA+ to AAA, following a rating increase of the Netherlands.

Increase green investments

We also outperformed on our target to increase the percentage green investments with respect to the total new investments at 27% (2014: 21%). While traditionally green investments are sourced in the Energy sector, in 2015 we made good strides in sourcing green solutions in other sectors. On the ESG risk management side, however, with 84% we performed slightly under the target that we set ourselves with regard to implementing ESG action items agreed on with clients that have high ESG risks.

Catalyze private and public capital

We were able to catalyze more third parties to our markets and outperformed on our target at €923 million. Our focus on further strengthening our role in the syndications market has generated an increase in transactions especially in the Financial sector.

Foster inclusive investments

We have been active as a financial intermediary in inclusive investments for many years, particularly through investments in microfinance activities; in 2015 we invested a total of €88 million in microfinance institutions. During 2015 we also piloted investing directly in inclusive investments such as in Africa Improved Foods and Orb Energy. These investments are meant to benefit people at the base of the pyramid.

Increase Dutch business

We strengthened our ties with the Dutch government and developed a strategy in order to offer new services to Dutch companies stimulating investments in our markets. We worked on a number of innovations such as the blending of new sources of public and private capital for climate financings but also the Development Business Partner initiative, aimed at getting Dutch business consortia to invest in integrated infrastructure development projects. We also put more focus on transactions with Dutch companies and in 2015 financed local entities such as PT Jakarta Tank Terminal and Naviera Integral for Dutch corporates Royal Vopak and Damen Shipyards respectively.

Strengthen accountability

Although we made good strides in improving the data quality of non-financial KPIs and implementing integrated reporting in order to strengthen accountability, 2015 also taught us the need for even more structured stakeholder engagement. We have started putting this into practice with, among others, the Dutch government and also with NGOs as we derived lessons from the Independent Expert Panel's report on the complaint concerning the Barro Blanco hydro project in Panama.

DEVELOPMENT IMPACT

This is the first year that we started measuring impact and footprint at the level of annual new investments. The development impact outcome of €2.5 billion in new investments both for own account as well as for government funds and including catalyzed volumes, is an estimated 858,000 direct and indirect jobs and roughly 936,000 tons in avoided GHG emissions.

These results imply that we exceeded the annual growth rate as we are well underway to reach our objective of supporting 1 million jobs and 1.2 million tons of GHG avoided by 2020. These results show that our strategy is leading to more positive impact transactions. On the other hand, these new investments also led to an estimated absolute emission of 3.8 million tons of GHG throughout the entire economy.

Key drivers underlying impact results

Our goal for 2020 is supported by operational targets for front office departments. The aim is to do more transactions that create more impact per euro invested. It is encouraging to report that this indeed has happened in 2015, as compared to our baseline. The key drivers were as follows:

First of all, the results on jobs supported as well as GHG avoided are largely driven by the absolute growth of total new commitments in 2015 (of which the government funds are reported on separately on page 38). In line with our strategic aims, this volume growth is particularly seen in catalyzed amounts. Comparing 2014 to 2015, volumes for our own account slightly decreased, while catalyzed amounts increased to over €900 million. We have an explicit ambition to catalyze other investors to our markets and have been successful to that end in 2015.

Secondly, we have been increasing new business in more difficult and poor countries, including Pakistan, Myanmar and Congo. More specifically, 78% of FMO investments were in LICS and LMICs (2014: 78%). Due to the scarcity of capital in these countries, every euro invested tends to support more jobs, both directly and indirectly. In particular, new investments – either directly or indirectly – in SMEs in these countries tend to support larger numbers of jobs.

Lastly, we managed to increase green investments in both absolute and relative terms and we diversified to sectors other than Energy. In the baseline, green volumes were highly dependent on renewable energy investments. In 2015, more than a third of green investments originated in other sectors, most notably in the Financial Institutions sector through green lines. Another notable achievement in the Agribusiness sector was the contracting of a forestry project, which made a strong contribution to strengthening GHG avoidance. In those countries where access to energy is scarce, we choose to invest in non-renewable energy solutions. In total we invested in two non-renewable deals in 2015, one is a dual fueled power plant and the other a liquefied petroleum gas plant.

In addition to the impact results on jobs and GHG avoidance, we measure the direct impacts of new investments that are specific to our focus sectors. These are driven by the role that they play in local value chains. Of the new investments in 2015, the results per sector are as follows:

Sector	Impact indicator	2015
Financial Institutions	Number of SME loans	483,000
	Number of micro loans	5,700,000
Agribusiness	Number of smallholders supported	13,000
Energy	Equivalent number of people served via power generation	1,700,000

858,000 Jobs supported

2015 performance

Strategic goal
Double the impact

Objective
Double the expected direct and indirect jobs supported through our annual new investments in the period 2018-2020 compared to the baseline period 2010-2012

Baseline 2010-2012
500,000 expected direct and indirect jobs supported

936,000 GHG avoided

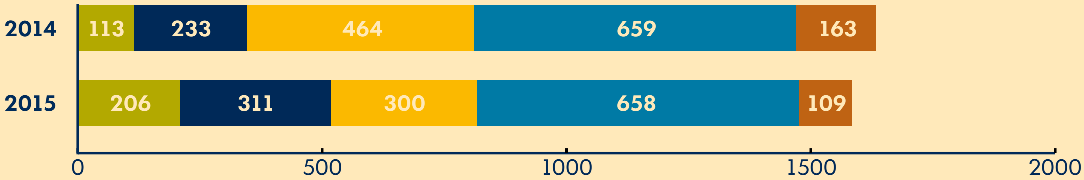
2015 performance

Strategic goal
Halve the footprint

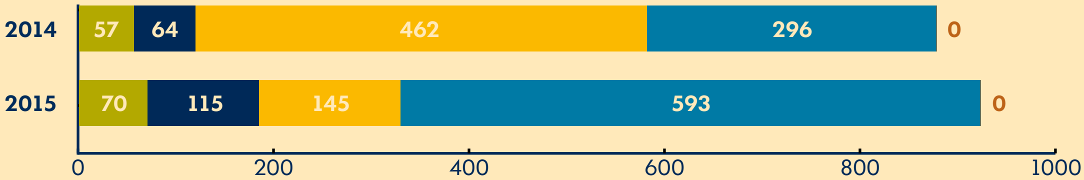
Objective
Double the expected GHG emissions avoided through our annual new investments in the period 2018-2020 compared to the baseline period 2010-2012

Baseline 2010-2012
600,000 tons GHG avoided

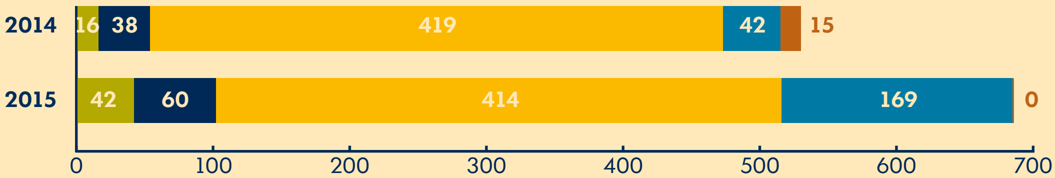
FMO & Government funds new commitments (×€mln)



Catalyzed funds (×€mln)



Green investments (×€mln)



■ Agribusiness ■ Infrastructure, Manufacturing & Services ■ Energy ■ Financial Institutions ■ Multi-Sector Fund Investments

The road to 2020 is still full of challenges

There is no room for complacency while working towards our goal of doubling impact and halving our footprint in 2020. Even though 2015 was a particularly successful year, our objective for 2020 will be assessed against production volumes and impact per euro achieved during the endline years of 2018-2020 regardless of the results in intermittent years such as 2015. Against the backdrop of the market changes described in this report, this will be a challenging objective.

As a result of a stronger and justified focus on inclusive investments in the coming years, we may have to work harder to generate similar volumes as compared to earlier years. In addition, we will have to further broaden the base of green investments across our focus sectors, so as to reduce dependency on renewable energy only and tap into the potential of climate adaptation and resource efficiency. The coming years will be years of learning how to cope with the various challenges. There are methodological challenges underlying the FMO impact model, which we will further fine-tune going forward. More importantly, we will face many new opportunities to create impact in our markets. Some of these opportunities are presented throughout this chapter.

Innovations in financing tackling climate change

An important systemic innovative initiative aimed at tackling climate change and at the same time being inclusive was ElectriFI. This EU initiative aims to create bankable energy projects that offer new capacity and connections to people with hardly any or no supply of electricity, while further exploring ways to support cooking stove manufacturers. It will provide FMO and other European DFI partners the means to support early stage renewable energy projects while facilitating access to senior debt at later stages. In this way it boosts investments in renewable energy with a focus on rural electrification, while catalyzing private financiers.

Catalyzing private capital

Next to increased volumes in syndicated transactions, we also worked on our commercial fund management ambitions. In the course of the year, FMO IM secured a final closing at €153 million of the Actiam-FMO SME Finance Fund through a new commitment of the Dutch Pensioenfonds Vervoer and additional commitments by the Spoorwegpensioenfonds and the Stichting Pensioenfonds Openbaar Vervoer. At the point of the final close of this fund, over €100 million was provided to 25 financial institutions in 18 countries, emphasizing its impact reach and its regional diversification.

In May, NN Investment Partners and FMO IM launched their global emerging markets loan fund. This fund will enable institutional investors to invest in emerging market corporate loans, aiming to generate stable returns and measurable impact. It will benefit from FMO's ESG ambitions and requirements. Impact will be measured in accordance with FMO's impact measurement model and procedures. The first closing of this fund is expected in 2016.

Inclusive investments focused on government funds

We aim to foster inclusion of the poor by stimulating growth and employment at the base of the pyramid. Throughout FMO's core business activities in 2015, various projects were contracted in the inclusive space, such as microfinance, with rural and gender finance receiving strong emphasis. For example, we signed a transaction with the Small Enterprise Foundation, a €2 million facility from the MASSIF fund, aimed at supporting South African female entrepreneurs. We also signed a transaction from the AEF fund with Orb Energy, an Indian company providing off-grid solar energy solution in Kenya.

FMO's inclusive strategy is built around the government funds, but FMO also invests in inclusive deals from its own balance sheet. An example is the Peruvian Financiera Confianza, the country's largest microfinance institution, which will on-lend FMO's €18 million facility to poor rural households and small companies. The risk of the latter transaction was in line with FMO's own risk appetite, so it was financed from FMO's own balance sheet.

As these investments are often innovative in nature and require new solutions and distribution mechanisms, our focus is on piloting projects and to learn from experiences going forward. With more experience we can decide if and how to define an indicator that measures the success of these projects.

As for government funds' business as a whole, new commitments increased from €177 million in 2014 to €184 million in 2015 leading to a total committed portfolio for the government funds of €1,194 million (2014: €978 million). Through MASSIF we closed a total number of 17 transactions. The budget was lowered for 2015 as the fund is entering the stage where it will fully finance itself: new investments will be financed through repayments and results from previous transactions whereas additional capital is provided by the government.

Through the IDF and AEF funds we invested amounts of €108 million and €7 million respectively. AEF achieved below expectations; as it has a narrower mandate, it is more difficult to find fitting projects. Additionally, some pipeline projects were delayed but are still expected to be committed to in 2016. The increase in investments for IDF is due to increased commitments in the Agribusiness sector, a sector that was limited in the past.

Growth of the committed portfolios, especially IDF and MASSIF, is to a significant extent due to the fair valuation of the equity portfolio. Where these were previously measured at cost or lower recoverable amount (as a best estimate for fair value), they are now accounted for at fair value following a refinement of our valuation policy.

New commitments for government funds (€×mln)	2015	2014
MASSIF	69	93
IDF	108	45
AEF	7	26
FOM-OS*	-	13
	184	**177**

Committed portfolio for government funds (€×mln)	2015	2014
MASSIF	562	489
IDF	521	389
AEF	81	69
FOM-OS*	30	31
	1,194	**978**

* New FOM-OS activities were transferred to RVO as of mid 2014

CREATING VALUE FOR OUR CLIENTS

In November 2015, we performed a client satisfaction survey, to gather input on the general satisfaction of our clients and specifically on qualities and added value, loyalty, capacity development and knowledge transfer, and our extended network. With a score of 8.6 out of 10, the outcome on client satisfaction is seen as positive, both in absolute terms and relative to results of the survey that we held in 2012 (8.2 out of 10).

Client relationships

During the year, the front office and risk departments put strong efforts in managing the impact from external circumstances, particularly in countries hit hardest by the emerging markets slowdown. The Special Operations team also had a challenging year, having to deal with a number of restructurings. Often, restructurings tend to take longer in a downturn period, as market liquidity is lower than usual. Clients appreciate this about our relationships as in general they consider FMO a trusted and reliable partner to have on your side at all times. The highest scores in the survey were achieved for professionalism and staff competence.

Capacity building

Clients also gave positive scores for FMO's technical assistance ('Capacity Development') and recognize that this adds value to their organizations. Capacity Development funds are made available to eligible clients mostly to support the client in building up ESG and financial risk management knowledge. In 2015, €8 million in capacity building funds was committed to 50 clients.

Examples include helping to implement SAP Enterprise planning software as was the case with Machu Picchu Foods in Peru – a cocoa originating, processing, and chocolate manufacturing company – but also financing the physical exchange of knowledge between Turkish Seker Bank and Costa Rican BAC San Jose. Turkish Seker Bank received a syndicated loan of €104 million in 2015, allowing them to on-lend these funds to SMEs, and for energy efficiency projects in Turkey. Through the 'client connect' initiative, it was made possible for them to share their experience with BAC San Jose, in order to support this bank in structuring its own ambitions to offer energy efficiency finance to its clients.

Networking and advisory

Clients are satisfied with the opportunities FMO offers by opening its network and providing advice, but in the client satisfaction survey they indicated that they would like FMO to do more. A small but increasing number of corporate initiatives aimed at sharing knowledge and networks among clients in a specific sector or country are also being financed by Capacity Development funds.

Examples include providing expertise and funding for implementation of the Sustainable Finance Guiding Principles in the banking sectors in Mongolia and Paraguay. These initiatives take years to materialize but FMO also initiated new discussions with the Kenyan banking sector, which has led to the adoption of these principles in 2015.

FMO continuously looks to the needs of its clients, not only on a deal-by-deal basis but also from a sectoral perspective. Therefore, FMO organized the second Future of Banking Academy for its Financial Institution clients to discuss issues pertaining to the topic of sustainable banking. And for the first time in 2015, we organized a credit seminar for 50 of our banking clients, specifically for credit risk managers to share their experiences and lessons learned during the present volatile economic environments.

Another initiative was the organization of workshops for private equity fund managers, e.g. for Abraaj and Investec. FMO's efforts complement activities of other multilateral institutions, such as the UN-supported PRI initiative. Where PRI focuses on the high level governance principles and procedures required for proper ESG management by fund managers, FMO's workshops take a practical approach, helping fund managers to manage risks and opportunities on a day-to-day basis.

ESG action items

ESG is a continuous part of the conversation that the front office has with our clients. In the case of high risk investments from an ESG standpoint, be it poor labor and working conditions or land acquisition and involuntary resettlement (two of the IFC performance standards), action plans are usually agreed at contracting and action items followed up by the client and FMO alike. These action items have to be fulfilled within a certain timeframe, and FMO set itself the goal at the beginning of 2015 that 85% of the items due in 2015, should be fulfilled during the year. During 2015, 84% of action items were in fact fulfilled, slightly lower than targeted. As was the case in the previous year, achieving this target was challenging as a result of the complexity involved in a number of action plans.

Win-win for **Cambodian SMEs and impact investors**

– dr. In Channy –
CEO of ACLEDA

This case study exemplifies how through a long relationship with ACLEDA, FMO was able to catalyze impact investors to finance Cambodian SMEs.

With an average annual income of US$300, Cambodia is one of the poorest countries in the world. But the Cambodian economy is growing with over 7% and entrepreneurship is booming.

The country has 500,000 registered SMEs and an estimated 500,000 unregistered enterprises, which are seen as a major catalyst for economic growth. It is calculated that every (small) business provides jobs for at least three Cambodians. As the country becomes more integrated in the ASEAN and global economy, the growth rate of SMEs will approximately be 10% per annum. But lack of financial services is slowing down growth. An IFC survey showed that only 26% of the enterprises received bank financing and 15% long term loans. Especially in rural areas, access to financing is minimal.

Market appetite

The ACLEDA Bank was founded in 1993 by the International Labor Organization (ILO) and became a fully operational commercial bank in 2003. It very soon became market leader by mainly serving micro and small enterprises. The relationship with FMO goes back to the year 2000, with several loans over the years. 'In 2015 FMO arranged a loan of €93 million, of which €81 million was provided by other impact investors. Due to an overwhelming market appetite', says dr. In Channy, CEO of ACLEDA, says. 'With this money we were able to fund 40,000 new enterprises, mainly in rural areas. The syndicated loan transaction, with multiple participants, is also good news because it brings new lenders to Cambodia. For some of the participants this is the first financing for a Cambodian bank.'

Access to finance

The key strength of ACLEDA lies in its large and solid depositors' base, supported by 255 branches. But there's more to the story. Channy: 'Most banks in Cambodia only hold offices in major towns. We have 258 offices all over the country, 279 ATM machines and 3,000 points of sale. We also make financial services available via mobile phone and the internet.Most clients work in agriculture (rice, cassava, rubber, and livestock) and need money to invest in machinery but also to expand trade with neighboring countries like Vietnam, Laos and Thailand. The FMO loan is very important for rural entrepreneurs. It gives them broader access to finance, serving as longer-term financial facilities.'

A sustainable forestry project in rural Cambodia.

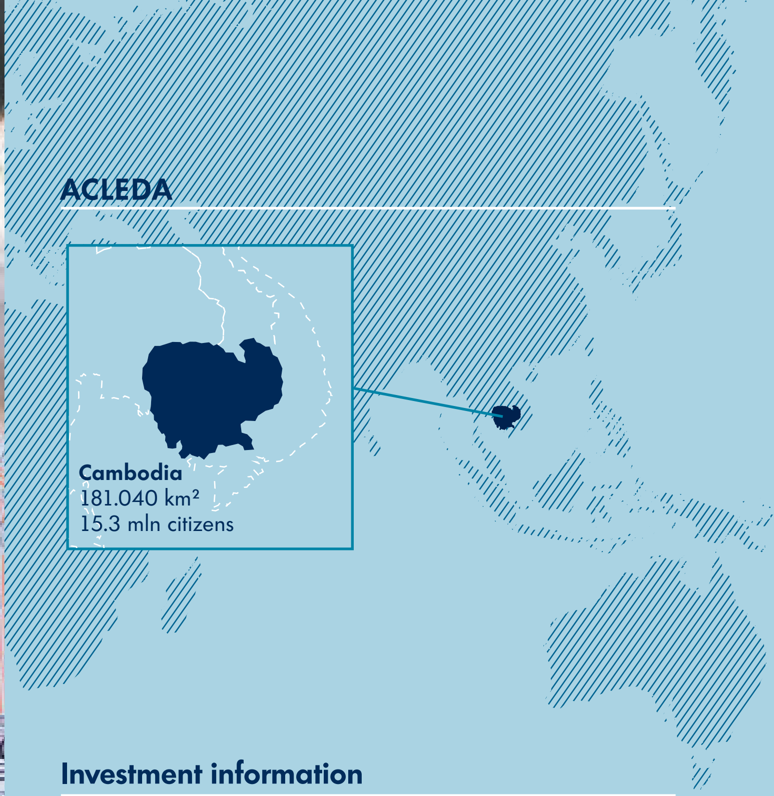
Good cooperation

ACLEDA grew with 200,000 customers in 2015 and ended the year with 1.6 mln accounts. Only 0.35% of the loans were non-performing. In other words, the portfolio is very healthy. 'Yes, it has been a very good year for us.' Channy concludes. Our total loan portfolio increased to US $2.6 billion (US $1.2 billion in 2014). We have almost 12,000 employees and are the biggest bank of Cambodia. ACLEDA is still very proud to be cooperating with FMO, which was a 12% shareholder until 2009. 'It's not just a financial relationship,' he explains. 'We have also implemented guidelines that were made by FMO. The National Bank of Cambodia has recently adopted these guidelines as a best practice for the financial sector in the country.'

With a syndicated loan ACLEDA Bank is able to help thousands of SMEs in Cambodia, especially in rural areas where people lack access to finance.

> **"With this money we were able to fund 40,000 new enterprises, mainly in rural areas."**

ACLEDA



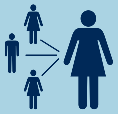
Investment information

Sector Financial Institutions	**Year of investment** 2015
Total amount arranged US$ 102 million	**Financial product** Senior Loan
FMO share US$ 15 million	**tenor** 5 years

Impact

Access to finance
for 40,000 SMEs

SME development
mainly in rural areas



Bringing new lenders
to the Cambodia market

FINANCIAL SUSTAINABILITY

Key Financial Figures FMO	2015	2014	2013	2012	2011
Balance sheet (€ × mln)					
Net loans	4,307	3,860	2,981	2,817	2,585
Equity investments portfolio (including associates)	1,500	1,149	962	914	795
Total assets	8,421	7,088	6,184	5,564	5,059
Shareholders' equity	2,511	2,138	1,963	1,815	1,665
Debt securities and debentures/notes	5,348	4,197	3,610	3,292	2,679
Profit and loss account (€ × mln)					
Net interest income	227	169	155	154	147
Income from equity investments	44	72	43	89	46
Results from financial transactions	13	-14	25	0	13
Operating expenses	-79	-62	-62	-57	-51
· regulatory expenses	-4	-2	-1	-1	-1
· pension costs	-11	2	-4	-4	-4
Value adjustments					
· on loans and guarantees	-10	-36	5	-23	-23
· on equity investments	-19	-15	-22	-23	-36
Total value adjustments	**-29**	**-51**	**-17**	**-46**	**-59**
Profit before taxation	215	149	169	172	118
Net profit	**174**	**124**	**133**	**145**	**93**
Total comprehensive income	377	180	155	140	153
Committed investment portfolio	8,061	7,035	5,789	5,450	5,046
Key ratios (%)					
Shareholders' equity / Total assets	29.8	30.2	31.7	32.6	32.9
Annual return on average shareholders' equity	7.5	6.1	7.0	8.4	5.9
Cost to income ratio	25	24	25	21	22
Total capital ratio	23.6	21.3	24.1	26.1	26.7
Common Equity Tier 1 (CET1)	22.9	21.3	24.1	26.1	26.7

The all time high net profit as well as a sound risk appetite contributed to our financial sustainability. Notwithstanding these positive results, FMO took great care in risk and portfolio management during 2015. We paid particular attention to the quality of our loan portfolio and the exit environment for our private equity portfolio as well as the appreciation of the dollar against the euro. Compared to 2014, our operating expenses increased substantially due to higher regulatory expenses and pension expenses, of which the latter was positively influenced with a one-off pension reduction in 2014, following implementation of new regulation

Managing vulnerabilities in our loan portfolio

The size of the net loan portfolio increased by 11% to €4.3 billion. This was driven mostly by the positive impact of the dollar appreciation. The volatile economic environment contributed to slightly higher non-performing loans – loans with a counterparty-specific value adjustment and/or loans with interest and/or principal payments that are past due 90 days or more – from 6.8% in 2014 to 6.9% in 2015. All in all, portfolio development resulted in an increase in net interest income from €169 million in 2014 to €227 million in 2015.

Private equity results remain below expectations

The private equity portfolio delivered mixed results in 2015. The size of the total private equity portfolio increased from €1.1 billion in 2014 to €1.5 billion in 2015. The portfolio increased predominantly due to the further refinement of valuation of the portfolio at fair value and the appreciation of the dollar versus the euro while the results from exits and dividends were limited due to the market slowdown for equities in emerging markets and developing countries during the year, as reflected in a slowdown in the MSCI regional indices.

Capital markets

FMO issued its second €500 million sustainability bond in April, after the inaugural issue of €500 million in November 2013. All proceeds shall be used to fund green and inclusive projects, including climate mitigation projects, climate adaptation projects and microfinance institutions. The issuance of the sustainability bond follows from FMO's intentions to catalyze institutional investors to its markets, and to acquaint them with the impact and risk profile of such investments. By the end of 2015, we had distributed a total of €779 million to projects that fulfill the criteria. For more information, see our Sustainability Bond Newsletter on www.fmo.nl/susbonds

A noteworthy funding transaction regarded the public issuance of Tier II capital for a total of €175 million. This instrument can partially offset potential reductions in capital due to investments in subordinated loans of other financial sector entities (FSEs), therefore enabling FMO to continue to serve its customers' demands by providing subordinated loans and equity.

Capital management to support stable capital ratio

FMO's Common Equity Tier 1 (CET1) ratio improved from 21.3% in 2014 to 22.9% in 2015. Given that FMO's shareholders' equity is euro denominated whereas the majority of the emerging market loans is USD denominated, an appreciation of the USD will lead to a deterioration of the capital ratio in the short term, ceteris paribus. In order to mitigate the negative effect on the level of the capital ratio of the dollar appreciating from 1.21 to 1.10 in 2015, FMO took various precautionary measures. These measures included the addition of quarterly profits to capital as well as the decision to temporarily limit equity and subordinated debt investments in FSEs. The latter precautionary measure, which necessarily came at the expense of clients, has been lifted after the issuance of Tier II capital, mentioned in the previous paragraph.

In order to be fully equipped to handle future market swings, FMO has developed a dynamic capital model. FMO adds a target capital ratio to the minimum capital threshold set in FMO's risk appetite statement. The target capital ratio ensures sufficient capital buffers to cover stress scenarios for external shocks. These scenarios include a large future appreciation of the dollar and a large credit loss incurred in one specific year. More specifically, FMO's CET1 capital ratio target is designed such that a USD/EUR rate of 0.80 combined with a loss of €300 million would lead to a minimum CET1 capital ratio of 18%, ceteris paribus. This is in line with our risk appetite minimum and still well above the SREP CET1 capital ratio requirement of 16% as set by DNB.

Ensuring development impact by supporting **our client through difficult times**

Revitalizing a geothermal energy project

By financing clean energy projects – such as geothermal energy plants – FMO contributes to the sustainable development of a country. Geothermal energy is a reliable, affordable and clean source of energy that can meet baseload power demand. The challenge in these projects lies in the uncertainties regarding resource potential, the outcome of well drilling plans, and generating the expected steam-output, as we found out with the Polaris Energy Nicaragua project.

The geothermal energy greenfield project San Jacinto-Tizate developed by Polaris Energy Nicaragua

Nicaragua is a 'hot spot' for geothermal energy development. Unlike other renewable energies, such as wind and solar, geothermal power generation can operate steadily nearly twenty-four hours a day, seven days a week. This continual production makes geothermal energy an ideal candidate for providing nearly zero-emission clean baseload power.

At the time of FMO's investment, Nicaragua had the lowest generation capacity per capita in Central America and experienced regular power shortages. Electricity demand exceeded the supply, which led to frequent black-outs. Heavy fuel-oil or diesel units provided a quick but costly and environmentally unfriendly solution in emergencies.

In 2009 and 2011, FMO funded the geothermal energy greenfield project San Jacinto-Tizate developed by Polaris Energy Nicaragua. This two-phased geothermal energy project consists of the exploration and development of the resource as well as the power plant itself. Polaris was supposed to generate 72MW once completed.

Though initially successful, after technical completion of phase two in December 2013, the steam capacity was lower than expected and generated only 54MW. The project developer immediately set up a remedial drilling program. Unfortunately, the extra drilling has not led to the anticipated increase of steam output and the extra cost of the remedial drilling program has put the company in financial difficulties.

The only way Polaris could turn around the situation was by drilling new wells. Facing severe financial constraints, the sponsor set out to find a new investor to finance the drilling plan. At the same time, the lenders of the project started a debt-restructuring process.

FMO's aim was to ensure the sustainability of the project while protecting the investment. During negotiations, the main concern was to assess the feasibility of the new drilling strategy as the proposed restructuring plan based its success on this plan. With a new investor and a clear drilling plan in place, the lenders agreed on the loan restructuring. Polaris is now implementing the new drilling plan and aiming to reach the intended total project size.

Investment information

Investment amount
US$245 million

Year of investment
2009, 2011

FMO investment
US$49 million*

Financial products
Senior and subordinated debt

**of which US$15 million from the Infrastructure Development Fund and Access to Energy Fund*

Impact

Providing a clean
source of energy

Projected 72 MW
currently generating 54 MW

Aiming to offset
350,000 tons of CO_2
equivalents per year

OUR ORGANIZATION IN 2015

The 2015 events had significant effects on our organization particularly on the way we provide accountability for our activities as well as how we engage with our stakeholders both external and internal. All in all, our stakeholders supported our mission, objectives, strategy and operations in broad terms. Having said that, we did of course receive feedback that we will use going forward.

Intensifying the Dutch connection

During the year, FMO not only encouraged innovations to get Dutch companies to invest in emerging markets but also intensified its continuous dialogue with the Ministry of Foreign Affairs and Ministry of Finance, politicians and other stakeholders such as civil society. In November and December, our CEO hosted several dilemma dialogues to bring representatives of the different stakeholders together and jointly discuss dilemmas around sustainable finance. Also this year, the Vos (PvdA) and Teeven (VVD) motion was accepted in Dutch parliament calling on the Minister to support and facilitate FMO in implementing the Dutch strategic investment agenda in developing countries.

Intensifying dialogue with Dutch government

Apart from the regular meetings we had with our counterparts in the Ministry of Foreign Affairs and the Ministry of Finance, our front office staff met regularly with embassy counterparts in our markets and we keep these embassies informed about our activities through a quarterly newsletter. Participation by FMO's Management Board and other staff members in various Dutch trade missions offered excellent opportunities for discussing public private cooperation in encouraging Dutch investments in emerging markets.

We also held specific meetings around the transfer of FOM-OS to Rijksdienst Voor Ondernemend Nederland (RVO). At the same time, we have been discussing with the Ministry how to put forth a second subsidy term for the MASSIF fund after the first term ends in 2016. On a smaller but equally relevant scale, the government granted us the new subsidy for Capacity Development that will have a focus on climate change and gender.

More focus on transactions with Dutch companies

We financed several Dutch companies from our own balance sheet as well as from the FOM facility, addressing the specific needs per investment. For example, export finance was provided to a Mexican company that imported two ships from Damen Shipyards. Through this transaction FMO absorbed the country risk that arises from doing business in Mexico, enabling Damen to pursue this transaction. It is in transactions like these that we team up with Atradius. Another example is our financing of Africa Improved Foods, a Rwandan food production company owned by the Dutch company Royal DSM. For more information, see page 33.

Innovation to blend private and public capital

FMO responded to the changing market dynamics, in particular in the field of climate finance. Climate Investor One and taking on the management of ElectriFI were a few innovations, aiming to blend new sources of public and private capital for climate financings. The Dutch government has shown interests in investing in these initiatives.

Building solutions for consortia finance

During the year, we worked intensely with the Dutch government, and several Dutch companies on the establishment of the so-called Development Business Partner initiative. Through this FMO initiative, Dutch consortia of companies can draw on each other's management capabilities and funds to finance infrastructure project identification studies, feasibility studies and early-stage project equity to get projects off the ground.

Demand for this facility arose from Dutch companies that are at a competitive disadvantage compared to consortia from Asian and European countries, whose governments often support their bids with financing and subsidy schemes. Discussions about this facility are in an advanced stage and expected to be made final in 2016.

In the meantime, FMO is in the process of executing pilot projects in this field. One example is the Flying Swans, a FMO led business consortium that is currently setting up an agrologistics corridor in South Africa together with RVO. As part of a Dutch trade mission and in the presence of the Dutch Prime Minister, FMO signed a Letter of Interest last year with Dutch and South African companies, that will develop port, railway and warehousing facilities as an integrated solution to increase both the volume and the quality of trade flows in the South African fruit and vegetable supply chain. Creating viable jobs for workers along the supply chain as well as creating logistical projects that reduce CO_2 emissions by switching transportation from road to railway and from air to sea are high on the agenda for the Flying Swans.

NGO stakeholder engagement

Even though we do not manage companies and projects ourselves, investing in emerging economies in certain sectors creates dilemmas and raises questions. FMO does not want to avoid these dilemmas and issues, and as such we mitigate risks as much as possible and enter into dialogue with our clients and their stakeholders, such as NGOs and local communities. We learned valuable lessons from the official complaint regarding our investment on the Barro Blanco project. Following the report published by the Independent Expert Panel in May, we committed to continued focus on a thorough process for the appraisal and monitoring of the environmental, social and impacts related to our investments.

We are looking more closely into the policies we have in place. But we are also open to learning from our knowledge partners and peers. We are participating in two multi-stakeholder dialogues on human rights and on land governance initiated by Minister Ploumen. For more information, see the case study on page 14.

Accountability on our activities

We invested significant time and effort in the roll out of the FMO Impact model so that we could measure the impact in new investments for the first time in 2015. We have built a robust process that covers all three lines of defense to ensure the quality of the data. We will continue to develop tools, e.g. for forecasting.

Developing our Impact and Footprint framework

To enable more comprehensive tracking of our progress we have been looking to develop additional indicators for the impact and footprint framework. To that end we assessed methods to determine the water footprint of our portfolio as well as for the quality of the jobs supported by our investments. In both cases we found that it will take substantial amounts of time to develop robust methods. The main difficulties we ran into were a lack of international standards and research, as well as laborious processes to measure and gather our own data. We will therefore continue to look for feasible ways to implement indicators in these areas.

Reviewing Impact and footprint framework

As the outcomes of the impact model are ex-ante assumptions, it is important to verify the feasibility through ex-post validation. Each year, an ex-post impact analysis for a particular sector in FMO's business is undertaken. In 2015, the ex-post results of electricity produced by the energy projects that were part of the 2010-2012 baseline, were evaluated in order to get a fair estimation of the economic impact of such investments on the countries concerned. The study assessed the actual realization of electricity produced in 2014, by the sixteen producing projects that were contracted in the 2010-2012 period.

The evaluation outcomes indicated that the ex-ante expectations of electricity of these sixteen projects had to a large extent been produced by 2014, and hence there was no reason to expect substantial deviations in jobs supported and GHG avoided from this perspective. As the number of projects analyzed was relatively small and their operational track-record limited, it is difficult to draw further substantive conclusions about the level of effectiveness of different types of electricity projects. For the full evaluation report, see www.fmo.nl/reports.

Our internal organization

During the year there was continued attention paid to the alignment of our culture with the vastly changing environment. Diversity remains an important factor, not only in our hiring efforts but also in the working relations for example by offering trainings in cultural differences. Our management underwent 360° feedback and we put efforts into making our operations more efficient but for which we will only be able to see the benefits later.

In the context of a demanding external environment, some priorities gave way in 2015. We observed the need for strengthening of project management skills as a number of internal projects and initiatives have been experiencing difficulties and delays. Internal project implementation will therefore be one of the key priorities for 2016.

The Management Board held scheduled meetings with the Works Council on a variety of topics. Discussions were constructive and helpful. Our workforce grew to 374 FTEs all of which are covered under the collective labor agreement (cao). Approximately 10% of staff has a temporary employment contract; the female/male ratio here is 60%/40%. For staff with an indefinite employment contract, the female/male ratio is evenly split. All of FMO's employees have taken the Dutch banking oath in 2015, as required for all banks by the Dutch banking association.

HR figures	2015	2014
Total number of employees	395	387
Number of new recruits	31	31
% of women in senior and middle management	32	27
Number of nationalities	33	29
Number of trainings held by the FMO Academy	48	44
% staff turnover	6	5
% absenteeism	3	2
Total FTEs at year end	374	366

Barro Blanco **complaint puts FMO's transparency policy into practice**

– Steve Gibbons –
Member of the independent expert panel

Since 2014 FMO and the German development finance institution DEG have had a shared complaints mechanism. A complaint in 2014 regarding our investment in a hydro-electric dam in Panama occasioned the first time when the independent expert panel was thoroughly put to the test.

Alongside DEG, FMO is the first European bilateral development bank that has established an independent complaints mechanism. The complaints mechanism is open to groups, communities and individuals who feel affected by investments. Their complaints will be verified independently by an expert panel and they have access to a mediation/arbitration process. FMO believes that this mechanism will help the bank to draw lessons, so its policies and processes remain fit to the activities it undertakes.

One of the members of the international expert panel is Steve Gibbons, a specialist in international legal standards, with over twenty years of experience. 'We received one complaint, in April 2014, that we deemed admissible under the criteria of the complaints mechanism,' he says. The complaint related to the Barro Blanco Hydroelectric Project in Panama. Gibbons: 'Some communities felt that the project did not comply with international human rights standards, FMO/DEG's own policies and that their land rights had been violated. They claimed FMO and DEG should not have financed the building of the dam and that the building process should be stopped immediately.'

The expert panel examined all documents and steps taken. Gibbons and his colleagues flew to Panama to speak with government representatives. On horseback and by foot they went to remote villages and met indigenous leaders. Gibbons: 'One of our findings was that communication and mutual trust had been damaged along the process. It became clear to us that rebuilding these would be an important aspect of dealing with the complaints. It was also very important to convince the building company to cooperate. It had signed the contracts with FMO and DEG before the complaints mechanism was established and at first was hesitant. In an open dialogue we convinced the company to take all complaints seriously, which it did.'

'It's one of the main lessons learned,' says Gibbons. 'Parties had to be convinced that the complaints mechanism poses no threat. Our goal is to help FMO and DEG, and also stakeholders, to comply with their own standards and rules. Our conclusion was that FMO and DEG had done this, but could have done better.

Independent Expert Panel visiting communities of the Ngöbe Buglé in Panama. From left to right: Michael Windfuhr, Maartje van Putten, Anne-Marie Lévesque (Panel support), Steve Gibbons.

Especially in their communication and contacts with the indigenous people that claimed to be harmed by the new dam. FMO and DEG should have waited until all studies had been finished, we wrote in our final report. They decided to finance the project when not all possible information was available to them.'

One of the best things about the complaints mechanism is that FMO and DEG must respond in public to findings of the expert panel and also extract lessons learned. In their management response FMO and DEG acknowledged that they appraised the situation in phases rather than an integrated manner and will further raise the bar on the required level of information for stakeholder consultation.

The expert panel itself has also drawn lessons. Gibbons: 'We must be more transparent in what the complaints mechanism can and cannot do. People who file a complaint should not have false hopes or expectations. We have learned that a good and continuous communication with FMO and DEG helps building trust. There's also a general lesson. A formal complaints mechanism will lead to better and more professional relations with the press. Most journalists don't take "no comment" for an answer. But when a company can say: "We can't comment as long as our independent expert panel is at work", the press will understand. This was my experience when I worked for the Olympic Games in 2012 and now again, in the case of FMO/DEG and the Barro Blanco dam.'

Complaints are verified independently by an expert panel and they have access to a mediation/arbitration process.

Outlook for 2016

The economic outlook for developing countries in 2016 will be influenced by various factors, most prominently the state of China's economy and the continued fluctuation of commodity prices. Whereas most forecasts expect economic growth in China in 2016 to be around 6.5%, slightly down from 6.9% in 2015, others point to further downsides. Were those to materialize, this could have profound implications for other developing economies, especially those that export commodities.

The world around us will remain uncertain in 2016. Other BRIC countries such as Brazil and Russia are again expected to experience low growth at best. Another uncertainty in emerging markets and developing countries will be the speed at which US recovery will continue. This will drive US monetary policy and in turn influence the US dollar and US interest rates, and hence the speed at which capital could flow back from emerging economies to the US. All in all, the world economy is expected to remain volatile.

Requiring careful management by FMO

The macro situation sketched above will require FMO to be careful in managing its balance sheet and in particular the credit risk of its emerging markets portfolio. Looking towards the medium term, FMO will also define actions to implement expected regulations on capital requirement and financial accounting and safeguard our financial sustainability.

As a result of portfolio growth, the execution of our ambitious goals and innovations is stretching capacity and delaying implementation timelines. In addition, our stakeholders are becoming more assertive in holding us accountable. To safeguard our financial performance and our ability to execute on our strategy, we will use 2016 to consolidate so that we can return to the levels of new investments envisaged towards our 2020 objectives in the coming years. Total new investments will be moderated to €2.2 billion of which €840 million for catalyzed funds.

Although this is lower than the 2015 level of new commitments, the goal to double impact and halve footprint remains unchanged as this is measured over new investments from 2018 to 2020. We remain committed to increasing green investments as a percentage of the total and have increased our target from 25% to 30%. Just as in 2015 we will not directly target the number of jobs supported and the amount of GHG avoided, but steer towards these goals by targeting new commitments, catalyzing volumes and green investments as proxies.

Building coalitions of change

We will continue to build on more structured stakeholder engagement in 2016. The client satisfaction survey performed last year gave us important insights into the areas in which we can improve our product and service offering. To that end we will put more focus on knowledge sharing and networking with and for our clients, amongst others two sectoral conferences for our Energy clients and our Financial Institution clients.

Early March 2016, we were shocked by the violent death of Mrs. Berta Cáceres, a well-respected human rights activist. She was a vocal opponent to one of the projects in Honduras in which FMO is co-financier. At the time of writing of this integrated annual report, we are working with our contacts in Honduras to review exactly what has happened and are calling for a thorough investigation and to hold those responsible to account. FMO gives high priority to carefully engage all involved parties in its projects through intensive dialogue and consultation with local population, to allocate a fair and righteous compensation for people who suffer damage and to make sure that the investments contribute to local job generation. FMO welcomes involvement and input from external stakeholders, including NGO's, to make sure these processes are performed well. One engagement initiative planned for 2016 pertains to the discussion concerning FMO's revised ESG policy, which is currently in preparation. We will invite a group of NGOs to provide input for this policy, in order to benefit from their knowledge and take our current discussions with NGOs to a much more strategic level.

A number of our smaller and larger innovations, such as our cooperation with Initiatief Duurzame Handel (IDH), setting up and managing Climate Investor One and ElectriFI still need to be made scalable. Our cooperation with our knowledge and DFI partners, but also with NGOs, co-investors and governmental counterparts will intensify as we come closer to bringing our products to the market. The Development Business Partner initiative involving the Dutch Government, will also be continued with vigor, as it is a concrete example of blended finance in which public funding is leveraged to attract commercial investors, benefiting both companies in developing countries and in the Netherlands. Additionally, with the new subsidy for the Capacity Development Program we will continue our pilot to invest and gain experience in inclusive projects, focusing particularly on the themes of climate change and gender.

Driven by investors looking for returns and by an increasing awareness among these investors of ESG related aspects, the market for responsible investments in emerging markets is a growth market. Few credible frontier market propositions of the scale and institutional quality offered by FMO IM exist. Still, the current fund raising climate for alternative investments is difficult and building up an investment management business takes time. Nonetheless, a first close of the NN Investment Partners and FMO IM global emerging markets loan fund is expected in 2016.

Organizational ambitions to make this happen

To ensure that we can execute on our strategic priorities as set out above, we will continue to invest in the organization. Focus will be on strengthening project management skills to ensure implementation of internal projects. Total staff is expected to increase to around 400 FTEs (2015: 374 FTEs). We will continue to invest in attracting talented people and at the same time upholding our core value of excellence. Our employees will let us know how we as an organization are progressing in the employee satisfaction survey that has been planned for 2016.

The world around us has changed rapidly in the past few years. We will use 2016 to assess whether our medium term strategic goals will need to be adjusted during the years 2017-2020.

Alongside the actions mentioned before, we have defined the following targets and initiatives on our strategic priorities.

Ensure financial sustainability

· New contracts FMO and government funds	Target: €1.4 billion
· FMO net annual return on shareholders' equity	Target: 6.2%
· Cost to income ratio	Target: 25%

Foster inclusive investments

· Strategic initiative	Continue pilot inclusive investments in climate change & gender

Increase green investments

· Green investments of the total	Target: 30%
· ESG action items due in 2016 implemented	Target: 85%

Catalyze public and private capital

· Catalyze funds	Target: €840 million

Increase Dutch business

· Strategic initiative	Development Business Partners

Strengthen accountability

· Strategic initiative	Structured stakeholder engagement
· Strategic initiative	Revise ESG policy

How ESG training created value for **client Abraaj**

Moving ESG to the core of the investment process

In late August of 2015, over 40 investment executives from the Abraaj Group gathered in Dubai and participated in the interactive FMO Masterclass on Environmental, Social and Governance (ESG) management.

Invited by the Abraaj Group, FMO's ESG experts facilitated an engaging learning experience with the shared goal of improving the long-term value of Abraaj's portfolio companies. The aim of the masterclass was to discuss ESG management and the link to value creation, moving ESG out of the compliance room and into the heart of the investment process.

Engaging the hearts and minds

Founded in 2002, the Abraaj Group is a private equity firm operating in the growth markets of Africa, Asia, Latin America, Middle East and Turkey. Abraaj currently manages approximately US$9 billion in assets across regional, sector and country-specific funds. Abraaj is committed to ESG, has world-class ESG systems in place and still experiences challenges in putting ESG in practice with their investee companies. Addressing ESG structurally in their investments offers the potential for substantial cost savings and business opportunities in areas like energy efficiency, reduced use of resources or improved waste management. In addition, there will be opportunities to improve corporate governance. Initiatives such as setting up board committees, establishing more relevant performance indicators or improving auditing contribute to enhancing value creation in private equity-owned companies.

Engaging in the hearts and minds of all investment staff is a challenge that many experience, and with sessions like this one FMO takes investees one step closer to that goal. The next step for Abraaj is to fully integrate all aspects of ESG analysis in their core investment process by further increasing the engagement and motivation of the investment professionals.

More than a training

Moving beyond the aspiration to action requires building a more pragmatic knowledge base on ESG, scaling awareness and increasing technical skills. The masterclass included a business game and a number of case studies providing an opportunity to identify and assess key ESG risks and opportunities. However we emphasized we were not there to train the Abraaj team. Instead, we created a setting in which Abraaj investment staff could learn from each other, and from us – and we from them.

Together with Abraaj, FMO invests in the FanMilk Group. The FanMilk group produces and sells affordable frozen dairy and juice products directly to consumers through a unique street vending system.

As a strong advocate of effective ESG implementation that goes beyond mandatory compliance, FMO wanted to inspire and help them in structuring, implementing and integrating ESG into their core business. With its central ESG team and regional operational support teams (APAG), Abraaj is well-positioned to improve the ESG management of their partner companies and we experienced this while traveling with them to visit some of their investees.

Through this kind of masterclass, FMO will continue helping investors recognize and more thoroughly appreciate the added value that ESG can deliver in improving the sustainability of their portfolio companies.
As FMO, we believe that integrating sustainability practices helps investors to build quality businesses, resulting in both compelling financial benefits and increased impact creation.

Through facilitating ESG training and master classes, we are contributing to raising the awareness in the investment community that building quality businesses grounded and engaged in their communities and stewarding resources responsibly, is the best way to invest.

Investment information

Fund manager
The Abraaj Group

Funds
Abraaj Africa III Fund
And 10 other funds managed by the same firm, with FMO commitments totaling €140 million

FMO Investment
€33 million

Year of investment
Fund was committed in 2014

How we report

This is FMO's first integrated annual report ('annual report') prepared according to the principles of the International Integrated Reporting Council's (IIRC) Integrated Reporting framework. We strive for transparent reporting on our strategy, the dilemmas we face and how we are realizing our strategy in order to create value for our stakeholders.

Legal entity

This report covers the activities of Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), FMO Investment Management B.V. (FMO IM) incorporated in 2015, and FMO's four intermediate holding subsidiaries: Nuevo Banco Comercial Holding B.V., Asia Participations B.V., FMO Medu II Investment Trust Ltd. and Equis DFI Feeder L.P. We liquidated the subsidiary FMO Antillen N.V. in the first half of 2015. A small part of FMO's activities falls under Fonds Opkomende Markten (FOM) facility which is guaranteed by the Dutch government.

FMO also manages funds for the Dutch government: MASSIF, Infrastructure Development Fund (IDF) and Access to Energy Fund (AEF) and executes on the subsidy scheme Capacity Development. In the course of the year, we transferred new activities for the Emerging Markets Fund for Developing Countries (FOM-OS) to the Rijksdienst voor Ondernemend Nederland (RVO).

The FMO group falls under the Dutch tax regime as it resides in The Netherlands. Our interest income, dividends and capital gains are subject to local tax laws taking into account double taxation treaties between The Netherlands and the countries of our investments.

Reporting policy

The period covered by this report is the calendar year 2015. The publishing date of the previous annual report was March 23, 2015. There have been no significant changes to our legal structure, activities, policies or methods of measurement during 2015 that would require restatement of information. The figures and percentages mentioned throughout the annual report include the figures for FMO and its subsidiaries' activities as well as the activities of the FMO-managed government funds, unless explicitly stated. The assets managed by FMO IM for third parties are not included in this annual report.

A large part of the financing and investing activities takes place in foreign currencies, mostly in US dollars. All new commitments, catalyzed funds and green investments mentioned throughout the report have been translated to our functional currency, the euro, based on the foreign exchange rates at the date of contracting. Figures referring to the year end committed portfolio have been translated to euros using the year-end foreign exchange rates.

Standards and reporting guidelines

This report has been prepared according to the legal requirements of section 2:391 of the Dutch civil code and the Dutch legal guidelines for management board reports, RJ 400. We have applied the Integrated Reporting framework to describe how we create value for our stakeholders with our strategy to double impact and halve footprint. Set against the backdrop of the external environment and our business model, we describe how we are steering the organization and what this means to us in practice to achieve this strategy.

Starting with this year's report, we apply the Global Reporting Initiative's (GRI) fourth-generation sustainability reporting guidelines (G4) and the Specific financial sector guidelines and have chosen to report in accordance with the "Core" option.

The European Parliament has adopted an EU directive that will require eligible organizations and all banks to disclose non-financial and diversity information from the end of 2016. Dutch eligible companies and banks will most likely need to apply the Ministry of Economic Affairs' Transparency Benchmark. FMO has been participating in the Transparency Benchmark for several years already and will continue to do so in the future.

Materiality determination process

One of the fundamental concepts to integrated reporting is materiality. As part of an ongoing process to further develop our strategy and ensure that our reporting reflects the most material developments and issues we undertook a materiality analysis in 2015. GRI defines material topics as those aspects that reflect the organization's significant economic, environmental and social impacts or that substantively influence the assessments and decisions of stakeholders.

FMO used the issues raised by stakeholders in previous engagements as a starting point for identifying the material topics. Other commonly applied reporting guidelines as well as reporting by peers and other financial institutions were also considered. In total 30 matters were considered.

To validate the developments and issues, an online survey was conducted among key internal and external stakeholders. Based on qualitative analysis and discussion of the stakeholder input with the Management Board, ten topics were found most material. The outcome of the assessment is reflected in the matrix in chapter 'External environment'. The reporting process for the 2015 integrated report was guided by these material topics.

Use of case studies

The case studies included throughout the report offer insight into our activities and are not necessarily representative of our entire portfolio or of new commitments. They do, however, exemplify projects within our regions and strategic sectors, and highlight material activities of FMO and their inherent dilemmas from the perspective of different stakeholders.

Data quality

Data quality is important as it forms the basis for management reporting and steering. To ensure a high data quality, we have implemented adequate procedures. Quality of financial aspects, but also information on the development impact and footprint are embedded in our core investment process and the results are analyzed by another employee following the closing of the books. Beyond that, as a third line of defense, FMO's Internal Audit department considers data quality and the underlying processes to be important audit areas.

Data collection

For closing of the books processes, data is taken from our internal systems. Data pertaining to our portfolio is taken from financial systems. Non-financial elements of our portfolio, specifically data for measuring impact and footprint, are based on data from clients and macroeconomic data sources. Green investments are subject to our internal green investments approval process. Information on human resources comes from our HR systems and is linked to our salary administration systems.

Measuring impact and footprint

In 2014 we developed FMO's impact model, covering the direct and indirect impact and the footprint effects of our investments. This is an economic input-output model that calculates how a capital investment in a country is expected to influence growth, wage creation, jobs and greenhouse gas emissions. The model is a best practice of its kind, making use of macroeconomic and greenhouse gas emission databases, giving fair estimations – based on country averages – of the impact of our investments on the economy and GHG ecology of a country. Although it is a model and hence delivers a stylized result, it does give a complete rather than partial picture of the impact achieved.

As capital intensities and labor productivities differ among countries and sectors, the impact of one unit of our financing will vary per project. Generally speaking, the scarcer the available capital for a particular sector in a country, the higher the impact achieved per unit of capital financed by FMO. Depending on the productivity of labor in that country and sector, the additional production will lead to more employment.

We calculate the avoided greenhouse gases (GHG) of our clients only on the so-called green investments. GHG avoidance is calculated using data sources verified by independent third parties such as Clean Development Mechanism documentation or estimates using the IFC's Carbon Emissions Estimator Tool.

With our partner development finance institutions, we continuously seek harmonization of measurement of and reporting on impact. During 2015, the International Finance Institutions, among which FMO, agreed to harmonize their GHG accounting starting from 2016. This will more than likely have implications for our GHG avoidance results. We will assess the magnitude of this change and implement changes to our model and processes. For more information on FMO's Impact model, see www.fmo.nl/development-impact.

Assurance

We have asked KPMG to audit the annual accounts and to perform a review of the Report of the Management Board section of this integrated report. The scope of the assurance assignment on the Report of the Management Board is limited to the chapters 'Our business model' up to 'Performance on our strategy' and 'How we report'. The assurance is conducted using the Dutch standard on assurance engagements NVCOS3000.

EXTERNAL COMMITMENTS

In order for us to learn from others and to share our knowledge, FMO participates in a number of projects and committees. These are listed in the table below.

Project and Committee memberships	Name	Role
Association of European Development Finance Institutions, European Financing Partners, Interact Climate Change Facility	Nanno Kleiterp	Chair of the Board of Directors
IUCN NL	Nanno Kleiterp	Chair of the Board of Directors
Natural Capital Coalition	Nanno Kleiterp	Chair of the Board
Amsterdam Institute of Finance	Nanno Kleiterp	Member of the Advisory Council
International Institute of Social Studies	Nanno Kleiterp	Member of the Advisory Board
Vereniging Beleggers voor Duurzame Ontwikkeling	Nanno Kleiterp	Chair of the Advisory Board
Royal Tropical Institute (KIT)	Jürgen Rigterink	Member of the Board of Directors
Netherlands Council for Trade Promotion (NCH)	Linda Broekhuizen	Member of the Board of Directors
Nederlandse Vereniging van Banken		FMO is a member
Global Impact Investors Network (GIIN)		FMO is a member
IIRC Business network		FMO is a member
De Groene Zaak		FMO is a member
NpM Platform for Inclusive Finance		FMO is a member
Institutional Integrity Forum or Transparency International Netherlands		FMO is a member
Five Voluntary Principles of Mainstreaming Climate Change Actions		FMO is signatory
Platform Carbon Accounting Financials (PCAF) and the Dutch Carbon Pledge		FMO is signatory
Sustainable Development Goals Charter		FMO is signatory

International principles

FMO follows a number of guidelines and principles, which helps us to improve the quality of our work and standardize our reporting.

- IFC Performance Standards
- OECD guidelines
- UN Guiding principles on Business and Human Rights
- International Labour Organization
- Integrated Reporting
- Global Reporting Initiative
- Principles for Responsible Investment
- Equator Principles
- Natural Capital Declaration
- UN Principles for Investors in Inclusive Finance
- International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations

For our own operations, we maintain the following standards:

MVO Prestatieladder
The Gold Standard

Supporting mobile communications infrastructure in Myanmar
FMO has arranged a large syndicated loan for Irrawaddy Green Towers (IGT) to build a mobile communications infrastructure across Myanmar.

In control statement

FMO uses an integrated and solid In Control Framework that enables us to take and control risks and which complies with international best practices.

Adequate internal control strongly supports the achievement of objectives in the following categories:
- Effectiveness and efficiency of processes;
- Reliability of financial reporting;
- Realization of operational and financial objectives; and
- Compliance with laws and regulations.

The Management Board regularly considers the design and effectiveness of FMO's internal risk management and control practices (taking into account the approved risk appetite) and discusses all related significant aspects with senior management. The results of the Management Board's review of FMO's internal risk management and control systems, including significant changes and planned major improvements, and the defined risk appetite are discussed with FMO's Audit & Risk Committee, which reports these to the Supervisory Board.

Based on our review of the company's internal risk management and control systems, and cognizant of their inherent limitations described below, we have concluded that FMO is in compliance with the requirements of best practices II.1.4 and II.1.5 of the Dutch Corporate Governance Code. The Management Board makes the following statement regarding the financial reporting risks:
- The internal risk management and control systems of FMO provide reasonable assurance that FMO's financial reporting does not contain any errors of material importance;
- FMO's risk management and control systems worked properly during 2015; and
- There are no indications that FMO's internal risk management and control systems will not continue to function properly in the current year.

Our risk management and control systems also give us reasonable assurance about effectiveness of operations, realization of strategic and operational objectives and compliance with applicable laws and regulations. We note that the proper design and implementation of internal risk management and control systems significantly reduces, but cannot fully eliminate, the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Another limiting factor is the need to consider the relative costs and benefits of risk responses. Properly designed and implemented internal risk management and control systems will therefore provide reasonable, but not absolute, assurance that FMO will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business.

Responsibility statement

We have committed to ensuring, to the best of our abilities, that this report is prepared and presented in accordance with the Integrated Reporting framework and that the integrity of all presented information can be assured.

In accordance with article 5:25c sub 2 part c of the Dutch Financial Supervision Act (Wft) we state that, to the best of our knowledge:
- The annual accounts give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated companies;
- The annual report gives a true and fair view of the position on the balance sheet date and developments during the financial year 2015 of FMO and its consolidated companies; and
- The annual report describes the material risks that FMO faces.

The Hague, March 14, 2016

Nanno Kleiterp, *Chief Executive Officer*
Jürgen Rigterink, *Chief Risk & Finance Officer*
Linda Broekhuizen, *Chief Investment Officer*

Nanno Kleiterp, CEO of FMO, (sitting far left) representing the Flying Swans consortium of Dutch businesses signed a Letter of Interest with South African companies to cooperate in agro-logistics. Next to Nanno Kleiterp sits Dr Konanani Liphadzi, CEO of Fruit South Africa, and Peter Verbaas Deputy Director Frugi Venta.

Nanno Kleiterp
Dutch, 1953, male
Appointment in current position
2008-2016

Jürgen Rigterink, CRFO of FMO, opened FMO's Credit Risk Seminar attended by credit risk professionals from the markets that FMO serves.

Jürgen Rigterink
German, 1964, male
Appointment in current position
2014-2016

Linda Broekhuizen, CIO of FMO, welcoming over 400 financiers and project developers at the Making Solar Bankable Conference that FMO organized together with SolarPlaza.

Linda Broekhuizen
Dutch, 1968, female
Appointment in current position
2014-2018

Report of the **supervisory board**

Against the backdrop of a volatile external environment, FMO performed well in 2015. It reached the vast majority of its targets for the year, including its development impact targets and its financial targets. FMO is firmly on its way to reaching its goals for 2020, i.e. to double its impact and halve its footprint. It also set further steps on its road to Integrated Reporting, as exemplified by the structure and substance of this annual report.

Proposals and recommendations to the annual general meeting

FMO's Supervisory Board endorses the Report of the Management Board. We propose that the Annual General Meeting of Shareholders (AGM) adopt the 2015 annual accounts audited by KPMG Accountants N.V. In accordance with Article 6(2) of the Agreement between the Dutch State and FMO of November 16, 1998 and the current dividend policy, we propose that the AGM approve the allocation of €168 million (2014: €120 million) to the contractual reserve. The remaining amount of €6.2 million (2014: €4.6 million) is the distributable component of profits. We recommend that the AGM adopt our proposal to pay a cash dividend of €15.58 (2014: €11.40) per share. This proposal for dividend distribution can be withdrawn if FMO's economical and financial conditions deteriorate significantly in the period up to the moment of distribution of the dividend. This reservation is the result of the recommendations of the European Central Bank on January 28, 2015, and adopted by the Dutch Central Bank. We propose to the AGM to re-appoint Pier Vellinga as well as Alexandra Schaapveld as members of the Supervisory Board.

We trust that the AGM will also discharge the Management Board for its management of FMO and the Supervisory Board for its supervision during the reporting year.

Supervisory board structure in 2015

Members of the Supervisory Board are appointed by the AGM. The Board currently comprises of five members with specific expertise in areas relevant to FMO's activities. There is still one vacancy in the Board. After finalization of the current search process, we expect to propose a candidate to the AGM during its first meeting in May 2016. In addition, we warmly thank Agnes Jongerius, who will be leaving the Supervisory Board in 2016.

FMO's Supervisory Board and its committees work through regular, pre-scheduled meetings as well as on an ad hoc basis throughout the year. There were six formal meetings of the Supervisory Board in 2015. A transparent formal reporting structure is in place. Supervisory Board members are in frequent contact with the Management Board so they remain fully informed and can provide advice at all times. The Supervisory Board Chairman meets the CEO informally once a month.

Besides providing strategic advice to the Management Board, Supervisory Board members advise on specific issues through two dedicated committees – the Audit and Risk Committee ('ARC') and the Selection, Appointment and Remuneration Committee ('SARC'). In addition, the Supervisory Board holds an annual three-way meeting with the Management Board and the FMO Works' Council. Individual Supervisory Board members also attend Works' Council meetings, along with Management Board members.

Both through formal Board and Committee meetings as well as through informal consultations throughout the year, the Supervisory Board performs its roles as required.

Supervisory Board roles in 2015

In general, the Supervisory Board approves FMO's strategy, risk appetite and budget. It supervises the Management Board and ensures the robustness of the risk management system.

The Supervisory Board has five distinctive roles, springing naturally from its responsibilities.

1. Stakeholder engagement, for accountability purposes to shareholders and other key players
2. Supervision, verifying that FMO is and remains compliant with regulatory requirements
3. Advising and acting as sparring partner to the Management Board
4. Corporate governance, securing best practice in the organization
5. The role of employer, appointment of the Management Board members, remuneration policies and performance review

SUPERVISORY BOARD MEMBERS

Jean Frijns *Chair*
Dutch, 1947, male
Initial appointment
2010
End of current appointment
2018
Supervisory Board Committee membership
Audit & Risk Committee; Selection, Appointment & Remuneration Committee

Pier Vellinga *Vice Chair*
Dutch, 1950, male
Initial appointment
2008
End of current appointment
2016
Supervisory Board Committee membership
Audit & Risk Committee

Alexandra Schaapveld
Dutch, 1958, female
Initial appointment
2012
End of current appointment
2016
Supervisory Board Committee membership
Audit & Risk Committee

Bert Bruggink
Dutch, 1963, male
Initial appointment
2009
End of current appointment
2017
Supervisory Board Committee membership
Audit and Risk Committee
Chair

Agnes Jongerius
Dutch, 1960, female
Initial appointment
2008
End of current appointment
2016
Supervisory Board Committee membership
Selection, Appointment and Remuneration Committee
Chair

Stakeholder engagement

Throughout the year, the Supervisory Board has had regular contact with the Dutch government. These meetings have been used for the purposes of information sharing and accountability. In 2015, a particular topic of discussion regarded strategies to support Dutch companies in their business in developing countries. In general, the Supervisory Board is pleased with the interactions with the Dutch government, which were more intensive than in previous years. Individual members of the Supervisory Board have been in contact with some of FMO's clients and had meetings with a number of Dutch companies. An important issue in 2015 regarded the complaint mechanism. In the process of managing the complaint concerning the Barro Blanco project, the Supervisory Board held a meeting with the independent expert panel.

Supervision

The Supervisory Board regularly discusses FMO's risk profile and other financial and accounting matters in all of its meetings. Particular attention was given to balance sheet management, credit risk management, operational risk management and compliance. FMO's solvency over the longer term has been a key point of attention for the Supervisory Board and has therefore been thoroughly monitored. In-depth discussions on all of these key items were prepared in the ARC, which met three times during the year. The Supervisory Board acknowledges that the external environment – both market circumstances and regulatory changes – was challenging. Having said that, FMO was still consistently managed as an AAA institution.

The Supervisory Board appreciated the strong and successful efforts that were made to this end throughout the year by the Management Board. A point of attention during the year was the speed with which the organization gave proper follow-up to recommendations that were made by the external auditor and the Internal Audit department. In a number of cases, follow-up was slower than planned. Although this is understandable given how stretched the organization was due to the challenging external environment, more attention will be required to ensure a proper and timely follow-up to such recommendations. This will be an important point of attention for the Supervisory Board in 2016.

The Supervisory Board has specific tasks to ensure sound and ethical operations. This includes making sure that a sound governance system is in place and that the Management Board promotes responsible behavior and a healthy culture in line with the principles of the Banker's Oath. The Supervisory Board has set specific targets for the members of the Management Board and supervises its progress. Members of the Supervisory Board discuss the elements of a healthy business culture on a regular base both with the Management Board, the Works' Council and individual departments within FMO.

Advisory role

The Supervisory Board actively engages with the Management Board as an advisor and sparring partner on FMO's strategy. It truly appreciates the Management Board's openness to receiving this feedback and its willingness to take this into account in its process of setting strategic objectives. These strategic discussions sometimes take place during the Supervisory Board's regular meetings. In addition, Supervisory Board and Management Board convened for an informal strategic session in August 2015. During this meeting several possible scenarios and future trends were discussed. Throughout the year, the Supervisory Board consistently stressed the need to maintain focus and to keep FMO's strategy feasible and achievable over the longer run, acknowledging the distinctive demands that various stakeholder groups placed on the institution. The Supervisory Board is confident that the Management Board has struck a good balance and that the current strategy is a sound basis underlying FMO's operations in 2016.

Role as an employer

The Supervisory Board appoints Management Board members and evaluates the performance of the Management Board as a whole as well as the performance of individual members. A proactive role was again played by the SARC. During the four meetings that the SARC held in 2015 the following topics were discussed: succession planning for the Supervisory and Management Boards, targets, FMO's generic HR and remuneration policies, and some specific issues. In addition, members of the SARC held meetings with individual members of the Management Board.

In the light of the end of his second term per October 1, 2016, the Supervisory Board initiated a discussion with CEO Nanno Kleiterp about his departure from FMO. Nanno and the Supervisory Board felt that after 21 years on the MB of which 8 years as chairman, it was good governance not to appoint him for a third term as chairman. The SB is extremely grateful for the important contribution Nanno made to the growth of FMO and the successful adaptation of FMO's strategy to the changing world.

Subsequent to this decision, the Supervisory Board has initiated a search process for a new CEO for FMO, based on an established competency profile. Internal as well as external candidates will be interviewed. After having informed the AGM in advance, it is expected that the Supervisory Board will take a decision for a new CEO after the summer of 2016.

Going forward, we intend to present a new generic remuneration policy for members of the Management Board to the AGM. This is expected in the first half of 2016.

Corporate governance

The Supervisory Board ensures that FMO complies with all of the applicable corporate governance codes. In the chapter Corporate Governance it is explained which codes this entails.

The Supervisory Board performed its customary self-evaluation in 2015 with an external evaluator. The assessment looked at issues such as the Board's composition, the scope of the Supervisory Board's duties, its meetings with the second echelon management, compliance and its new priorities. As was concluded last year, it was found that the Supervisory Board has performed according to what can be expected. Having said that, the evaluation resulted in a number of points of attention for 2016. The search for a new CEO is high on the priority list of the Supervisory Board. Another point of attention concerns a new composition of the committees of the Supervisory Board, which in the meantime has been effectuated. As in 2016 FMO's strategy will be reviewed, several elements of the strategy and new developments will be looked at. For instance, the Supervisory Board will need to keep a close watch on new laws and regulations, in particular the effects thereof on FMO's business.

Special attention was also given to FMO's progression towards Integrated Reporting. The Supervisory Board finds this important, as Integrated Reporting fits FMO's role and mandate to set SMART objectives on financial, social and environmental matters and to manage the institution in order to meet these. We feel that FMO made further progress in 2015, in which it steered the organization on financial, social and environmental indicators and further objectified its development impact claims through use of its impact model.

FMO is a diverse organization, and the Supervisory Board is as committed to diversity in its membership. We actively seek this diversity in our skills and competencies, as well as our gender composition. In line with the four core competencies for banks' management and Supervisory Board, Board members are required to have sufficient expertise in the following subjects:

- Management, organization and communication
- Relevant products, services and markets
- Sound management
- Well-balanced and consistent decision-making

The introduction program for new Supervisory Board members supports new members' in understanding the organization in-depth. In addition, Supervisory Board members follow a formal program of lifelong learning, as required by the Dutch Banking Code. There were four sessions in 2015. In these sessions, the following topics were discussed: Dutch business, the media, portfolio performance and risks, agribusiness and ICT, including cyber security and compliance.

Independence, conflicts of interest and governance

The Supervisory Board is of the opinion that all members of the Supervisory Board are independent, as required by Best Practice Provision III.2.1 of the Corporate Governance Code. No direct, indirect or formal conflicts of interest were identified in 2015. FMO has specific regulations concerning private investments. Compliance by Supervisory Board members, Management Board members and all other employees with FMO's regulations on private investments is addressed regularly.

Other appointments outside of FMO				
Jean Frijns · Vice chair of Supervisory Board Kas Bank; · Member of Board of Directors JP Morgan Luxembourg SICAV funds and Special funds; · Investment advisory committee of pensionfund SPMS	**Pier Vellinga** · Professor of Climate Change, Water and Flood Safety Wageningen University; · Director Water and Climate Change of Wadden Academy; · Chair of Board of Urgenda Foundation; · Member of Board of Climate Adaptation Services Foundation	**Alexandra Schaapveld** · Member of the Supervisory Board and Audit Committee of Vallourec S.A., France; · Non-Executive Director and Chair Audit Committtee, Société Générale S.A., France; · Non-Executive Director, Chair Remuneration Committee and member Audit Committee of Bumi Armada, Malaysia; · Member of the Supervisory Board and Chair Audit Committee of Holland Casino	**Bert Bruggink** · Chief Finance Officer Rabobank (until December 2015); · Chair Management Board Rabobank Pensionfund Foundation; · Chair Supervisory Board Robeco	**Agnes Jongerius** · Member of European Parlement and vice chair of Committee on Employment and Social Affairs, Deputy member of Committee International trade; · Member of Supervisory Board Post NL

Corporate **governance**

As a public-private development bank, operating under a license of the Dutch Central Bank, we believe that our governance, structure and reporting lines must be both sound and transparent. In this chapter a brief overview is provided on our governance structure and codes we adhere to, with particular attention paid to our risk management framework. More information can be found on our website.

Articles of association

FMO's articles of association were last amended in 2009, the year in which the Corporate Governance Code came into effect. Its bylaws were slightly updated in 2013.

Governance structure

FMO has a Supervisory Board, which supervises and advises the Management Board. New members of the Supervisory Board are appointed by the General Meeting of Shareholders, on the nomination of Supervisory Board members. The Supervisory Board has two committees: the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee, which advise and prepare decision-making at a detailed level.

The daily management of our bank lies with the Management Board, consisting of three members: the Chief Executive Officer, the Chief Risk and Finance Officer and the Chief Investment Officer. They are formally responsible for the management of our bank and are appointed by the Supervisory Board.

Appointment of both Supervisory Board members and Management Board members is subject to the approval of the Dutch Central Bank, which checks the reliability of the candidates and tests their suitability.

Our entire organization is expected to take the interests of all stakeholders into account at all times. In governance terms, this expectation is expressed through the responsibilities and accountability of the Management and Supervisory Boards to our shareholders and other stakeholders.

Our corporate governance structure is based on the premise that FMO is a long-term partnership of stakeholders who, directly or indirectly, influence or are influenced by the achievement of our objectives. Stakeholders include employees, shareholders and other capital providers, clients and partners, the Dutch government and local communities in the countries where we work.

Integrated reporting

FMO applies principles of Integrated Reporting in its strategy setting and operational processes. In the multi-objective strategy that FMO has developed, we have set SMART objectives for development impact, environmental impact and financial return. All of these objectives are approved at the level of the Supervisory Board, and cascade down to the entire organization. Agreed goals at the level of departments and individual employees reflect the above objectives.

Solid risk management framework

FMO has a solid risk management framework in place reflecting its banking license, AAA rating and mandate to do business in high risk countries. The Management Board keeps regular oversight over risk processes, and considers risk-based delegated authorities to the risk departments. There are three lines of defense in place, with the role of the front office being balanced by the risk departments and an internal audit department which makes annual assessments as to whether core procedures and processes are well executed.

FMO has a risk appetite statement in place, which is updated on an annual basis, approved by the Management Board and subsequently by the Supervisory Board. Adherence to the risk appetite statement and existing risk limits is continuously managed by the Asset and Liability Committee (ALCO) and the Investment Committee (IC). FMO's highest credit and ESG risks are embedded in its emerging market credit and equity portfolio. To allow for this, FMO ensures diversification of credit risk in its portfolio through risk limits per country, sector and product.

Linda Broekhuizen
Chief Investment Officer

- Financial Institutions
- Energy
- Agribusiness
- Infrastructure, Manufacturing, Services
- NL Business
- Private Equity
- FMO Investment Management

Nanno Kleiterp
Chief Executive Officer

- Corporate Secretary
- Internal Audit
- Strategy
- Human Resources

Jürgen Rigterink
Chief Risk & Finance Officer

- Credit & Special Operations
- Legal & Compliance
- Finance & Mid Office
- Risk Management
- Infrastructure, Communications & Technology
- Treasury

In addition, it has developed a set of investment criteria which set minimum standards for acceptance of credit and ESG risks. These standards have been guided by the UN Guiding Principles on Business and Human rights. The Credit department is responsible for the acceptance of additional exposures and for any material amendments in agreements with existing clients. If an investment is in danger, the project is transferred to the Special Operations team. FMO applies a conservative capital management framework and avoids financial risks other than credit risk as much as possible, in particular interest rate risks and foreign currency risks.

To promote fair business practices and increase public trust in the private sector, FMO is dedicated to fight against money laundering, terrorist financing, corruption and bribery. We actively support Transparency International Netherlands branch in order to stimulate the dialogue between Dutch companies on best practices in doing business. FMO is also guided by the OECD Convention on Combating Bribery, the UN Convention against Corruption and the Financial Action Task Force (FATF) recommendations on combating money laundering and the financing of terrorism.

Persistent attention paid to soft controls

Hard controls embodied in our risk management framework are important, but it is key that the internal culture is aligned and risk awareness is felt by front office and back office alike. Both front office and risk officers are therefore trained on credit and ESG risk issues for all our categories of clients. Although the final credit decision will always be made by the Investment Committee to ensure best banking practice, in 2015 early stage-clearance was delegated to front office departments. Front office departments are now asked to take full ownership for early-stage clearance in principle. This is in line with a culture in which soft controls are stressed as an efficient and more effective means to perform risk management in a bank.

Aligned remuneration policies

Remuneration policies are also fully aligned with the principle of attaching equal importance to front office and risk functions, by ensuring similar salary scales for both functions and avoiding bonus structures that incentivize excessive risk taking. Management Board participates in the general profit sharing that is applicable for all employees. More information can be found in the consolidated annual accounts under note 34. FMO discontinued variable remuneration for members of the Management Board in 2012. Their variable pay had previously been linked to financial and non-financial targets. There were no changes to FMO's remuneration policy in 2015. More details on remuneration of Management Board members and other identified staff members can be found on the FMO website: www.fmo.nl/corporate-governance

Independent complaints mechanism

We have an independent complaints mechanism together with the Deutsche Investitions- und Entwicklungsgesellschaft (DEG). This allows NGOs and other stakeholders to file complaints about negative effects our projects may have on local people or the environment. For more information please see our website: www.fmo.nl/project-related-complaints

Corporate governance codes

FMO abides by two governance codes: the Dutch Banking Code and the Dutch Corporate Governance Code.

In so far as possible we comply with the Banking Code, or will otherwise explain in a document the way in which the Banking Code was applied, including concrete examples. This document can be found on our website: www.fmo.nl/corporate-governance

The Dutch Corporate Governance Code ('the Code') only applies to organizations whose shares are listed on a regulated market. As a non-listed bank, FMO is not required to adhere to the Code, but has chosen to do so. The Supervisory Board and the Management Board fully endorse the basic principle on which the Code is based, namely that the company is a long-term partnership of our various stakeholders. In 2014, FMO published a policy specifically regarding bilateral contacts with our shareholders, which is provisioned by the Code and is available on our website: www.fmo.nl/corporate-governance

The Code will most likely be revised in the near future, since its role in society had developed over time.

The relevant principles and best practice provisions of the Corporate Governance Code (2009 version) have been implemented, with the exception of the following principles and best practice provisions:

- **BPP II.1.9 - II.1.11:** Stipulations on the response time of the Management Board in case of shareholder activism and the hostile takeover stipulations are not implemented, given our stable majority shareholder, the State of the Netherlands.
- **BPP II.2.3:** FMO complies with this article, except for the fact that the share price is not taken into account when determining the remuneration of the Management Board, as FMO is non-listed.
- **BPP II.2.4 - II.2.7 and II.2.13 c. and d.:** These provisions relate to the granting of options and shares that are awarded to Management Board members. No options and shares are granted at FMO.
- **BPP III.8.1 - III.8.4:** These do not apply, since FMO does not have a one-tier board.
- **BPP IV.1.1:** This does not apply, since this provision refers to a legal entity that does not apply a so-called 'structuurregime'. FMO is a so-called

'structuur' legal entity as defined in paragraph 2.4.6 of the Dutch Civil Code.

- **BPP IV.1.2:** this does not apply, since this provision refers to financing preferred shares, which FMO does not use in its share capital.
- **BPP IV.1.7:** FMO does not comply with the provision that the company determines a registering date to exercise voting rights and rights to attend the AGM. Since FMO has registered shares only and the identity of all shareholders is known, there is no need for separate registration.
- **BPP IV.2.1 - IV.2.8:** These concern the issuing of depositary receipts for shares. There is no such requirement at FMO, apart from the articles of association, which lay down that the company is not permitted to cooperate in issuing depositary receipts of shares.
- **BPP IV.3.1 - IV.3.4:** These provisions relate to analysts' meetings and presentations to institutional investors. These provisions are of no practical significance for FMO and therefore do not apply.
- **BPP IV.3.8:** The explanation of the agenda of the AGM is not published on FMO's website, since this document is sent to all shareholders of FMO.
- **BPP IV.3.11:** This best practice provision requires the Management Board to provide a survey in the annual report of all the anti-takeover measures to prevent control from being relinquished. FMO has not incorporated any anti-takeover measures in its articles of association, which has to do with the fact that FMO has a stable majority shareholder, namely the State of the Netherlands. Therefore, an overview as meant in this provision is not incorporated in this annual report.
- **BPP IV.4.1 - IV.4.3:** Institutional investors annually publish their policy with respect to the exercise of voting rights on shares in listed companies, report annually on the implementation of this policy and report at least once a quarter on voting behavior at general meetings of shareholders. The vast majority of companies that FMO invests in are non-listed companies and the few exceptions concern very small stakes listed on stock exchanges abroad. FMO's mission states that FMO behaves as an active investor with regard to environmental, social and corporate governance issues, among other things. Where FMO has voting rights (with regard to its equity investments), it will always exercise these rights to ensure that its mission and interests are fulfilled and protected in the best possible way.
- **BPP V3.3:** This provision only applies when the company does not have an internal auditor. FMO has an internal auditor.
- **BPP V3.3:** This provision only applies if the company does not have an internal auditor. FMO does have an internal auditor.

FMO Investment Management BV

FMO Investment Management B.V. is a fully owned subsidiary of FMO. Incorporated in 2015 as FMO Investment Management B.V. (FMO IM), FMO IM was established in 2012 as a dedicated team to build and grow investment management for professional investors as a new line of business for FMO. This is part of FMO's strategic ambition to catalyze commercial investors to emerging markets and strengthen its position as a leading impact investor. FMO IM's mission is to scale up impact investing by providing investors with access to FMO deal flow in sustainable emerging market investments.

Governance

In September 2015, FMO IM received a MiFID license from the AFM as an investment firm that can: execute portfolio management, process receipt and transmission of orders, and provide investment advice. The Principles of Fund Governance as developed by the Dutch fund and asset management association (DUFAS) have informed the governance structure of the company. FMO IM has its own Management Board. As sole shareholder of FMO IM, FMO determines the charter and scope within which the company operates, and FMO has approval rights for certain specific matters. In 2016, FMO IM intends to establish a dedicated Supervisory Council (Raad van Toezicht) which, apart from a general supervisory and advisory function, will focus on conflicts of interest between FMO IM and FMO. Two out of three members of this council will be independent members.

KPMG

Combined independent auditor's and assurance report

To: the General Meeting of Shareholders and the Supervisory Board of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

We have been engaged by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague (hereafter referred to as 'FMO') to conduct (1) an audit (reasonable assurance) of the financial statements 2015 and (2) a review (limited assurance) of pages 6 to 49 of the Report of the Management Board 2015 (hereafter referred to as 'the reviewed section of the Report').

Our opinion and conclusion

Auditor's report on the audit of the financial statements

In our opinion:

- the consolidated financial statements on pages 79 to 139 give a true and fair view of the financial position of FMO as at December 31, 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements on page 140 to 145 give a true and fair view of the financial position of FMO as at December 31, 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Assurance report on the reviewed section of the Report

Based on our review, nothing has come to our attention to indicate that the information in the reviewed section of the Report is not prepared, in all material respects, in accordance with the requirements as included in section 2:391 of the Netherlands Civil Code.

What we have audited and reviewed

Auditor's report on the audit of the financial statements

We have audited the financial statements 2015 of FMO, based in The Hague. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at December 31, 2015;
2. The consolidated profit and loss account for 2015 and the following consolidated statements for 2015: the statements of comprehensive income, changes in shareholders' equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as at December 31, 2015;
2 the company profit and loss account for 2015; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Assurance report on the reviewed section of the Report

We have reviewed pages 6 to 49 of the Report of the Management Board 2015.

Basis for our opinion and conclusion

We conducted our audit and our review in accordance with Dutch law, including the Dutch Standards on Auditing and the Dutch Standard 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information respectively. Our responsibilities under those standards are further described in the section "Our responsibility for the audit of the financial statements and review of the reviewed section of the Report" of our report.

We are independent of FMO in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Audit approach

Summary

OPINION AND CONCLUSION

- Unqualified audit opinion
- Unqualified review conclusion

MATERIALITY

- EUR 8.0 million overall materiality (2014: EUR 7.5 million)
- Based on 3.7% profit before tax (2014: 5.0% profit before tax)
- Materiality relatively lower compared to 2014 in response to higher estimation uncertainty in the valuation of the private equity portfolio

SCOPE

- FMO has only a limited number of consolidated entities.
- More than 99% of total assets and profit before tax in full audit scope

KEY AUDIT MATTERS

- Valuation of loan portfolio
- Incurred but not reported provision
- Valuation of equity investments

KEY REVIEW MATTER

- Measurement of impact and footprint data in the Report of the Management Board.
- Reporting on investment process in the Report of the Management Board

Materiality

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

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 8.0 million (2014: 7.5 million). The materiality is determined with reference to profit before taxation (3.7%, 2014: 5.0%) as we consider this benchmark to be most relevant given the nature and business of the FMO. We note that the relative materiality has decreased compared to the benchmark. Considering the change in estimating the fair value of the private equity investments in FMO's financial statements we considered this lower level of materiality appropriate as the fair value estimation uncertainty related to private equity investment increased compared to prior year.

Additionally, for the financial statements and the reviewed section of the Report we have taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements and the reviewed section of the Report.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.4 million, which are identified during the audit of the financial statements, would be reported to them, as well as other misstatements in the financial statements and the reviewed section of the Report that in our view must be reported on qualitative grounds.

Scope of the group audit and review

FMO is head of a group of entities. The financial and non-financial information of this group is included in the financial statements and the reviewed section of the Report of FMO respectively.

Because we are ultimately responsible for the opinion and conclusion, we are also responsible for directing, supervising and performing the group audit and review. In this respect we have determined the nature and extent of the audit and review procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations.

With respect to FMO's associates and subsidiaries we did not request other external auditors to perform any additional audit or review procedures as the total size of the subsidiaries and the associates represent 0.4% and 0.4% of the balance sheet total respectively. On this basis, we did not select any group entities for which an audit or review had to be carried out on the complete set of financial and non-financial information or specific items.

Our group audit and review mainly focused on the stand-alone financial and non-financial information of FMO. In order to corroborate our assessment of no significant risks of material misstatement within the group entities we obtained and assessed the most recent funds reports and analysed significant movements in the associates portfolio as well as the (draft) 2015 financial statements of the individual subsidiaries.

By performing this procedure mentioned at group level, we have been able to obtain sufficient and appropriate audit and review evidence about the group's financial information to provide an opinion about the financial statements and a conclusion on the reviewed section of the Report.

Profit before tax: >99% full scope audit

Total assets: >99% full scope audit

Key audit and review matters

Key audit and review matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements and our review of the reviewed section of the Report. We have communicated the key audit and review matters to the Supervisory Board. The key audit and review matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and the review of the review section of the Report and in forming our opinion respectively conclusion thereon We do not provide a separate opinion or conclusion on these matters.

KEY AUDIT MATTER 1

Valuation of loans to the private sector involves significant judgment

Description

Loans to the private sector with a counterparty specific provision amount to a EUR 319 million gross exposure as described on page 79 of the financial statements. Counterparty specific value adjustments are recorded on outstanding loans for which it is doubtful that the borrower is able to repay the principal amount and/or the interest according to the loan agreement. As at December 31, 2015 the counterparty specific value adjustment amounts to EUR 193 million (2014: EUR 172 million). Certain aspects of the accounting for loan loss impairments require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount. This matter was significant to our audit as the use of different estimates and assumptions could result in a different value adjustment on the loan portfolio, as FMO disclosed in its accounting policies and its disclosure on loans to the private sector in notes 4 and 8. Also, actual loan losses over time may differ from the value adjustment at the balance sheet date due to changes in economic conditions.

Our response

Our audit procedures included, among others, obtaining an understanding of FMO's credit monitoring procedures including the internal controls to safeguard the timely recognition and measurement of counterparty specific value adjustments on loans, including loans that have been renegotiated. We examined the loan portfolio and evaluated loan exposures with arrears, or with low internal credit ratings against available financial information and payment history to challenge management's assessment of the recoverable amount. Our challenge included an assessment of the collateral values used by management in its value adjustment calculations. Furthermore, loan exposures with temporary or permanent forbearance measures were evaluated as well.

We also performed an analysis of the loan portfolio with an emphasis on exposures in high risk countries in which FMO is active, and performed roll-forward procedures to evaluate whether all credit events up to the date of our auditor's report have been appropriately reflected in the year-end valuation. Furthermore, we verified the appropriateness of the disclosures and of accounting policies related to loans to the private sector with a counterparty specific provision.

Our observation

We observed that the assumptions and the estimates used by management resulted in an balanced valuation of the loans to the private sector with a counterparty specific provision, with some elements of prudence.

KEY AUDIT MATTER 2

Sensitivities in the group-specific value adjustment for loans with no specific provision

Description

The loans to the private sector with no counterparty specific value adjustment, amounting to EUR 4,124 million, are divided into groups of financial assets with similar credit risk characteristics and are collectively assessed for value adjustments in accordance with EU-IFRS. FMO has performed its year-end assessment of relevant parameters, such as country risk and loss given default, within its group-specific value adjustment model. This assessment has led to a release of the group specific value adjustment of EUR 23 million recorded in 2015 and a total group-specific value adjustment of EUR 171 million as at December 31, 2015 (2014: EUR 179 million). This release is partially offset by a negative FX revaluation amounting to EUR 17 million recorded in results from financial transactions.

This area was significant to our audit as the use of different estimates and assumptions could result in a different group-specific value adjustment for actual loan losses over time due to changes in economic conditions, as FMO disclosed in its accounting policies and its disclosure on loans to the private sector in notes 4 and 8.

Our response

We challenged the impact of the re-assessment of the group-specific value adjustment model parameters such as country risks on individual groups of loans with no counterparty specific value adjustment using publicly available country ratings. Furthermore we assessed whether the grouping of loans with similar risk characteristics was appropriate. We recalculated the group-specific value adjustment to determine that the model was applied accurately and consistently as at December 31, 2015.

We also performed an analysis of the loan portfolio with an emphasis on exposures in high risk countries in which FMO is active, evaluated macro-economic factors not yet reflected in the country ratings, and performed roll-forward procedures to evaluate whether all credit events up to the date of our auditor's report have been appropriately reflected in the year-end valuation. Furthermore, we verified the appropriateness of the disclosure and the accounting policies related to loans to the private sector.

Our observation

We observed that the methodology is applied consistently with previous year and that the assumptions applied resulted in a prudent valuation of the group-specific value adjustment.

KEY AUDIT MATTER 3

Estimation uncertainty in respect of the valuation of the equity investments

Description

The valuation of equity investments totaling EUR 1,468 million is complex given the nature of FMO's investments, for further details we refer to financial risk management paragraph on page 101. Equity investments comprise of either direct investments or investment funds. EU-IFRS requires that all equity investments are valued at fair value when the fair value can be determined reliably. As disclosed in the paragraph 'Estimate and assumptions' in the section accounting policies on page 81 of the financial statements, FMO has changed its estimation methodology for equity investments in 2015, resulting in an unrealized gain amounting to EUR 178 million. As at December 31, 2015 all equity investment are accounted for at fair value.

Certain aspects of the accounting for fair values on equity investments require significant judgment, such as the assessment of the reliability of available valuation information, determining the appropriate peer group for establishing multipliers, applying minority and majority discounts, as well as identification of equity investments that are deteriorating and the assessment whether a decline in value is considered significant and/or prolonged resulting in an impairment.

We note this accounting policy also applies to those equity investments recorded at cost less impairment. For further details we refer to the accounting policy disclosure in the financial statements on page 84.This area was significant to our audit as the use of different estimates and assumptions could result in a different balance sheet valuation of equity investments and different fair value disclosure on equity investments in note 6.

Our response

Our audit procedures included, among others, obtaining an understanding and test the design and implementation of relevant controls in FMO's valuation process for equity investments. We also assessed whether the valuation policy has been applied consistently and whether sufficient and appropriate financial information from the investee was available for accounting at fair value. We involved our own valuation expert to evaluate the assumptions underlying the fair value calculations and to verify the reconciliation to the supporting financial information obtained from the respective investee. For listed equity investments we agreed the year-end valuation to external data sources.

We also challenged management's assessment of the need to recognize an impairment loss for equity investments for which the fair value is below historical cost at balance sheet date including the consistent application of the accounting policy for significant and/or prolonged decline in fair value compared to its historical cost. Furthermore, we verified the appropriateness of the disclosure and accounting policies related to equity investments.

Our observation

We observed that the valuation, also considering the inherent limitations of available data, of the equity portfolio is balanced.

KPMG

KEY REVIEW MATTER 1
Measurement of impact and footprint data in the Report of the Management Board.

Description

FMO has set the ambition 'to become the leading impact investor by doubling impact and halving footprint by 2020'. The ambition has been quantified by (in)direct jobs and expected GHG emissions avoided respectively. This ambition has a central place in FMO's strategy and messaging. In 2015 FMO showed significant progress towards achieving the targets set, much in advance to 2020.

The information on impact and footprint has been significant for our review due to the materiality of the figures in light of the above as well as the level of judgment involved in definitions, boundaries and calculation.

Our response

We have reviewed the continued suitability of the developed reporting methodology and underlying assumptions as well as the consistent application of these in 2015.

In addition we conducted an in-depth analysis of the underlying drivers for the 2015 data reported and reviewed the design and existence of the internal controls implemented to ensure the accuracy, completeness and timeliness of the input for the model used. We held interviews with relevant staff and reviewed underlying documentation such as source reports for the calculations on a sample-basis.

Our observation

We observed that the reporting methodology and underlying assumptions continue to be suitable for the reporting purpose and have been applied consistently with application of suitably designed internal controls.

KPMG

KEY REVIEW MATTER 2
Reporting on investment process in the Report of the Management Board

Description

FMO positions itself as an institution that focuses on achieving social and environmental progress whilst ensuring a financially sound position. The investment process is core to ensuring that both objectives are met. In the 2015 report FMO described the Environmental, Social and Governance (ESG) aspects of the investment process more extensively than in previous years.

The information about the ESG aspects of the investment process implemented was significant to our review due to its close relation to FMO's core business objectives and the inherent risk that the information does not sufficiently meet the principles of balance and clarity.

Our response

We reviewed the information as included in the Report on clarity and balance. We held interviews with relevant staff responsible for investment management and reviewed underlying documentation such as loan documentation on a sample-basis. Furthermore we reviewed the design and existence of the procedures with respect to ESG integration in the investment process and assessed whether the overall presentation of the investment process provides a comprehensive overview of the actual conduct of FMO in investments.

Our observation

We observed that the information about (integration of) ESG aspects in the investment process in the report are a proper reflection of FMO's approach to these in practice.

Responsibilities of the Management Board and the Supervisory Board for the financial statements and the Report of the Management Board

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the (complete) Report of the Management Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements and the reviewed section of the Report of the Management Board that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, The Management should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements and the Report of the Management Board.

The Supervisory Board is responsible for overseeing the company's financial and non-financial reporting process.

Our responsibility for the audit of the financial statements and the review of the reviewed section of the Report

Auditor's report on the audit of the financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

Assurance report on the reviewed section of the Report

The objective of our review is to provide limited assurance on whether the information in the reviewed section of the Report is, in all material respects, prepared in accordance with section 2:391 of the Netherlands Civil Code based on the Dutch Standard on Assurance engagements 3000. We do not provide any assurance on the feasibility of the targets, expectations policy and ambitions of FMO.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Our procedures included e.g.:

- a review of the content of the reviewed section of the Report in relation to the specific requirements as set out in section 2:391 of the Netherlands Civil Code;
- a review of the underlying reporting principles applied in preparing the reviewed section of the Report;
- a review of the underlying systems and procedures used to collect and process the reported information, including the aggregation of data into the information in the reviewed section of the Report, in order to understand whether these procedures are expected to result in reliable information;

- an analytical review of the quantitative information included in the reviewed section of the Report;
- an examination of a sample of third party confirmation obtained supporting quantitative information in the reviewed section of the Report; and
- a review of internal and external documentation such as minutes of meetings, reports, intranet sources and source documents that are part of FMO's company records.

Report on other legal and regulatory requirements

Report on the Report of the Management Board and Other Information

Pursuant to the legal requirement under Part 9 of Book 2 of the Netherlands Civil Code regarding our responsibility to report on the (complete) Report of the Management Board and the other information:

- We have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Code, and whether the other information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements.

Engagement

We are engaged by the General Meeting of Shareholders as auditor of FMO since before 2003 with 2015 being the last year before auditor rotation. We have been re-engaged for the audit for the year 2015 on May 11, 2015.

Amstelveen, March 14, 2016

KPMG Accountants N.V.

M.J. Kooyman RA

Mpanga is a small run-of-the-river-type hydropower station located in South-western Uganda. The development of the energy infrastructure and supply will be key for Uganda to maintain its economic growth rates. Mpanga provides reliable and clean energy, and enables the substitution of diesel generators. The project was developed and is operated and owned by Africa EMS Mpanga Ltd.

Consolidated **annual accounts**

The 2015 financial statements of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as 'FMO' or 'the company') were prepared by the Management Board and signed by all members of the Management Board and the Supervisory Board on March 14, 2016 and will be submitted for adoption in the General Meeting of Shareholders on May 20, 2016.

Accounting policies

CORPORATE INFORMATION

The 2015 financial statements of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as 'FMO' or 'the company') were prepared by the Management Board and signed by all members of the Management Board and the Supervisory Board on March 14, 2016 and will be submitted for adoption in the General Meeting of Shareholders on May 20, 2016.

FMO was incorporated in 1970 as a public limited company and 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 development bank. FMO's main activity consists of providing loans, guarantees, private equity capital, project financing and other tailor-made financing to the private sector in developing countries.

A minor part of the investment financing is guaranteed directly 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 this 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 stimulates Dutch investments in emerging markets. Apart from focusing on Dutch SME companies investing abroad, FMO supports mid-sized corporates, seeking trade finance or engaging in consortia finance for development of large infrastructure projects in our markets.

Commercial fund management

We manage third party capital funds, which are invested alongside FMO's own transactions in emerging and developing markets. Through these funds, FMO's subsidiary, FMO Investment Management B.V. ('FMO IM') offers investors access to our expertise in responsible emerging market investing.

Services in relation to government funds and programs

Apart from financing activities from its own resources, FMO provides loans, guarantees 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'), the Infrastructure Development Fund ('IDF'), Capacity Development Program ('CD') and Fund Emerging Markets for Developing Countries (also called 'FOM-OS'). As per June 30, 2014 FOM-OS has been closed for new commitments.

FMO incurs a risk in MASSIF as it has an equity share of 2.34% (2014: 2.36%). With respect to 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 economic risks related to these funds are predominantly taken by the State, and FMO has limited control over policy issues regarding these funds. FMO receives a remuneration for managing the funds. Therefore, with the exception of FMO's equity share in MASSIF, the funds' assets and the funds' liabilities are not included in the annual accounts. The segment information paragraph provides more detail on the loans and equity investments managed for the risk of the State.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated annual accounts (the 'annual accounts') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. These annual accounts are based on the 'going concern' principle.

The consolidated annual accounts are prepared under the historical cost convention except for: equity investments, investments in associates, interest-bearing securities, short-term deposits, applicable funding items and all derivative instruments that are measured at fair value. The carrying value of debt issued that is qualified for hedge accounting, is adjusted for changes in fair value related to the hedged risk. For all financial instruments measured at fair value settlement date accounting is applied by FMO. Investments in associates are accounted for under the equity method.

New and revised standards

Adopted

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

IAS 19 DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS - AMENDMENTS TO IAS 19 (EFFECTIVE DATE 1 FEBRUARY 2015)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans and requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. FMO already applies this method as described in these amendments.

ANNUAL IMPROVEMENTS 2011-2013 CYCLE (EFFECTIVE DATE 1 JANUARY 2015)

In 2015 the amendments under the Annual Improvements 2011-2013 Cycle have been adopted. These amendments were related to clarifications in IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property. The implementation of these amendments had no material impact on FMO.

Not effective, not adopted

The standards issued and endorsed by the European Union, but not yet effective up to the date of issuance of FMO financial statements, are listed below.

IFRS 11 ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS – AMENDMENTS TO IFRS 11 (EFFECTIVE DATE 1 JANUARY 2016)

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose business combination information required in those IFRSs. This amendment will have no significant impact on FMO.

IAS 1 DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 1 (EFFECTIVE DATE 1 JANUARY 2016)

The amendments clarify the existing IAS 1 requirements with respect to materiality and presentation of items in the financial statements. This amendment will not have a significant impact on FMO.

IAS 16 AND IAS 41 AGRICULTURE: BEARER PLANTS – AMENDMENTS TO IAS 16 AND IAS 41 (EFFECTIVE DATE 1 JANUARY 2016)

The amendments to IAS 16 and IAS 41 Agriculture change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16 including the choice between the cost model and revaluation model. This amendment will not have a significant impact on FMO.

IAS 16 AND IAS 38 CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION – AMENDMENTS TO IAS 16 AND IAS 38 (EFFECTIVE DATE 1 JANUARY 2016)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. This amendment will have no significant impact on FMO.

IAS 27 EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS – AMENDMENTS TO IAS 27 (EFFECTIVE DATE 1 JANUARY 2016)

The amendments to IAS 27 Separate Financials Statements allow an entity to use the equity method in separate financial statements for its investments in subsidiaries, joint ventures and associates. This amendment will have no significant impact on FMO.

ANNUAL IMPROVEMENTS 2012-2014 CYCLE (EFFECTIVE DATE 1 JANUARY 2016)

Amendments regarding IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting are included in the annual improvements 2012-2014 cycle. These amendments mainly comprise additional guidance and clarification which will have a minor impact on FMO.

Other significant standards issued, but not yet endorsed by the European Union and not yet effective up to the date of issuance of FMO financial statements, are listed below.

IFRS 9 FINANCIAL INSTRUMENTS

In July 2014 the IASB issued the final version IFRS 9 'Financial Instruments' which will become effective as of January, 1 2018. The standard is not yet endorsed by the EU. IFRS 9 is replacing IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The Classification and Measurement and Impairment requirements are applied retrospectively, whereas Hedge accounting is applied prospectively from that date. FMO is currently assessing the impact of this standard. The implementation of IFRS 9, if and when endorsed by the EU, will have an impact on Shareholders' equity, Net profit and/or Other comprehensive income and disclosures.

IFRS 15 REVENUE FROM CONTRACT WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue as and when the agreed performance obligations are satisfied. The standard should in principle be applied retrospectively, with certain exceptions. FMO is currently assessing the impact of this standard.

IFRS 16 LEASES

The new standard IFRS 16 'Leases' has been issued in January 2016 by the IASB and requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The standard will be effective for annual periods beginning on or after 1 January 2019, but is not yet endorsed by the EU. FMO will assess the impact of this standard in the course of 2017.

Estimates and assumptions

In preparing the annual accounts, in conformity with IFRS, management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. The most relevant estimates and assumptions relate to the determination of the fair value of financial instruments based on generally accepted modeled valuation techniques and the determination of the counterparty-specific and group-specific value adjustments. Estimates and assumptions are also used for the pension liabilities, determination of tax, depreciation of tangible fixed assets and others.

In recent years FMO has further improved its valuation process for equity investments and in addition more reliable information has become available. As a consequence equity investments that were previously measured at cost or lower recoverable amount (as a best estimate for fair value), have been accounted for at fair value with unrealized gains and losses in the available for sale reserve as of January 1, 2015. The unrealized gain resulting from this revaluation amounted to €178 million.

Fair value of financial instruments

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. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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. and Equis DFI Feeder L.P. are consolidated in these annual accounts. In the first half of 2015, the subsidiary FMO Antillen N.V. has been liquidated.

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. manages third party capital funds which are invested alongside FMO's own transactions in emerging and developing markets. FMO has a 63% stake in Equis DFI Feeder L.P. and all other subsidiaries are 100% owned by FMO.

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 is active in the following sectors:
1. Financial Institutions
2. Energy
3. Agribusiness
4. Infrastructure, Manufacturing and Services

The business sectors are included in the segment reporting. In addition to these sectors, fund investments without a specific operating sector have been identified separately as Multi-Sector Fund Investments, since these are a substantial part of FMO's business.

Fiscal unity
FMO forms a fiscal unity for corporate income tax purposes with its fully-owned subsidiaries Nuevo Banco Comercial Holding B.V., Asia Participations B.V. and FMO Investment Management B.V.. As a consequence, FMO is severally liable for all income tax liabilities for these subsidiaries.

Foreign currency translation
FMO uses the euro as the unit for presenting its annual accounts. All amounts are denominated in thousands of euros unless stated otherwise. In accordance with IAS 21, foreign currency transactions are translated to euro at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities and non-monetary assets that are not valued at cost denominated in foreign currencies are reported using the closing exchange rate.

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

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. For non-monetary financial assets, which are classified as available for sale, unrealized exchange differences are recorded directly in shareholders' equity until the asset is sold.

When preparing the annual accounts, assets and liabilities of foreign subsidiaries and FMO's share in associates are translated at the exchange rates at the balance sheet date, while income and expense items are translated at weighted average rates for the period. Differences resulting from the use of closing and weighted average exchange rates, and from revaluation of a foreign entity's opening net asset value at closing rate, are recognized directly in the translation reserve within shareholders' equity. These translation differences are maintained in the translation reserves until disposal of the subsidiary and/or associate.

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

Derivative instruments
Derivative financial instruments are initially recognized at fair value on the date FMO enters into a derivative contract and are subsequently remeasured at its fair value. Changes in the fair value of these derivative instruments are recognized immediately in profit and loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Part of the derivatives related to the asset portfolio concerns derivatives that are embedded in other financial instruments. Such combinations are known as hybrid instruments and arise predominantly from providing mezzanine loans and equity investments. These derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract. These derivatives are measured at fair value with changes in fair value recognized in profit and loss.

Hedge accounting
FMO uses financial instruments as part of its asset and liability management to manage exposures to interest rates and foreign currency. FMO applies fair value hedge accounting when transactions meet the specified criteria. When a financial instrument is designated as a hedge, FMO formally documents the relationship between the hedging instrument(s) and hedged item(s). Documentation includes its risk management objectives and its strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

A valid hedge relationship exists when a specific relationship can be identified between financial instruments in which the change in value of one instrument, the 'hedge instrument', is correlated highly negatively to the change in value of the other, the 'hedged item'. To qualify for hedge accounting, this correlation must be within 80%

to 125%, with any ineffectiveness recognized in the profit and loss account.

FMO discontinues hedge accounting when it is determined that:
1. A derivative is not, or ceased to be, highly effective as a hedge;
2. The derivative has expired, or is sold, terminated or exercised; or
3. The hedged item has matured, is sold or is repaid.

FMO only applies fair value hedge accounting. Changes in the fair value of these derivatives are recorded in the profit and loss account. Any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are also recorded in the profit and loss account. If a hedge relationship is terminated for reasons other than the derecognition of the hedged item, the difference between the carrying value of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the 'unamortized fair value adjustment') is treated as follows:
- In case of interest-bearing instruments, that amount is amortized and included in net profit and loss over the remaining term of the original hedge;
- In case of non-interest-bearing instruments, that amount is immediately recognized in profit and loss.

If the hedged instrument is derecognized, e.g. sold or repaid, the unamortized fair value adjustment is recognized immediately in profit and loss.

Interest income
Interest income and expense are recognized in the profit and loss account for all interest-bearing instruments on an accrual basis using the 'effective interest' method based on the initial fair value at inception. Interest income and expense also include amortized discounts, premiums on financial instruments and interest related to derivatives.

When collection of loans becomes doubtful, value adjustments are recorded for the difference between the carrying values and recoverable amounts. Interest income is thereafter recognized based on the original effective yield that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

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

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

Dividend income
Dividends are recognized in dividend income when a dividend is declared. The dividend receivable is recorded at declaration date, taking the uncertainties of collection into account.

Cash and cash equivalents
Cash and cash equivalents consist of banks (assets and liabilities) and short-term deposits that mature in less than three months. Short-term deposits are designated at fair value. Unrealized gains or losses of these short-term deposits (including foreign exchange results) are reported in the results from financial transactions.

Loans to the private sector
Loans originated by FMO include:
1. Loans to the private sector in developing countries for the account and risk of FMO;
2. Loans provided by FMO and, to a certain level, guaranteed by the State.

Loans are recognized as assets when cash is advanced to borrowers. Loans are initially measured at cost, which is the fair value of the consideration paid, net of transaction costs incurred. Subsequently, the loans are valued at amortized cost using the effective interest rate method.

Interest on loans is included in interest income and is recognized on an accrual basis using the effective interest rate method. Fees relating to loan origination and re-financing are deferred and amortized to interest income over the life of the loan using the effective interest rate method.

Value adjustments on loans
At each reporting date FMO assesses the necessity for value adjustments on loans. Value adjustments

are recorded if there is objective evidence that FMO will be unable to collect all amounts due according to the original contractual terms or the equivalent value. The value adjustments are evaluated at a counterparty-specific and group-specific level based on the following principles:

1. **Counterparty-specific:**
   Individual credit exposures are evaluated based on the borrower's characteristics, overall financial condition, resources and payment record, original contractual term, exit possibilities and, where applicable, the realizable value of the underlying collateral. The estimated recoverable amount is the present value of expected future cash flows, which may result from restructuring or liquidation. In case of a loan restructuring, the estimated recoverable amount as well as the value adjustments are measured by using the original effective interest rates before the modification of the terms. Value adjustments for credit losses are established for the difference between the carrying amount and the estimated recoverable amount.
2. **Group-specific:**
   All loans that have no counterparty-specific value adjustment are divided in groups of financial assets with similar credit risk characteristics and are collectively assessed for value adjustments. The credit exposures are evaluated based on local political and economic developments and probabilities of default (based on country ratings) and loss given defaults, and taking into consideration the nature of the exposures based on product/country combined risk assessment. The probabilities of default and the loss given defaults are periodically assessed as part of FMO's financial risk control framework.

A value adjustment is reported as a reduction of the asset's carrying value on the balance sheet. All loans are reviewed and analyzed at least annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to prior estimates will result in a change in the value adjustments and will be charged or credited to the profit and loss account. A value adjustment is reversed only when the credit quality has improved to the extent that reasonable assurance of timely collection of principal and interest is in accordance with the original or revised contractual terms.

A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously recorded value adjustments. If no value adjustment is recorded, the write-off is included directly in the profit and loss account under the line item 'value adjustments'.

Interest-bearing securities

Interest-bearing securities include bonds and loans and are classified as available for sale investments. The interest-bearing securities are carried at fair value. The determination of fair values of interest-bearing securities is based on quoted market prices or dealer price quotations from active markets. Unrealized revaluations due to movements in market prices and the accompanying foreign exchange results are reported in shareholders' equity, net of applicable income taxes. Value adjustments, foreign exchange results on the amortized cost value and realized results on disposal or redemption are recognized in profit or loss. Interest accrued on interest-bearing securities is included in interest income.

Unrealized losses included in the available for sale reserve are considered to be temporary as the investments are intended to be held for a period of time sufficient to recover their cost.

Equity investments

Equity investments in which FMO has no significant influence are classified as available for sale assets and are measured at fair value. Unrealized gains or losses are reported in the available for sale reserve net of applicable income taxes until such investments are sold, collected or otherwise disposed of, or until such investment is determined to be impaired. Foreign exchange differences are reported as part of the fair value change in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealized gain or loss included in shareholders' equity is transferred to profit and loss.

The nature of most of FMO's private equity investments in developing countries causes valuation difficulties and uncertainties. Very often there is no liquid market for these investments and there have not been any recent transactions that provide reliable evidence for its current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows based on the high-risk nature of the industry. Therefore, discounted cash flow techniques do not provide a reliable measure of fair value. As a result, the fair value of investments cannot always be measured reliably. For these investments the cost price is considered as the best estimate for the fair value.

Impairments

All equity investments are reviewed and analyzed at semi-annually. An equity investment is considered impaired if its carrying value exceeds the recoverable amount by an amount considered significant or for a period considered prolonged. If an equity investment is determined to be impaired, the impairment is recognized in the profit and loss account as a value adjustment. The impairment loss includes any unrealized loss previously recognized in shareholders' equity. The impairment losses shall not be reversed through the profit and loss account except upon realization. Accordingly, any subsequent unrealized gains for impaired equity investments are reported through shareholders' equity in the available for sale reserve.

Investments in associates

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

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

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

FMO operates in developing countries that may not have particularly advanced accounting standards and practices comparable to those in developed countries. Financial reporting may not always be comparable to the quality under IFRS standards and may not be available in a timely manner. Inherent to this situation, FMO only accounts the associates according to the equity method if underlying financial data is recent, audited and prepared under internationally accepted accounting standards.

If these criteria are not met, FMO records the associates at cost less impairment. In line with the accounting principles for equity investments, the impairment losses are included in profit and loss and cannot be reversed through the profit and loss accounts, except upon realization.

Tangible fixed assets

ICT equipment

Expenditures directly associated with identifiable and unique software products controlled by FMO and likely to generate economic benefits exceeding costs beyond one year, are recognized as tangible fixed assets. These assets include staff costs incurred to make these software products operable in the way management intended for these software products. Costs associated with maintaining software programs are recognized in the profit and loss account as incurred. Expenditure that enhances or extends the performance of software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Furniture and leasehold improvements

Furniture and leasehold improvements are stated at historical cost less accumulated depreciation.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

ICT equipment	Five years
Furniture	Five years
Leasehold improvements	Five years

Tangible fixed assets are reviewed for impairment whenever triggering events indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are reported in operating profit. Repairs and renewals are charged to the profit and loss account when the expenditure is incurred.

Debentures and notes

Debentures and notes consist of medium-term notes under FMO's Debt Issuance Programme or other public issues. Furthermore a subordinated note is also included in the Debentures and Notes. Under IFRS this note is classified as financial liability, but for regulatory purposes it is considered as Tier 2 capital.

Debentures and notes can be divided into:

- Notes qualifying for hedge accounting (valued at amortized cost and adjusted for the fair value of the hedged risk);
- Notes that do not qualify for hedge accounting (valued at amortized cost).

Debentures and notes valued at amortized cost

Debentures and notes are initially measured at cost, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is amortized cost, using the effective interest rate method to amortize the cost at inception to the redemption value over the life of the debt.

Debentures and notes eligible for hedge accounting

When hedge accounting is applied to debentures and notes, the carrying value of debt issued is adjusted for changes in fair value related to the hedged risk. The fair value changes are recorded in the profit and loss account. Further reference is made to 'derivative instruments' and 'hedge accounting'.

Provisions

Provisions are recognized when:

1. FMO has a present legal or constructive obligation as a result of past events; and
2. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
3. A reliable estimate of the amount of the obligation can be made.

A provision is made for the liability for retirement benefits and severance arrangements. Further reference is made to 'retirement benefits'.

Leases
FMO has operational leases. The total payments due under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Guarantees
Provisions and obligations resulting from issued financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out in 'interest income' and 'fee and commission income'. These fees are recognized as revenue on an accrual basis over the period commitment.

Provisions and obligations resulting from guarantees are included in 'other liabilities'.

Received financial guarantee contracts are unfunded risk participation agreements (guarantor shares credit risk, but do not participate in the funding of the transaction). In case clients fail to fulfill their payment obligations the guarantor will make corresponding payments to FMO.

Retirement benefits
FMO provides all employees with retirement benefits that are categorized as a defined benefit. A defined benefit plan is a pension plan defining the amount of pension benefit to be provided, as a function of one or more factors such as age, years of service or compensation. Employees are entitled to retirement benefits based on the average salary, on attainment of the retirement age of 65. Starting from January 1, 2014 this retirement age has been adjusted to 67. Employees born before January 1, 1950 are entitled to (early) retirement benefits based on final pay.

This scheme is funded through payments to an insurance company determined by periodic actuarial calculations. The principal actuarial assumptions are set out in note 20. All actuarial gains and losses are reported in shareholders' equity, net of applicable income taxes and are permanently excluded from profit and loss.

The net defined benefit liability or asset is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognized actuarial gains/losses and past service costs. Independent actuaries perform an annual calculation of the defined benefit obligation using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using, in accordance with IAS 19, interest rates of high-quality corporate bonds, which have terms to maturity approximating the terms of the related liability. FMO has a contract with a well established insurer, in which all nominal pension obligations are guaranteed and the downside risk of pension assets is mitigated.

When the fair value of the plan's assets exceeds the present value of the defined benefit obligations, a gain (asset) is recognized if this difference can be fully recovered through refunds or reductions in future contributions. No gain or loss is recognized solely as a result of an actuarial gain or loss, or past service cost, in the current period.

FMO recognizes the following changes in the net defined benefit obligations under staff costs:

- Service costs comprising current service costs, past-service costs (like gains and losses on curtailments and plan amendments)
- Net interest expense or income

Past-service costs are recognized in profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that FMO recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Taxation
Income tax on profits is recognized as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. The tax effects of income tax losses, available for carry-forward, are recognized as a deferred tax asset if it is probable that future taxable profit will be available against which those losses can be utilized. Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods using the liability method. Deferred tax assets are recognized for temporary differences, resulting in deductible amounts in future periods, but only when it is probable that sufficient taxable profits will be available against which these differences can be utilized. The main temporary differences arise from the fair value movements on interest-bearing securities and the post-retirement benefits provision.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the asset will be realized or the liability will be settled. Current and deferred taxes are recognized as income tax benefit or expense except for unrealized gains or losses on available for sale investments and actuarial results related to the defined benefit obligation, which are recorded net of taxes directly in shareholders' equity.

Shareholders' equity

Contractual reserve

The contractual reserve consists of the cumulative part of the annual net results that FMO is obliged to reserve under the Agreement State-FMO of November 16, 1998. This reserve is not freely distributable.

Development fund

This special purpose reserve contains the allocations of risk capital provided by the State to finance the portfolio of loans and equity investments.

Available for sale reserve (AFS reserve)

The available for sale reserve includes net revaluations of financial instruments classified as available for sale that have not been reported through the profit and loss account.

Translation reserve

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

Other reserves

The other reserves include the cumulative distributable net profits and actuarial gains on defined benefit plans. Dividends are deducted from other reserves in the period in which they are declared.

Undistributed profit

The undistributed profit consists of the part of the annual result that FMO is not obliged to reserve under the Agreement State-FMO of November 16, 1998.

Non-controlling interests

The non-controlling interest in 2015 was related to the investment in Equis DFI Feeder L.P. held by other investors.

Consolidated balance sheet

(before profit appropriation)	Notes	Page nr.	2015	2014
Assets				
Banks	(1)	121	76,966	33,743
Short-term deposits	(2)	121	1,545,384	1,093,606
Derivative financial instruments	(3)	121	251,089	241,403
Loans to the private sector	(4), (8)	122, 125	4,250,379	3,801,325
Loans guaranteed by the State	(5), (8)	123, 125	56,780	58,515
Equity investments	(6)	124	1,467,516	1,124,417
Investments in associates	(7)	124	32,752	24,358
Interest-bearing securities	(9)	126	611,570	593,263
Tangible fixed assets	(10)	126	7,626	7,468
Deferred income tax assets	(31)	134	2,108	2,379
Current income tax receivables			-	236
Current accounts with State funds and other programs	(11)	126	724	-
Other receivables	(12)	127	25,071	23,870
Accrued income	(13)	127	93,317	83,061
Total assets			**8,421,282**	**7,087,644**
Liabilities				
Banks	(14)	127	-	81,168
Short-term credits	(15)	127	76,015	261,145
Derivative financial instruments			391,073	329,099
Debentures and notes	(16)	127	5,347,614	4,196,998
Other liabilities	(17)	128	12,476	9,975
Current accounts with State funds and other programs	(18)	128	1,459	1,019
Current income tax liabilities			18,563	-
Wage tax liabilities			183	36
Deferred income tax liabilities	(31)	134	4,249	3,985
Accrued liabilities	(19)	128	57,028	54,192
Provisions	(20)	128	1,706	12,467
Total liabilities			**5,910,366**	**4,950,084**
Shareholders' equity				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			1,308,420	1,140,363
Development fund			657,981	657,981
Available for sale reserve			455,352	267,119
Translation reserve			4,111	859
Other reserves			39,207	28,330
Undistributed profit			6,231	4,560
Shareholders' equity (parent)			**2,509,650**	**2,137,560**
Non-controlling interests			1,266	-
Total shareholders' equity	(21)	130	**2,510,916**	**2,137,560**
Total liabilities and shareholders' equity			**8,421,282**	**7,087,644**
Contingent liabilities:				
· Effective guarantees issued	(32)	135	119,974	119,630
· Effective guarantees received	(32)	135	-230,937	-191,777
Irrevocable facilities	(32)	135	1,823,122	1,601,951
Loans and equity investments managed for the risk of the State[1)]			886,500	721,646

[1)] *See segment reporting paragraph.*

all amounts in € × 1,000

Consolidated profit and loss account

(before profit appropriation)	Notes	Page nr.	2015	2014
Income				
Interest income			272,708	206,592
Interest expense			-45,506	-37,193
Net interest income	(22)	132	**227,202**	**169,399**
Fee and commission income			7,545	6,957
Fee and commission expense			-163	-120
Net fee and commission income	(23)	132	**7,382**	**6,837**
Dividend income			20,052	12,707
Results from equity investments	(24)	132	24,239	59,328
Results from financial transactions	(25)	133	13,357	-14,279
Remuneration for services rendered	(26)	133	25,975	25,114
Other operating income	(27)	133	1,751	1,195
Total other income			**85,374**	**84,065**
Total income			**319,958**	**260,301**
Operating expenses				
Staff costs	(28)	133	-59,642	-45,923
Other administrative expenses	(29)	134	-17,372	-13,642
Depreciation and impairment			-2,150	-2,124
Other operating expenses	(30)	134	-359	-35
Total operating expenses			**-79,523**	**-61,724**
Operating profit before value adjustments			**240,435**	**198,577**
Value adjustments on				
Loans	(8)	125	-8,425	-33,659
Equity investments and associates	(6), (7)	124	-19,128	-14,531
Guarantees issued	(8)	125	-1,016	-2,907
Total value adjustments			**-28,569**	**-51,097**
Share in the result of associates	(7)	124	3,090	1,892
Result on disposal of subsidiaries			-	-
Total result on associates and subsidiaries			**3,090**	**1,892**
Profit before taxation			**214,956**	**149,372**
Income tax	(31)	134	-40,668	-24,996
Net profit			**174,288**	**124,376**
Net profit attributable to				
Owners of the parent company			174,288	124,376
Non-controlling interests			-	-
Net profit			**174,288**	**124,376**

Consolidated statement of comprehensive income

(before profit appropriation)	Notes	Page nr.	2015	2014
Net profit			**174,288**	**124,376**
Other comprehensive income				
Exchange differences on translating associates and subsidiaries			3,252	1,503
Available for sale financial assets			186,085	49,991
Income tax effect			2,148	1,239
Items to be reclassified to profit and loss	(35)	138	**191,485**	**52,733**
Actuarial gains/losses on defined benefit plans			14,502	3,959
Income tax effect			-3,625	-1,169
Items not reclassified to profit and loss	(35)	138	**10,877**	**2,790**
Total other comprehensive income, net of tax			**202,362**	**55,523**
Total comprehensive income			**376,650**	**179,899**
Total comprehensive income attributable to:				
· Owners of the parent company			376,650	179,899
· Non-controlling interests			-	-
Total comprehensive income			**376,650**	**179,899**

all amounts in € × 1,000

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Contractual reserve	Devel-opment fund	Available for sale reserve	Trans-lation reserve	Other reserves	Undis-tributed profit	Non-con-trolling interests	Total
Balance at January 1, 2014	9,076	29,272	1,020,547	657,981	215,889	-644	25,540	5,296	-	1,962,957
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	1,503	-	-	-	1,503
Available for sale financial assets	-	-	-	-	49,991	-	-	-	-	49,991
Actuarial gains/ losses on defined benefit plans	-	-	-	-	-	-	3,959	-	-	3,959
Income tax effect other comprehensive income	-	-	-	-	1,239	-	-1,169	-	-	70
Total other comprehensive income	**-**	**-**	**-**	**-**	**51,230**	**1,503**	**2,790**	**-**	**-**	**55,523**
Net profit	-	-	119,816[1)]	-	-	-	-	4,560	-	124,376
Dividend declared	-	-	-	-	-	-	-	-5,296	-	-5,296
Balance at December 31, 2014	9,076	29,272	1,140,363	657,981	267,119	859	28,330	4,560	-	2,137,560
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	3,252	-	-	-	3,252
Available for sale financial assets	-	-	-	-	186,085	-	-	-	-	186,085
Actuarial gains/ losses on defined benefit plans	-	-	-	-	-	-	14,502	-	-	14,502
Income tax effect other comprehensive income	-	-	-	-	2,148	-	-3,625	-	-	-1,477
Total other comprehensive income	**-**	**-**	**-**	**-**	**188,233**	**3,252**	**10,877**	**-**	**-**	**202,362**
Changes in ownership subsidiary Equis DFI Feeder LP	-	-	-	-	-	-	-	-	1,266	1,266
Net profit	-	-	168,057[1)]	-	-	-	-	6,231	-	174,288
Dividend declared	-	-	-	-	-	-	-	-4,560	-	-4,560
Balance at December 31, 2015	**9,076**	**29,272**	**1,308,420**	**657,981**	**455,352**	**4,111**	**39,207**	**6,231**	**1,266**	**2,510,916**

[1)] Under the Agreement State-FMO of November 16, 1998, it is required to add this part of the net profit to the contractual reserve. Therefore this profit is not distributable.

Consolidated statement of cash flows

	Notes	Page nr.	2015	2014
Operational activities				
Net profit			174,288	124,376
Adjusted for non-cash items:				
· Result of associates			-3,090	-1,892
· Unrealized (gains) losses arising from changes in fair value			-278,541	-16,901
· Unrealized (gains)losses arising from changes in foreign exchange rates			50,220	64,656
· Unrealized (gains) losses arising from other changes			19,556	10,264
· Value adjustments			25,238	47,653
· Depreciation and impairment of tangible fixed assets			2,150	2,124
· Income tax expense			40,668	24,996
Changes in:				
· Income tax paid			-22,811	-25,553
· Net movement (disbursements and repayments) in loans (including guaranteed by the State)			-127,867	-549,726
· Purchase of and proceeds from equity investments and associates			-170,713	-139,073
· Movement other assets and liabilities[1)]			12,205	22,298
· Movement in short-term credits[1)]			-184,985	34,260
Net cash flow from operational activities	(36)	139	**-463,682**	**-402,518**
Investment activities				
Purchase of interest-bearing securities			-248,009	-169,940
Redemption/sale of interest-bearing securities			221,292	241,260
(Dis)investments in tangible fixed assets			-2,308	-2,124
Net cash flow from investment activities	(37)	139	**-29,025**	**69,196**
Financing activities				
Proceeds from issuance of debt securities, debentures and notes			1,753,536	1,231,182
Redemption of debt securities, debentures and notes			-680,100	-901,158
Dividend paid			-4,560	-5,296
Net cash flow from financing activities	(38)	139	**1,068,876**	**324,728**
Net cash flow			**576,169**	**-8,594**
Cash and cash equivalents				
Banks and short-term deposits at January 1			1,046,181	1,054,775
Banks and short-term deposits at December 31			1,622,350	1,046,181
Total cash flow			**576,169**	**-8,594**
Operational cash flows from interest and dividends				
Interest received			264,673	201,590
Interest paid			47,180	35,987
Dividend received			20,052	12,707

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

all amounts in € × 1,000

Financial risk management

INTRODUCTION

FMO invests in a diversified portfolio in emerging markets. The main financial risks FMO is exposed to are credit risk, equity risk, currency risk, interest rate risk, liquidity risk and capital management. Other strategic risks closely related to the financial risks are reputational risk and operational risk.

The financial risk chapter is structured as follows: first FMO's risk profile will be highlighted, then a brief overview of FMO's risk management organization will be given, followed by specialized paragraphs on reputational risk, credit risk, equity risk, currency risk, interest rate risk, liquidity risk, operational risk and FMO's capital management framework.

RISK PROFILE & APPETITE

FMO actively seeks to take risk stemming from debt and equity investments in private institutions in developing countries. This risk profile is supported by holding prudent levels of capital and liquidity and strong diversification of the portfolio over regions and sectors. About 80% of the economic capital is allocated to credit risk. Reference is made to the capital management paragraph. Although other financial risks cannot always be avoided, FMO mitigates them as much as possible. FMO does not have trading positions and in general no appetite for currency risk and interest rate risk. This risk profile is captured in FMO's risk appetite framework. This framework consists of a risk appetite statement which is based on FMO's ambition in terms of its risk profile, mission strategy and stakeholders expectations.

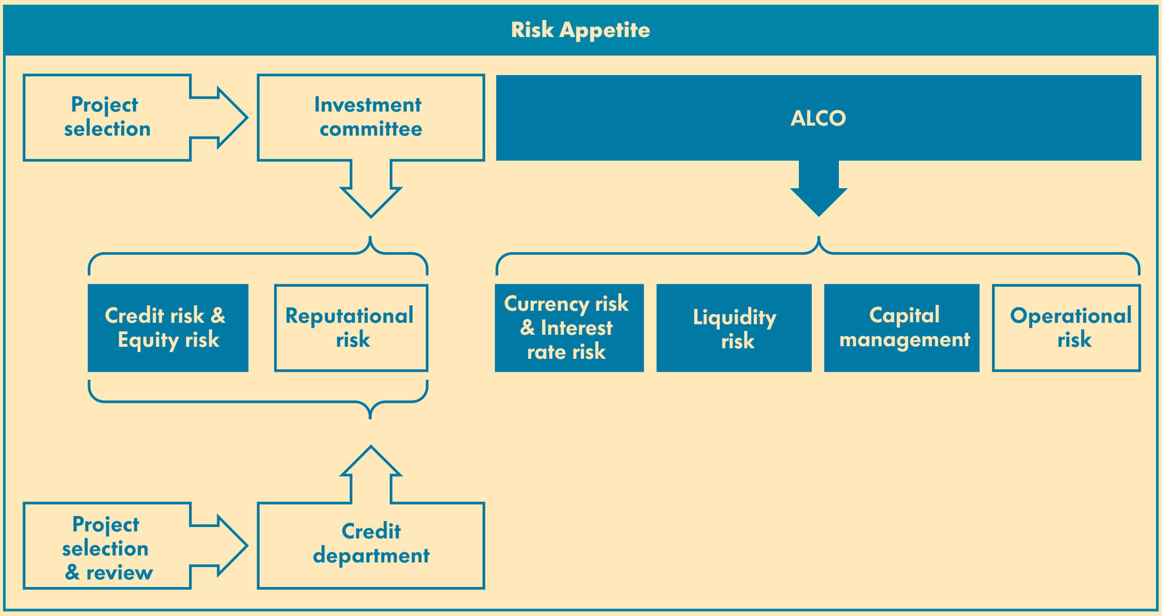
ORGANIZATION OF RISK MANAGEMENT

To be able to carry out its mission, it is essential for FMO to have an adequate risk management system in place to identify, measure, monitor and mitigate financial risks. FMO's key risk management departments and committees reflect the specific nature of the various risks in order to ensure that these are managed within limits set in a transparent and timely manner.

The Risk Management department is responsible for managing portfolio risks of the emerging market portfolio, treasury portfolio, and all related market risks. Additionally, Risk Management follows and implements regulatory developments and aims to increase awareness of the financial risks and the risk-return relationship.

The figure below provides an overview of FMO's risk control framework.

Risk Control Framework



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

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

The Asset and Liability Committee (ALCO) is responsible for setting risk management policies, which need to be endorsed by the Management Board. The ALCO approves the treasury and risk policies, the limit framework, the economic capital model and discusses capital and liquidity adequacy planning. The ALCO complies with the recommendations of the Banking Code (see the annual report for more information on the Banking Code). The CEO and CRFO and representatives of several departments are members of the ALCO.

FMO's risk appetite framework is reviewed at least once a year. Based on the advice of the Audit and Risk Committee, the Supervisory Board approves the risk appetite. Risk appetite is the amount of risk an entity is willing to accept in pursuit of value. Risk appetite can be defined as: "the types and degree of risk an institution is willing to accept for its shareholders in its strategic, tactical and transactional business actions".

REPUTATIONAL RISK

FMO's operations in developing and emerging markets exposes us to reputational risks such as environmental and social risks and various types of legal risks. These risks may trigger negative media coverage nationally or internationally. FMO cannot fully avoid such risks due to the nature of its operations, but chooses to mitigate them as much as possible through strict policies, upfront assessment and, when necessary, through agreements with FMO's clients. FMO manages issues from the perspective of learning lessons and prevention. Through transparency and a willingness to respond to challenges made, we aim to remain accountable and reduce our reputational risk.

Environmental, social and governance risk

FMO runs environmental and social risks in its emerging market projects. These risks stem from the nature of our projects, which in some cases could carry negative environmental and/or social impacts. FMO finds it to be part of its mission not to avoid such risks but to aim to mitigate them through the application of IFC Performance Standards covering social, environmental and governance in line with market best practice, and robust controls. We furthermore expect the highest standards in professional conduct. Internally, FMO strives to limit the footprint of its own workplace and strives to the highest standards in employee satisfaction. Ensuring a high diversity in staff is a leading Human Resources principle.

Stakeholder management

Inadequate relationship management with respect to our shareholders, investors and other stakeholders expose us to the risk that our objectives are not realized. Our mission is closely associated with our stakeholders and their expectations of FMO. These expectations are therefore an important input in the development of FMO's risk appetite framework and FMO's strategy.

CREDIT RISK

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

Management of credit risk is FMO's core business, both in the context of project selection and project monitoring. In this process, a set of investment criteria per sector is used that reflects benchmarks for the required financial strength of FMO's clients. This is further supported by internal scorecards that are used for risk classification and the determination of capital use per transaction. As to project monitoring, FMO's clients are subject to periodic reviews. Strong diversification within FMO's emerging market portfolio is ensured through stringent limits on individual counterparties (single client and economic group limits), countries (from 8% to 22% of FMO's capital, dependent on country rating) and sectors (50% of country limit). Similarly, credit policies and guidelines have been formulated covering treasury operations; these are reviewed regularly and approved by the ALCO.

The following table shows the maximum exposure to credit risk for FMO. The maximum exposure of balance sheet items, including derivatives, is shown gross, before provisioning and the effect of mitigation through the use of master netting and collateral agreements. Only derivative financial instruments with positive market values are presented. As a result of the stronger US dollar and the growth of FMO's portfolio the maximum exposure to credit risk increased during the year from €8,082,706 at December 31, 2014 to €9,311,564 at December 31, 2015.

Maximum exposure to credit risk, including derivatives	2015	2014
On-balance		
Banks	76,966	33,743
Short-term deposits	1,275,239	949,006
Short-term deposits – Dutch central bank	270,145	144,600
Derivative financial instruments	251,089	241,403
Loans to the private sector	4,666,569	4,197,270
Loans guaranteed by the State	62,918	67,936
Investments in associates	32,752	24,358
Interest-bearing securities	611,570	593,263
Deferred income tax assets	2,108	2,379
Current income tax receivables	-	236
Current accounts with State funds and other programs	724	-
Other receivables	25,071	23,870
Accrued income	93,317	83,061
Total on-balance	**7,368,468**	**6,361,125**
Off-balance		
Contingent liabilities	119,974	119,630
Irrevocable facilities	1,823,122	1,601,951
Total off-balance	**1,943,096**	**1,721,581**
Total credit risk exposure	**9,311,564**	**8,082,706**

Credit risk in the emerging markets loan portfolio

FMO offers loans in emerging market countries. Concentration risks on individual counterparties, sectors or countries are mitigated due to stringent single client, sector and country limits, which are set by the ALCO. Please note that in this section loans guaranteed by the State are not included.

Gross exposure of loans distributed by region and sector

	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
At December 31, 2015						
Africa	449,857	312,878	50,520	45,856	243,617	1,102,728
Asia	578,765	271,943	33,442	-	344,562	1,228,712
Latin America & the Caribbean	598,940	425,950	135,333	-	222,262	1,382,485
Europe & Central Asia	460,399	81,158	119,380	-	93,586	754,523
Non-region specific	33,758	38,555	53,161	-	72,647	198,121
Total	**2,121,719**	**1,130,484**	**391,836**	**45,856**	**976,674**	**4,666,569**
At December 31, 2014						
Africa	442,798	256,516	21,349	17,092	274,238	1,011,993
Asia	495,115	214,886	33,055	16,362	384,451	1,143,869
Latin America & the Caribbean	543,117	336,666	127,251	-	173,202	1,180,236
Europe & Central Asia	479,347	44,160	107,681	-	94,215	725,403
Non-region specific	37,869	14,875	33,055	-	49,970	135,769
Total	**1,998,246**	**867,103**	**322,391**	**33,454**	**976,076**	**4,197,270**

Internal credit approval process

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

In measuring the credit risk of the emerging market portfolio at counterparty level, the main parameters are the credit quality of the counterparties and the expected recovery ratio in case of defaults. Counterparty credit quality is measured by scoring counterparties on various dimensions of financial strength. Based on these scores, FMO assigns ratings to each counterparty on an internal scale from F1 (lowest risk) to F21 (highest risk), equivalent from AAA to CCC ratings. Likewise, the recovery ratio is estimated by scoring on various dimensions of the product specific risk.

Gross exposure distributed by internal ratings

Indicative counterparty credit rating	2015	%	2014	%
F1 – F10 (BBB- and higher)	263,305	5.6	184,679	4.4
F11 – F13 (BB-, BB, BB+)	1,858,841	39.8	1,730,108	41.2
F14 – F16 (B-, B, B+)	1,781,054	38.2	1,726,789	41.1
F17 and lower (CCC+ and lower ratings)	763,369	16.4	555,694	13.2
Total	**4,666,569**		**4,197,270**	

Maximum exposure to credit risk of the gross loan portfolio increased to €4,666,569 in 2015 (2014: €4,197,270). While we saw a relatively high increase in exposure to explicity F17 rated counterparties, the bulk of our exposure, 78%, remains in the F11 to F16 ratings. The exposure to counterparties rated F17 and lower is spread across the regions and sectors of FMO. Despite the increase in exposure to F17 and lower FMO is still comfortable with the quality of the underlying clients and this is also reflected in the Non-Performing Loans ratio discussed below. The largest sector within the loan portfolio is the sector Financial institutions. For more details reference is made to the table above.

Apart from its on-balance finance activities, FMO is also exposed to off-balance credit-related commitments. Guarantees, which represent contingent liabilities to make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risks as loans. The majority of the guarantees are quoted in US dollars. Guarantees on export facilities are collateralized by the underlying letters of credit, and therefore carry less credit risk than a direct uncollateralized borrowing. The total outstanding guarantees add up to an amount of €119,974 (2014: €119,630). FMO has received guarantees for an amount of €230,937 (2014: €191,777). Provisions, amortized costs and obligations for guarantees add up to €11,839 (2014: €9,957).

Irrevocable facilities represent commitments to extend finance to clients. The irrevocable facilities increased to €1,823,122 (2014: €1,601,951) corresponding to 31% (2014: 31%) of the net exposure in emerging markets (including loans, equity investments and contingent liabilities). Irrevocable facilities are usually not immediately and fully drawn by clients, especially in case of commitments to equity funds, which have a contractual investment period of several years.

Collateral, loans past due and value adjustments

In 2015, collateral was acquired on 29% (2014: 29%) of the gross amount of loans. Collateral mainly consists of real estate, business assets or financial instruments. The collateral obtained is used to support FMO's position in renegotiation of loan terms. Due to the nature of the markets in which FMO operates, it has been proven difficult to assign reliable fair values to the collateral used to mitigate credit risk due to the limited liquidity and enforceability.

At the end of 2015, the counterparty-specific value adjustments as a percentage of the gross loan portfolio equaled 4.1% (2014: 4.1%). The group-specific value adjustments equaled 3.7% (2014: 4.3%), resulting in total value adjustments of 7.8% (2014: 8.4%) of the gross loan portfolio.

Non-Performing Loans (NPL) are defined as loans with a counterparty-specific value adjustment and/or loans with interest and/or principal payments that are past due 90 days or more. FMO's NPL ratio marginally increased from 6.8% to 6.9%[1] as a result of increased provisioned loans. In general, the non-performing loans represent a fair cross-section of our portfolio and no correlation with respect to specific geographic region has been identified. However, correlation – though limited – can be found in terms of sector given that a relatively larger part of the NPLs is related to the Infrastructure, Manufacturing & Services sector. We have conducted an in-depth analysis of the NPLs from our portfolio in this sector. We found no specific trends and the higher provisions cannot be attributed to a specific industry, country or partner. Nevertheless the relatively higher NPLs of this portfolio remains under the attention of management, Front Office and the Risk departments. Loans with interest and/or principal payments that are past due 90 days or more, amount to 3.8% (2014: 3.2%) of the gross loan portfolio.

When the terms and conditions of a loan have been modified significantly, FMO considers these loans as restructured. Changes in terms and conditions usually include extending the maturity, changing the interest margin and changing the timing of interest payments. The loans are assessed to determine if they qualify for derecognition and if that is the case, they are recognized as a new loan with valuation differences through profit and loss. Value adjustments related to restructured loans are being measured as indicated in the accounting policies under 'Value adjustments on loans'. As a result of our 2015 assessment, 10 (2014: 7) loans with a total outstanding amount of €59,588 (2014: €63,975) qualified for derecognition. Net impact of the valuation changes was a loss of €433 (2014: €172). The total amount of the loans under consideration was €101,890 (2014: €80,983).

In 2015, our (partial) write-offs were limited to 5 (2014: 4) loans, corresponding to 0.6% (2014: 0.5%) of our portfolio, mainly related to the Financial Institutions sector.

Loans past due and value adjustments 2015

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	4,333,305	104,208	4,437,513	-56,528	4,380,985
Loans past due:					
· Past due up to 30 days	11,913	34,237	46,150	-8,559	37,591
· Past due 30-60 days	-	1,850	1,850	-1,850	-
· Past due 60-90 days	-	6,028	6,028	-1,507	4,521
· Past due more than 90 days	-	175,028	175,028	-124,285	50,743
Subtotal	**4,345,218**	**321,351**	**4,666,569**	**-192,729**	**4,473,840**
· Less: amortizable fees	-49,841	-2,270	-52,111	-	-52,111
Less: group-specific value adjustments	-171,350	-	-171,350	-	-171,350
Carrying value	**4,124,027**	**319,081**	**4,443,108**	**-192,729**	**4,250,379**

Loans past due and value adjustments 2014

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	3,902,488	99,759	4,002,247	-49,560	3,952,687
Loans past due:					
· Past due up to 30 days	11,037	15,205	26,242	-3,801	22,441
· Past due 30-60 days	-	-	-	-	-
· Past due 60-90 days	-	35,770	35,770	-34,709	1,061
· Past due more than 90 days	12,396	120,615	133,011	-83,779	49,232
Subtotal	**3,925,921**	**271,349**	**4,197,270**	**-171,849**	**4,025,421**
· Less: amortizable fees	-43,845	-1,573	-45,418	-	-45,418
Less: group-specific value adjustments	-178,678	-	-178,678	-	-178,678
Carrying value	**3,703,398**	**269,776**	**3,973,174**	**-171,849**	**3,801,325**

[1] Note that the NPL ratio is influenced by the recognition of a guaranteed amount which is thus deducted from the amount of the non-performing loans. When this guaranteed amount is not taken into account the overall NPL ratio increases to 7.3% (2014: 7.5%).

Counterparty-specific value adjustments distributed by regions and sectors (% based on the gross exposure of loans)

At December 31, 2015	Financial Institutions	%	Energy	%	Agribusiness	%	Multi-sector Investment Funds	%	Infrastructure, Manufacturing, Services	%	Total	%
Africa	-	-	2,189	1	1,850	4	-	-	19,420	8	23,459	2
Asia	-	-	-	-	-	-	-	-	100,506	29	100,506	8
Latin America & the Caribbean	2,892	-	12,118	3	-	-	-	-	7,558	3	22,568	2
Europe & Central Asia	-	-	-	-	2,302	2	-	-	20,770	22	23,072	3
Non-region specific	-	-	-	-	-	-	-	-	23,124	32	23,124	12
Total	**2,892**	**-**	**14,307**	**1**	**4,152**	**1**	**-**	**-**	**171,378**	**18**	**192,729**	**4**

At December 31, 2014	Financial Institutions	%	Energy	%	Agribusiness	%	Multi-sector Investment Funds	%	Infrastructure, Manufacturing, Services	%	Total	%
Africa	-	-	2,189	1	4,750	22	146	1	15,567	6	22,652	2
Asia	-	-	-	-	-	-	-	-	67,922	18	67,922	6
Latin America & the Caribbean	3,531	1	5,981	2	-	-	-	-	14,132	8	23,644	2
Europe & Central Asia	16,528	4	-	-	-	-	-	-	17,500	19	34,028	5
Non-region specific	-	-	-	-	-	-	-	-	23,603	47	23,603	17
Total	**20,059**	**1**	**8,170**	**1**	**4,750**	**1**	**146**	**1**	**138,724**	**14**	**171,849**	**4**

Offsetting financial assets and financial liabilities

The disclosures as set out in the tables below include financial assets and financial liabilities that:

- are offset in the consolidated balance sheet of FMO; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated balance sheet.

FMO receives and pledges cash collateral only with respect to derivatives.

	(a)	(b)	(c)=(a)-(b)		(d)	(e)=(c)-(d)
				Related amounts not offset in the balance sheet		
At December 31, 2015	**Gross amounts recognized in balance sheet**	**Gross amount of financial assets/ liabilities offset in the balance sheet**	**Net amount presented in the balance sheet**	**Financial instruments (including non-cash collateral)**	**Cash collateral [1)]**	**Net amount**
Financial assets						
Derivatives	249,947	-	249,947			
Financial liabilities						
Derivatives	-390,223	-	-390,223			
Total	**-140,276**	**-**	**-140,276**	**-**	**-137,807**	**2,469**

At December 31, 2014	(a) Gross amounts recognized in balance sheet	(b) Gross amount of financial assets/ liabilities offset in the balance sheet	(c)=(a)-(b) Net amount presented in the balance sheet	(d) Related amounts not offset in the balance sheet: Financial instruments (including non-cash collateral)	Cash collateral [1]	(e)=(c)-(d) Net amount
Financial assets						
Derivatives	241,064	-	241,064	-		
Financial liabilities						
Derivatives	-319,857	-	-319,857	-		
Total	**-78,793**	**-**	**-78,793**	**-**	**-72,733**	**-6,060**

[1] Cash collateral is settled per counterparty and therefore not split by assets and liabilities.

Country risk

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

The level of the country limits depends on the sovereign rating. FMO recognizes that the impact of country risk differs across the financial products it offers. Group-specific value adjustments are established on the investment credit portfolio based on country risk and estimated recovery rates. With respect to the geographical diversification in the portfolio, reference is made to the segment information paragraph. With respect to the sector diversification in the portfolio, reference is made to notes 4, 5, and 6 of the notes to the consolidated balance sheet. In 2015 we had a downgrade in the ratings of Nigeria, Armenia, El Salvador and the Eastern Europe Central Asia region from F13 to F14. This explains the significant increase in exposure in the F14 category in 2015 when compared to last year, with Nigeria alone accounting for 4% of the move.

Overview country ratings

Indicative external rating equivalent	2015 (%)	2014 (%)
F9 and higher (BBB and higher ratings)	8.2	9.3
F10 (BBB-)	12.8	15.9
F11 (BB+)	7.4	6.2
F12 (BB)	7.0	4.7
F13 (BB-)	9.5	18.9
F14 (B+)	21.9	11.4
F15 (B)	12.4	13.5
F16 (B-)	7.9	4.1
F17 and lower (CCC+ and lower ratings)	12.9	16.0
Total	100	100

Credit risk in the treasury portfolio

The main responsibility of FMO's Treasury department is to fund the core business of FMO and to efficiently and effectively mitigate risks in line with Treasury's mandate. Credit risk in the treasury portfolio stems from short-term investments, interest-bearing securities and derivative instruments. Derivatives are primarily used for hedging interest rate risk and foreign exchange risks.

The treasury risks are reviewed on a monthly basis by the ALCO. The credit quality of the exposures from treasury activities is monitored on a daily basis by the Risk Management department. In cases where the creditworthiness of securities deteriorates to levels below the standard eligibility criteria for new exposures, the Risk Management department provides the ALCO with recommended actions.

The Risk Management department approves each obligor to which FMO is exposed through its treasury activities and sets a maximum limit to the credit exposure of that obligor. Depending on the obligor's short and long-term rating, limits are set for the total and long-term exposure. For derivatives, a separate limit is set for the weighted nominal value of the contract, the weight being dependent on the type of contract (as market volatility differs among the products).

In order to reduce credit risk originating from 'in the money' derivative contracts, FMO has entered into Credit Support Annexes (CSA) with almost all derivative counterparties. A CSA is a legal document which regulates credit support (collateral) between derivative counterparties. In case of FMO the accepted collateral is cash (US dollar or euro).

FMO pursues a conservative investment policy.

Overview interest-bearing securities

At December 31	2015	2014
AAA	383,437	146,070
AA- to AA+	228,133	447,193
Total	**611,570**	**593,263**

Geographical distribution interest-bearing securities

At December 31	2015 (%)	2014 (%)
Belgium	7	4
Finland	9	5
France	7	7
Germany	12	3
United Kingdom	3	14
Netherlands	36	39
Supra-nationals	26	28
Total	**100**	**100**

In 2015 FMO sold interest-bearing securities for a principal amount of €15 million (2014 €18 million) which no longer complied with the investment policy.

Overview short-term deposits

At December 31	Rating (short-term)	2015	2014
Dutch central bank		270,143	144,600
Financial institutions	A-1	1,121,427	669,731
	A-2	-	80,110
	A-3	43,307	-
Money market funds	AAAmmf	110,507	199,165
Total		**1,545,384**	**1,093,606**

The short term ratings of the counterparties fit well in our liquidity and investment policy.

Derivative financial instruments distributed by rating [1)]

Derivative financial instruments (based on long-term rating)	2015		2014	
	Net exposure	CSA (%)	Net exposure	CSA (%)
AA- to AA+	-	-	3,076	100
A to A+	71,958	100	131,631	100
BBB	37,636	100	13,285	100
Total	**109,594**	**100**	**147,992**	**100**

1) The exposure of derivative financial instruments is presented for all derivatives with positive market value, if possible, netted with derivatives with a negative market value if it concerns the same counterparty. For this reason the total amount under derivative financial instruments does not equal the exposure presented in the other tables.

EQUITY RISK

With regard to equity risk that results from equity investments, a distinction can be made between:
· Exit risk, the risk that FMO's equity stake cannot be sold for a reasonable price and in a sufficiently liquid market;
· Equity risk, the risk that the fair value of an equity investment decreases.

Market circumstances for exits deteriorated in 2015 and so we realised fewer exits than budgeted. FMO however has a long-term view on its equity portfolio, usually selling its equity stake within a period of 5 to 10 years. FMO can accommodate an increase in the average holding period of its equity investments and so wait for markets to improve again to realise exits. We have no deadlines on the exit date of our equity investments. Equity investments are assessed by the Investment Committee in terms of specific obligor as well as country risk. The Investment Review Committee assesses the valuation of the majority of equity investments quarterly. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio at December 31, 2015, amounts to €1,467,516 (2014: €1,124,417) of which €866,606 (2014: €783,848) is invested in investment funds.

FMO has further improved its valuation process for equity investments and in addition more reliable information has become available. As a consequence equity investments that were previously measured at cost or lower recoverable amount (as a best estimate for fair value), have been accounted for at fair value with unrealized gains and losses in the available for sale reserve as of January 1, 2015. However, it can still be difficult to assess the fair value of an investment when market data is lacking or when the market is illiquid. Under these circumstances, FMO values equity investments at cost price as a best estimate for the fair value. The outstanding equity portfolio at December 31, 2015 whereby the cost price is the best estimate for the fair value, amounts to €193,600 of which €15,102 is fair value increase due to foreign exchange rate movements.

Equity portfolio distributed by region and sector

At December 31, 2015	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Africa	91,005	42,601	21,641	208,770	83,859	447,876
Asia	156,867	146,668	11,852	153,792	20,716	489,895
Latin America & the Caribbean	61,472	20,979	24,581	111,977	35,349	254,358
Europe & Central Asia	34,085	4,677	4,453	119,358	6,446	169,019
Non-region specific	52,889	6	614	52,859	-	106,368
Total	**396,318**	**214,931**	**63,141**	**646,756**	**146,370**	**1,467,516**

At December 31, 2014	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Africa	59,165	37,113	18,022	182,983	40,409	337,692
Asia	67,485	97,577	14,217	143,845	18,406	341,530
Latin America & the Caribbean	30,384	12,744	20,819	101,831	14,967	180,745
Europe & Central Asia	27,297	4,758	-	134,879	5,158	172,092
Non-region specific	36,212	6	521	55,619	-	92,358
Total	**220,543**	**152,198**	**53,579**	**619,157**	**78,940**	**1,124,417**

CURRENCY RISK

Currency risk is defined as the risk that changes in foreign currency exchange rates have an adverse effect on the value of FMO's financial position and future cash flows.

Limits have been set on currency positions and are monitored on a daily basis. Currency risks are managed by matching the currency characteristics of FMO's assets and liabilities, using derivative instruments such as (cross-) currency swaps and currency forwards. Equity investments are excluded from the currency position as the USD long position functions as a partial hedge for FMO's solvency ratios against adverse USD movements. Additionally the uncertainty in the size and the timing of the cash flows make hedging less effective. With respect to equity investments, the expected returns in local currencies are assessed in terms of their sufficiency to compensate for the currency risk. Reference is made to the previous paragraph on equity risk.

FMO offers loans in emerging market currencies. We aim to match the currency needs of local banks and corporates, thereby reducing their currency risk. At December 31, 2015, 8% (2014: 9%) of the net loans to the private sector was in emerging market currencies. The emerging market currency loans are swapped to US dollars via either commercial parties or via The Currency Exchange Fund (TCX Fund N.V.). As a result, FMO's open emerging market currency position of the investment portfolio, apart from equity, is limited.

FMO's exposure to the Swiss Franc (CHF) and other developed market currencies is also limited. When we raise funding in CHF or JPY for example, we simultaneously enter into cross currency swaps to hedge our CHF, or JPY exposure back to USD. The drastic move in the CHF in January 2015, therefore had limited impact on FMO.

Currency risk exposure (at carrying values)

At December 31, 2015	€	US $	CHF	INR	Other	Total
Assets						
Banks	37,187	34,653	285	2,404	2,437	76,966
Short-term deposits	483,522	1,061,862	-	-	-	1,545,384
Derivative financial instruments[1]	286,451	-117,592	327,630	-171,615	-73,785	251,089
Loans to the private sector	454,796	3,436,880	-	164,607	194,096	4,250,379
Loans guaranteed by the State	40,468	16,312	-	-	-	56,780
Equity investments	250,725	1,027,36899	-	70,898	118,525	1,467,516
Investments in associates	1,485	31,267	-	-	-	32,752
Interest-bearing securities	611,570	-	-	-	-	611,570
Tangible fixed assets	7,626	-	-	-	-	7,626
Deferred income tax assets	2,108	-	-	-	-	2,108
Current accounts with State funds and other programs	724	-	-	-	-	724
Other receivables	7,760	16,109		170	1,032	25,071
Accrued income	12,831	57,484	4,204	4,546	14,252	93,317
Total assets	**2,197,253**	**5,564,343**	**332,119**	**71,010**	**256,557**	**8,421,282**
Liabilities and shareholders' equity						
Banks	-	-	-	-	-	-
Short-term credits	76,015	-	-	-	-	76,015
Derivative financial instruments[1]	-1,332,565	2,420,792	-160,843	122	-536,433	391,073
Debentures and notes	2,136,737	2,049,040	487,565	-	674,272	5,347,614
Other liabilities	791	9,685	-	-	2,000	12,476
Current accounts with State funds and other programs	1,459	-	-	-	-	1,459
Current income tax liabilities	18,563	-	-	-	-	18,563
Wage tax liabilities	373	-	-	-	-190	183
Deferred income tax liabilities	4,249	-	-	-	-	4,249
Accrued liabilities	9,789	30,265	4,170	5,720	7,084	57,028
Provisions	1,706	-	-	-	-	1,706
Shareholders' equity	2,510,916	-	-	-	-	2,510,916
Total liabilities and shareholders' equity	**3,428,033**	**4,509,782**	**330,892**	**5,842**	**146,733**	**8,421,282**

all amounts in € × 1,000

At December 31, 2015	€	US $	CHF	INR	Other	Total
Currency sensitivity gap 2015		**1,054,561**	**1,227**	**65,168**	**109,824**	
Currency sensitivity gap 2015 excluding equity investments and investments in associates		**-4,074**	**1,227**	**-5,730**	**-8,701**	

[1] Fair value of individual components (e.g. individual swap legs) of derivative financial instruments is allocated to the relevant currency category.

At December 31, 2014	€	US $	CHF	INR	Other	Total
Total assets	1,449,370	4,907,565	518,438	43,751	168,520	7,087,644
Total liabilities and shareholders' equity	2,350,394	4,128,341	518,735	12,874	77,300	7,087,644
Currency sensitivity gap 2014		**779,224**	**-297**	**30,877**	**91,220**	
Currency sensitivity gap 2014 excluding investments in equity and associates		**4,134**	**-297**	**-6,390**	**-13,987**	

The table above shows a short position of €5,730 in INR and €8,701 in "Other" currencies. FMO's loan assets in local currencies such as INR and ZAR are fully swapped back to USD on a cash flow basis. Our positions in these currencies are therefore fully hedged. For IFRS reporting however the loans are recorded at (amortized) cost, while the related swaps are recorded at fair value. This creates an accounting mismatch in these currencies.

Sensitivity of profit & loss account and shareholders' equity to main foreign currencies

	At December 31, 2015		At December 31, 2014	
Change of value relative to the euro	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity[1]**	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity[2]**
US $ value increase of 10%	-117	106,679	561	77,922
US $ value decrease of 10%	117	-106,679	-561	-77,922
CHF value increase of 10%	123	123	-30	-30
CHF value decrease of 10%	-123	-123	30	30
INR value increase of 10%	-566	6,524	-639	3,088
INR value decrease of 10%	566	-6,524	639	-3,088

[1] The sensitivities are illustrative only and employ simplified scenarios. The sensitivity of profit & loss account and shareholders' equity to possible changes in the main foreign currencies is based on the immediate impact on the financial assets and liabilities held at year-end, including the effect of hedging instruments.
[2] Shareholders' equity is sensitive to the currency sensitivity gap, including the equity investments valued at cost minus impairments.

INTEREST RATE RISK

Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly have an effect on the fair value of fixed interest balance sheet items.

FMO's policy with regard to interest rate risk is to match funding within set boundaries: to match interest rate characteristics for assets, liabilities and derivatives per currency, and per remaining term as much as possible.

FMO manages its interest position through the Price Value per Basis Point (PVBP) and duration. The PVBP expresses the impact on the fair value of the financial instruments by a basis point change in yield. FMO's interest policy has set the PVBP limits between -€1,000 and €0. The target duration for FMO's equity is set in a range from 0 to 5 years. The interest position per end 2015 was a PVBP of -€598 and a duration of 3.38 years.

The following table summarizes the interest re-pricing characteristics for FMO's assets and liabilities. Included in the table are FMO's assets and liabilities at carrying values, categorized by the earlier of contractual re-pricing or maturity dates.

Interest re-pricing characteristics

At December 31, 2015	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
Assets						
Banks	76,966	-	-	-	-	76,966
Short-term deposits	1,049,972	495,412	-	-	-	1,545,384
Derivative financial instruments[1]	-756,095	-226,183	758,305	474,081	981	251,089
Loans to the private sector	1,639,348	1,236,630	697,554	676,847	-	4,250,379
Loans guaranteed by the State	19,583	14,612	16,935	5,650	-	56,780
Equity investments	-	-	,	-	1,467,516	1,467,516
Investments in associates	-	-	,	-	32,752	32,752
Interest-bearing securities	-	88,550	343,760	179,260	-	611,570
Tangible fixed assets	-	-	-	-	7,626	7,626
Deferred income tax assets	-	-	-	-	2,108	2,108
Current accounts with State funds and other programs	-	-	-	-	724	724
Other receivables	-	-	-	-	25,071	25,071
Accrued income	-	-	-	-	93,317	93,317
Total assets	**2,029,774**	**1,609,021**	**1,816,554**	**1,335,838**	**1,630,095**	**8,421,282**
Liabilities and shareholders' equity						
Banks	-	-	-	-	-	-
Short-term credits	76,015	-	-	-	-	76,015
Derivative financial instruments[1]	363,105	1,479,814	-996,919	-454,927	-	391,073
Debentures and notes	1,746,355	383,588	2,228,285	989,386	-	5,347,614
Other liabilities	-	-	-	-	12,476	12,476
Current accounts with State funds and other programs	-	-	-	-	1,459	1,459
Current income tax liabilities	-	-	-	-	18,563	18,563
Wage tax liabilities	-	-	-	-	183	183
Deferred income tax liabilities	-	-	-	-	4,249	4,249
Accrued liabilities	-	-	-	-	57,028	57,028
Provisions	-	-	-	-	1,706	1,706
Shareholders' equity	-	-	-	-	2,510,916	2,510,916
Total liabilities and shareholders' equity	**2,185,475**	**1,863,402**	**1,231,366**	**534,459**	**2,606,580**	**8,421,282**
Interest sensitivity gap 2015	**-155,701**	**-254,381**	**585,188**	**801,379**	**-976,485**	

[1] *Fair value of individual components (e.g. individual swap legs) of derivative financial instruments is allocated to the relevant interest re-pricing category.*

At December 31, 2014	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
Total assets	1,367,507	1,440,980	2,035,599	977,581	1,265,977	7,087,644
Total liabilities and shareholders' equity	2,395,170	659,256	1,424,351	389,633	2,219,234	7,087,644
Interest sensitivity gap 2014	**-1,027,663**	**781,724**	**611,248**	**587,948**	**-953,257**	

all amounts in € × 1,000

Sensitivity of interest income and shareholders' equity to changes in interest rates

		Sensitivity of shareholders' equity				
At December 31, 2015	**Sensitivity of net interest income[1]**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Increase of 100 basis points	-986	986	6,955	3,548	-7,378	4,110
Decrease of 100 basis points	986	986	-6,955	-3,548	7,378	-4,110

		Sensitivity of shareholders' equity				
At December 31, 2014	**Sensitivity of net interest income[1]**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Increase of 100 basis points	199	1,213	2,655	-3,533	6,148	6,483
Decrease of 100 basis points	-199	-1,213	-2,655	3,533	-6,148	-6,483

[1] The sensitivity of net interest income is based on the floating rate financial assets and liabilities held at year-end, including the effect of hedging instruments. The interest rate sensitivities set are illustrative only and employ simplified scenarios. It should be noted that the effects may not be linear (convexity not included) and therefore the results cannot be extrapolated. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of the interest rate movements, nor second-round effects.

FMO's interest rate risk policy is that our capital is primarily used to fund equity investments and fixed rated (US dollar) loans and secondly to fund liquid fixed rate euro bonds. This means the duration of equity is initially driven by the fixed rate (US dollar) loan portfolio and remaining bond portfolio. When the duration is likely to go beyond the limits of 0 to 5 years FMO enters into interest rate swaps to bring the duration back within the range.

The sensitivity shown in the tables above cannot be directly converted to the PVBP and duration mentioned on the previous page. The PVBP and duration numbers are an interest rate risk measure of all assets and liabilities on the balance sheet. The interest sensitivity of Shareholders' equity however is relative to only those assets and liabilities that are recorded at market value in the balance sheet.

LIQUIDITY RISK

Liquidity risk is the risk that insufficient funds are available to meet financial commitments. FMO's policy is to match the tenor of the funding with the assets (matched funding), in order to reduce liquidity risk. FMO's liquidity policy sets out a 4 pillar approach to address this risk. Firstly, it ensures that the bank has sufficient cash, liquidity buffers and access to emergency lines to survive a stress period of 6 months. Secondly, it ensures that as a rule FMO matches the maturity of FMO's liabilities with the maturity of FMO's assets, so as to largely avoid refinancing risk. Thirdly, FMO strives to have diversified funding sources in terms of geography and instrument type. And fourthly, FMO maintains a minimum Liquidity Coverage Ratio (LCR). The level of this ratio is already comfortably above the new requirements of Basel III. The policy is managed by a model which places forecasted cash flows into time buckets. The net cash flows per bucket are tested against the limits.

FMO traditionally has a conservative liquidity policy and funding strategy that is well suited to its business. Stress tests are conducted on FMO's liquidity position at least once a month to ensure this conservative position is maintained. In case of a crisis there are various sources of emergency liquidity available. This includes a bond portfolio and a portfolio of short-term instruments such as Commercial Paper and Treasury Bills. These can be used as collateral to obtain short-term loans from the Dutch central bank.

The liquidity position is well within FMO's limits. We perform a monthly stress test where: value adjustments on our loan and equity portfolio are increased to 20%; we assume a large collateral outflow and; we include larger haircuts on our liquid asset portfolio. Throughout the year the liquidity position was above the limits of this stress test. For the annual Internal Liquidity Adequacy Assessment Process (ILAAP) process we also perform other stress tests including a severe stress scenario provided by DNB and reverse stress testing. A continuous review is performed on the liquidity position, FMO's assumptions, internal expectations and external market conditions to ensure that FMO's liquidity overview remains relevant and accurate.

FMO raised over €1,700,000 of funding during 2015. FMO achieved diversification in the markets, geography, investor types and tenor of its funding. FMO launched two benchmark issues of €500,000 each in 2015. In addition to the euro benchmark issues, FMO issued a Tier 2 transaction of €175,000 and a number of private placements at attractive funding levels for a total of €154,000.

The following table shows the categorization of the balance sheet per maturity bucket. This table shows the timing of the undiscounted principal cash flows, and not the market values, per instrument. The totals per instrument may therefore differ from the totals on the balance sheet. Expected cash flows resulting from irrevocable facilities being drawn are not included in the liquidity gap. For internal liquidity planning and management, cash flows from irrevocable facilities are included in the cash flow forecasts.

Categorization of the balance sheet per maturity bucket

At December 31, 2015	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Assets						
Banks	76,966	-	-	-	-	76,966
Short-term deposits	836,150	495,412	-	-	213,822	1,545,384
Derivative financial instruments	10,734	64,314	127,128	113,274	981	316,431
Loans to the private sector	117,508	564,542	2,407,567	1,085,707	-	4,175,324
Loans guaranteed by the State	4,608	6,022	35,171	7,735	-	53,536
Equity investments	-	-	-	-	1,467,516	1,467,516
Investments in associates	-	-	-	-	32,752	32,752
Interest-bearing securities	-	87,000	327,100	180,000	-	594,100
Tangible fixed assets	-	-	-	-	7,626	7,626
Deferred income tax assets	-	-	-	-	2,108	2,108
Current accounts with State Funds and other programs	-	-	-	-	724	724
Other receivables	25,071	-	-	-	-	25,071
Accrued income	93,317	-	-	-	-	93,317
Total assets	**1,164,354**	**1,217,290**	**2,896,966**	**1,386,716**	**1,725,529**	**8,390,855**
Liabilities and shareholders' equity						
Banks	-	-	-	-	-	-
Short-term credits	-	-	-	-	76,015	76,015
Derivative financial instruments	3,128	19,831	262,772	87,270	-	373,001
Debentures and notes	160,755	750,097	3,375,848	1,038,175	-	5,324,875
Other liabilities	12,476	-	-	-	-	12,476
Current accounts with State funds and other programs	1,459	-	-	-	-	1,459
Current income tax liabilities	18,563	-	-	-	-	18,563
Wage tax liabilities	183	-	-	-	-	183
Deferred income tax liabilities	-	-	-	-	4,249	4,249
Accrued liabilities	57,028	-	-	-	-	57,028
Provisions	-	-	-	-	1,706	1,706
Shareholders' equity	-	-	-	-	2,510,916	2,510,916
Total liabilities and shareholders' equity	**253,592**	**769,928**	**3,638,620**	**1,125,445**	**2,592,886**	**8,380,471**
Liquidity gap 2015	**910,762**	**447,362**	**-741,654**	**261,271**	**-867,357**	**10,384**

At December 31, 2014	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Total assets	1,260,708	777,455	2,737,325	1,157,410	1,367,925	7,300,823
Total liabilities and shareholders' equity	557,597	679,532	3,049,035	459,266	2,290,157	7,035,587
Liquidity gap 2014	**703,111**	**97,923**	**-311,710**	**698,144**	**-922,232**	**265,236**

all amounts in € × 1,000

The tables below are based on the final availability date of the contingent liabilities and irrevocable facilities.

Contractual maturity of contingent liabilities and irrevocable facilities

At December 31, 2015	< 3 months	3-12 months	1-5 years	>5 years	Total
Contingent liabilities	48,543	11,959	-	47,633	108,135
Irrevocable facilities	275,239	391,828	616,755	539,300	1,823,122
Total off-balance[1)]	**323,782**	**403,787**	**616,755**	**586,933**	**1,931,257**

At December 31, 2014	< 3 months	3-12 months	1-5 years	>5 years	Total
Contingent liabilities	10,527	16,039	70,182	12,925	109,673
Irrevocable facilities	98,723	309,748	684,915	508,565	1,601,951
Total off-balance[1)]	**109,250**	**325,787**	**755,097**	**521,490**	**1,711,624**

[1)] FMO expects that not all of these off-balance items will be drawn before expiry.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or loss caused by external events. High operational risks leading to a financial impact higher than €1 million can occur when the integrity or continuity of critical processes are endangered. These high risks are unacceptable, require immediate action and must be remediated.

In Risk & Control Self Assessments, business management and Operational Risk specialists assess risks and controls in the operating processes of the bank. Management decides on risk responses and their effect on the likelihood and impact of a risk as well as the resulting costs versus benefits, with the goal of reducing residual risk to acceptable risk levels. Although controls are in place, incidents sometimes happen and damage may occur. FMO registers and analyses operational risk events and losses systematically. Analysis of these data triggers actions to improve controls. Operational risks resulting from new products or activities are considered in FMO’s Product Approval and Review Process.
FMO closely monitors the trends of operational risks and anticipates on effects on FMO’s risk management, including information security risks.

CAPITAL MANAGEMENT

FMO aims to optimize development impact. This can only be achieved with a sound financial framework in place, combining healthy long-term profitability and sound capital adequacy. Therefore, FMO seeks to maintain a strong capital position, by means of an integrated capital adequacy planning and control framework, regularly reviewed by the ALCO.

The company has an external and internal ratio to express its capital position. The external ratio is calculated based on the standardized approach of the Basel III regulation and takes credit, market, operational and credit valuation adjustment risk into account. The internal ratio is based on an economic capital model in which the most important element is credit risk. Economic capital for credit risk is calculated based on Basel’s Advanced Internal Ratings Based (A-IRB) methodology for measuring credit risk. FMO’s rating methodology forms the basis for these calculations. Other risks in FMO’s economic capital framework are operational, market, credit value adjustment, interest rate, concentration and reputation risk. Economic capital is calculated using a conservative confidence interval of 99.99%. This level is chosen to support an AAA rating and the bank’s actual growth is steered to ensure that this will remain the case.

The main difference between the internal and external capital requirement is the calculation of the level of capital needed for credit risk on FMO’s portfolio, which is higher according to the internal model. Under the standardized approach FMO’s capital requirement for credit risk is lower than under the internal approach given the fact that the credit assessment is standardized for unrated entities. FMO’s portfolio is invested in parties in emerging markets, which results in a profile with higher credit risk exposure than generally applies to parties in developed economies.

External capital requirement

FMO complies with the Basel III requirements and reports its capital ratio to the Dutch central bank on a quarterly basis. FMO calculates the external capital requirement for its entire portfolio based on the standardized approach. Of the total capital requirement, 83% is related to credit risk (equity investments included), 11% to market risk, 4% to operational risk and 2% to credit valuation adjustment risk.
The Dutch central bank has set a SREP requirement for FMO of CET1 at 16%. FMO’s CET1 ratio improved from 21.3% in 2014 to 22.9% in 2015, which is well above the SREP minimum.

Given that FMO's shareholders equity is euro denominated whereas the majority of the emerging market loans is USD denominated, an appreciation of the USD leads to a deterioration of the capital ratio in the short term, ceteris paribus (although partially hedged by a long US dollar position via the equity portfolio). In order to mitigate the negative effect of the dollar appreciation from 1.21 to 1.10 in 2015 on the level of the capital ratio, FMO took various precautionary measures. These measures included the addition of quarterly profits to capital as well as the decision to temporarily limit equity and subordinated debt investments in FSEs. The latter precautionary measure, which necessarily went at the expense of clients, has been lifted after the successful issuance of €175 million subordinated notes (Tier II capital) end of November 2015. These notes are callable in 2020 and mature in 2025. The coupon is fixed at 1.5% until the call date. Thereafter one-time reset to the prevailing 5 year Mid Swap (MS) rate plus the initial margin for the remaining period until maturity. Fitch assigned an AA+ rating to the subordinated notes. The transaction was mainly driven by domestic Dutch investors.

In order to be fully equipped to handle future market swings, FMO developed a dynamic capital model in 2015. FMO sets a target capital ratio on top of the minimum capital threshold set in FMO's risk appetite statement. The target capital ratio ensures sufficient capital buffers to cover realistic scenarios for external shocks. These scenarios include a large future appreciation of the dollar and a large credit loss incurred in one specific year. More specifically, FMO's capital ratio target is designed such that a USD/EUR rate of 0.80 combined with a loss of EUR 300mln would still enable FMO to remain above its risk appetite minimum of 18%, ceteris paribus.

The leverage ratio will become a mandatory reporting requirement in 2018. The minimum leverage ratio is set at 3%, FMO's leverage ratio equals 22.6% (2014: 22.8%).

	At December 31, 2015	**At December 31, 2014**
IFRS shareholders' equity	2,510,916	2,137,560
Tier 2 capital	175,000	-
Regulatory adjustments:		
· Interim profit not included in CET 1 capital	-47,785	-55,960
· Other adjustments (deducted from CET 1)	-143,290	-286,633
· Other adjustments (deducted from Tier 2)	-105,783	-
Total capital	**2,389,058**	**1,794,967**
of which common equity Tier 1 capital	2,319,841	1,794,967
Risk weighted assets	10,139,274	8,416,133
Total capital ratio	23.6%	21.3%
Common equity Tier 1 ratio	22.9%	21.3%

Internal capital requirement

The internal ratio is based on an economic capital model. In compliance with regulations and best practice, the economic capital model includes both pillar 1 and pillar 2 risks. Credit, market, operational and credit valuation adjustment risk fall under pillar 1. As part of pillar 2, reputational risk, interest rate risk and concentration risk are included in the assessment of economic capital. Economic capital is calculated using a confidence level of 99.99%. Economic capital at the end of 2015 amounts to €1,512,753 (2014: €1,331,683). The calculated internal capital ratio, using an FMO specific internal rate based method for calculating credit risk taking into account the relevant other risks, amounts to 14.69% at the end of 2015 (2014: 13.3%). The internal capital ratio based on common equity tier 1 capital only amounts to 13.3% (2014: 13.3%).

Credit risk resulting from FMO's emerging market loan portfolio represents FMO's main financial risk. The credit risk of the loan portfolio is determined based on the Advanced Internal Ratings Based (A-IRB) methodology. The most important input parameters for the A-IRB model are Probability of Default (PD) and Loss Given Default (LGD). The PD is based on the outcome of FMO's ratings methodology, which was developed in cooperation with one of the leading rating agencies. The client is assigned a rating class on a scale of F1 to F21, with the majority of the ratings of FMO clients in the range of F10-F15, or BBB- to B in S&P-comparable rating terms. The LGD is determined on the basis of internal expert assessments. LGDs depend on security coverage, liquidity, enforceability of guarantees and on extraordinary circumstances. LGD for senior secured loans is between 20% - 30%, for unsecured loans 40%, and for unsecured subordinated loans 75%. Credit risk for equity is based on the simple risk weight approach. Credit risk in FMO's treasury portfolio market, operational and credit valuation adjustment risk are determined in accordance with the Basel III standardized approach, in order to quantify total pillar 1.

all amounts in € × 1,000

	At December 31, 2015	At December 31, 2014
Pillar 1		
Credit risk emerging market portfolio (99.99% interval)	1,250,824	1,072,060
Credit risk treasury portfolio	44,454	39,813
Market risk	98,462	73,415
Operational risk	30,985	29,848
Credit valuation adjustment	13,324	12,316
Total pillar 1	**1,438,049**	**1,227,452**
Pillar 2		
Concentration risk	10,488	22,335
Interest rate risk in the banking book	13,705	41,281
Reputation risk	50,511	40,615
Economic capital (pillar 1 & 2)	**1,512,753**	**1,331,683**
Available capital		
Common equity Tier 1 capital	2,504,089	2,125,647
Surplus provisioning (capped at 0.6% RWA)[1)]	90,502	92,059
Tier 2 capital	175,000	-
Total available capital	**2,769,591**	**2,217,706**
Of which common equity Tier 1 capital	2,504,089	2,217,706

[1)] *Surplus provisioning for the loan portfolio is only calculated at total provisioning (€370 million) minus total expected loss (€279 million), which equals €91 million. The amount to be included in the available capital is according to BIS-guidelines capped at 0.6% risk weighted assets (RWA), which equals € 107 million at December 31, 2015.*

Segment information

SEGMENT REPORTING BY OPERATING SEGMENTS

A sector based approach on Financial Institutions, Energy, Agribusiness and Infrastructure, Manufacturing & Services is leading in the strategy to optimize development impact. For further insight into development impact reference is made to FMO's annual report. The company product range includes commercial loans, equity investments and guarantees. The services rendered are related to funds managed on behalf of the Dutch State and catalyzing funds (such as syndications). FMO's primary segmentation is the sector based approach because strategic and operating decisions by the Management Board are made based upon this segmentation.

For the measurement of profit and loss items per operating segment, FMO has followed its accounting policies, which are stated under the 'accounting policies' paragraph. In general the allocation of revenues and expenses to the segments is based upon the sector classification of financing projects. In addition to this, the funding costs (interest expenses) related to commercial loans are allocated to the segments based on an internal allocation model as FMO does not attract its funding on an individual operating segment base. Furthermore this internal allocation model is also applied to the operating expenses.

In 2014 a new label framework has become effective. Within this framework labels for sector and subsector have been redefined resulting in a revised sector classification. Fund investments are not recognized as a separate segment, but classified among the other segments primarily based on the sector in which the fund is active. Funds that are not invested in a specific sector or subsector have been stated in a separate column, since this is a substantial part of FMO's business.

At December 31, 2015	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Loans and guarantees						
Interest and fee income	105,844	54,201	18,459	-1,554	57,634	234,584
Other income	6,100	3,698	875	1,335	3,100	15,108
Value adjustments	6,635	1,016	-240	-3,133	-13,719	-9,441
Other comprehensive income	-3,073	-1,621	-565	-	-1,183	-6,442
Total loans and guarantees	**115,506**	**57,294**	**18,529**	**-3,352**	**45,832**	**233,809**
Equity investments (including associates and subsidiaries)						
Results from equity investments, associates and subsidiaries	6,096	119	115	19,727	1,272	27,329
Dividend income	6,261	5,059	57	7,986	689	20,052
Impairments	-6,896	-775	-1,923	-8,118	-1,416	-19,128
Other comprehensive income	113,514	23,931	8,701	-16,165	67,946	197,927
Total equity investments	**118,975**	**28,334**	**6,950**	**3,430**	**68,491**	**226,180**
Remuneration for services rendered						
Managed government funds	10,693	3,513	1,186	1,810	1,694	18,896
Syndicated & parallel transactions	5,184	1,193	-53	-	755	7,079
Total remuneration for services rendered	**15,877**	**4,706**	**1,133**	**1,810**	**2,449**	**25,975**
Other						
Operating expenses	-33,209	-17,513	-6,112	-9,908	-12,781	-79,523
Income tax expenses	-21,553	-11,083	-3,185	2,847	-7,694	-40,668
Other comprehensive income	4,542	2,396	836	1,355	1,748	10,877
Total other	**-50,220**	**-26,200**	**-8,461**	**-5,706**	**-18,727**	**-109,314**
Total comprehensive income	**200,138**	**64,134**	**18,151**	**-3,818**	**98,045**	**376,650**
Total other comprehensive income net of tax	**114,983**	**24,706**	**8,972**	**-14,810**	**68,511**	**202,362**
Net profit	**85,155**	**39,428**	**9,179**	**10,992**	**29,534**	**174,288**

At December 31, 2015	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Segment assets						
Loans (incl. guaranteed by the State)	2,026,188	1,066,139	383,898	43,906	787,028	4,307,159
Equity investments and investments in associates	405,169	214,931	63,141	669,172	147,855	1,500,268
Other assets	1,091,536	575,670	200,884	325,660	420,105	2,613,855
Total assets	**3,522,893**	**1,856,740**	**647,923**	**1,038,738**	**1,354,989**	**8,421,282**
Contingent liabilities – Effective guarantees issued	78,086	-	-	4,604	37,284	119,974
Loans and equity investments managed for the risk of the state	368,228	242,267	53,166	71,504	151,335	886,500

At December 31, 2014	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Loans and guarantees						
Interest and fee income	80,329	39,905	17,520	1,944	36,538	176,236
Other income	2,821	3,124	920	1,716	-21,665	-13,084
Value adjustments	-8,665	-2,840	20,506	381	-45,948	-36,566
Other comprehensive income	-1,792	-831	-323	-	-771	-3,717
Total loans and guarantees	**72,693**	**39,358**	**38,623**	**4,041**	**-31,846**	**122,869**
Equity investments (including associates and subsidiaries)						
Results from equity investments, associates and subsidiaries	39,952	3,524	-	17,557	187	61,220
Dividend income	5,475	1,727	186	4,940	379	12,707
Impairments	-779	-1,738	-	-6,694	-5,320	-14,531
Other comprehensive income	-3,066	13,526	2,602	45,255	-1,867	56,450
Total equity investments	**41,582**	**17,039**	**2,788**	**61,058**	**-6,621**	**115,846**
Remuneration for services rendered						
Managed government funds	11,655	3,226	1,116	2,351	1,099	19,447
Syndicated & parallel transactions	2,687	2,433	132	163	252	5,667
Total remuneration for services rendered	**14,342**	**5,659**	**1,248**	**2,514**	**1,351**	**25,114**
Other						
Operating expenses	-25,522	-11,837	-4,602	-8,773	-10,990	-61,724
Income tax expenses	-14,381	-7,519	-8,119	895	4,128	-24,996
Other comprehensive income	1,154	535	208	396	497	2,790
Total other	**-38,749**	**-18,821**	**-12,513**	**-7,482**	**-6,365**	**-83,930**
Total comprehensive income	**89,868**	**43,235**	**30,146**	**60,131**	**-43,481**	**179,899**
Total other comprehensive income net of tax	-3,704	13,230	2,487	45,651	-2,141	55,523
Net profit	**93,572**	**30,005**	**27,659**	**14,480**	**-41,340**	**124,376**

At December 31, 2014	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Segment assets						
Loans (incl. guaranteed by the State)	1,849,974	807,939	319,774	71,357	810,796	3,859,840
Equity investments and investments in associates	222,190	152,197	53,579	640,283	80,526	1,148,775
Other assets	860,137	398,543	154,975	295,395	369,979	2,079,029
Total assets	**2,932,301**	**1,358,679**	**528,328**	**1,007,035**	**1,261,301**	**7,087,644**
Contingent liabilities – Effective guarantees issued	76,320	-	-	28,661	14,649	119,630
Loans and equity investments managed for the risk of the state	304,364	195,500	58,390	80,153	83,239	721,646

INFORMATION ABOUT GEOGRAPHICAL AREAS

FMO operates in the following four geographical markets: Africa, Asia, Europe & Central Asia, Latin America & the Caribbean. The allocation of revenues to the markets is based upon the geographical classification of the financing projects. The segment Treasury is not recognized as a separate segment and its related interest income on interest-bearing securities has been allocated to the focus sectors based on their asset value.

The following table shows the distribution of FMO's revenue based on the country risks arising from the geographical areas in which FMO invests. As FMO obtains its revenues from customers in developing countries, no revenues are derived from FMO's country of domicile, the Netherlands.

At December 31, 2015	Africa	Asia	Latin America & Caribbean	Europe & Central Asia	Non-region specific	Total
Income	87,532	85,851	79,518	50,494	16,563	319,958
Share in the results of associates	-100	3,231	-	-41	-	3,090
Total revenue	**87,432**	**89,082**	**79,518**	**50,453**	**16,563**	**323,048**

At December 31, 2014	Africa	Asia	Latin America & Caribbean	Europe & Central Asia	Non-region specific	Total
Income	79,871	46,909	75,473	47,564	10,484	260,301
Share in the results of associates	41	1,878	-	-27	-	1,892
Total revenue	**79,912**	**48,787**	**75,473**	**47,537**	**10,484**	**262,193**

Income in Asia increased compared to 2014, mainly due to negative results of embedded derivatives in 2014. Furthermore income in the remaining regions have increased mainly as a result of the growth of the portfolio and the positive impact of the US dollar appreciation.

INFORMATION ABOUT MAJOR CUSTOMERS

In 2014 and 2015, FMO did not have any customers that individually contributed more than 10% to FMO's total revenues.

SEGMENT REPORTING OF FUNDS MANAGED FOR THE RISK OF THE STATE

FMO and funds managed for the risk of the State

Apart from making disbursements from its own resources, FMO provides loans, guarantees and equity investments from special government funds, within the conditions and objectives of these facilities. The funds consist of subsidies provided under the General Administrative Law Act and other official third parties. In case of MASSIF, FMO has an equity stake of 2.34% (2014: 2.36%). In 'related parties', the relationship between the State and FMO regarding these funds and programs is described in detail.

Loans and equity managed for the risk of the State

These loans and equity investments are managed for the risk of the State.

	2015 Gross exposure	2014 Gross exposure
Loans	436,899	392,059
Equity investments	449,601	329,587
Total	**886,500**	**721,646**

Loans managed for the risk of the State

The loan portfolio comprises the loans issued by the following funds.

	2015 Gross exposure	2014 Gross exposure
MASSIF	152,491	137,648
Infrastructure Development Fund	234,389	208,397
Access to Energy Fund	31,702	30,841
FOM OS	18,317	15,173
Total	**436,899**	**392,059**

Equity investments managed for the risk of the State

The equity investments have been made by the following funds.

	2015 Gross exposure	2014 Gross exposure
MASSIF	283,797	218,240
Infrastructure Development Fund	135,699	94,086
Access to Energy Fund	27,105	14,266
European Investment Bank	3,000	2,995
Total	**449,601**	**329,587**

Analysis of financial assets and liabilities by measurement basis

The significant accounting policies summary describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table gives a breakdown of the carrying amounts of the financial assets and financial liabilities by category as defined in IAS 39 and by balance sheet heading.

At December 31, 2015	Held for trading	Designated at fair value	Loans & receivables and financial liabilities at amortized cost	Available for sale	Financial liabilities used as hedged items	Derivatives at fair value used as hedging instruments	Other	Total
Assets								
Banks	-	-	76,966	-	-	-	-	76,966
Short-term deposits	-	1,545,384	-	-	-	-	-	1,545,384
Derivative financial instruments	186,563	-	-	-	-	64,526	-	251,089
Loans to the private sector	-	-	4,250,379	-	-	-	-	4,250,379
Loans guaranteed by the State	-	-	56,780	-	-	-	-	56,780
Equity investments	-	-	-	1,467,516	-	-	-	1,467,516
Investments in associates	-	-	-	-	-	-	32,752	32,752
Interest-bearing securities	-	-	-	611,570	-	-	-	611,570
Tangible fixed assets	-	-	-	-	-	-	7,626	7,626
Deferred income tax assets	-	-	-	-	-	-	2,108	2,108
Current income tax receivables	-	-	-	-	-	-	-	-
Current accounts with State funds and other programs	-	-	724	-	-	-	-	724
Other receivables	-	-	25,071	-	-	-	-	25,071
Accrued income	-	-	93,317	-	-	-	-	93,317
Total assets	**186,563**	**1,545,384**	**4,503,237**	**2,079,086**	**-**	**64,526**	**42,486**	**8,421,282**
Liabilities and shareholders' equity								
Banks	-	-	-	-	-	-	-	-
Short-term credits	-	-	76,015	-	-	-	-	76,015
Derivative financial instruments	371,736	-	-	-	-	19,337	-	391,073
Debentures and notes	-	-	2,194,942	-	3,152,672	-	-	5,347,614
Other liabilities	-	-	12,476	-	-	-	-	12,476
Current accounts with State funds and other programs	-	-	1,459	-	-	-	-	1,459
Current income tax liabilitiy	-	-	18,563	-	-	-	-	18,563
Wage tax liabilities	-	-	183	-	-	-	-	183
Deferred income tax liabilities	-	-	-	-	-	-	4,249	4,249
Accrued liabilities	-	-	57,028	-	-	-	-	57,028
Provisions	-	-	-	-	-	-	1,706	1,706
Shareholders' equity	-	-	-	-	-	-	2,510,916	2,510,916
Total liabilities and shareholders' equity	**371,736**	**-**	**2,360,666**	**-**	**3,152,672**	**19,337**	**2,516,871**	**8,421,282**

all amounts in € × 1,000

At December 31, 2014	Held for trading	Designated at fair value	Loans & receivables and financial liabilities at amortized cost	Available for sale	Financial liabilities used as hedged items	Derivatives at fair value used as hedging instruments	Other	Total
Assets								
Banks	-	-	33,743	-	-	-	-	33,743
Short-term deposits	-	1,093,606	-	-	-	-	-	1,093,606
Derivative financial instruments	179,995	-	-	-	-	61,408	-	241,403
Loans to the private sector	-	-	3,801,325	-	-	-	-	3,801,325
Loans guaranteed by the State	-	-	58,515	-	-	-	-	58,515
Equity investments	-	-	-	1,124,417	-	-	-	1,124,417
Investments in associates	-	-	-	-	-	-	24,358	24,358
Interest-bearing securities	-	-	-	593,263	-	-	-	593,263
Tangible fixed assets	-	-	-	-	-	-	7,468	7,468
Deferred income tax assets	-	-	-	-	-	-	2,379	2,379
Current income tax receivables	-	-	236	-	-	-	-	236
Current accounts with State funds and other programs	-	-	-	-	-	-	-	-
Other receivables	-	-	23,870	-	-	-	-	23,870
Accrued income	-	-	83,061	-	-	-	-	83,061
Total assets	**179,995**	**1,093,606**	**4,000,750**	**1,717,680**	**-**	**61,408**	**34,205**	**7,087,644**
Liabilities and shareholders' equity								
Banks	-	-	81,168	-	-	-	-	81,168
Short-term credits	-	-	261,145	-	-	-	-	261,145
Derivative financial instruments	323,630	-	-	-	-	5,469	-	329,099
Debentures and notes	-	-	2,003,020	-	2,193,978	-	-	4,196,998
Other liabilities	-	-	9,975	-	-	-	-	9,975
Current accounts with State funds and other programs	-	-	1,019	-	-	-	-	1,019
Current income tax liabilitiy	-	-	-	-	-	-	-	-
Wage tax liabilities	-	-	36	-	-	-	-	36
Deferred income tax liabilities	-	-	-	-	-	-	3,985	3,985
Accrued liabilities	-	-	54,192	-	-	-	-	54,192
Provisions	-	-	-	-	-	-	12,467	12,467
Shareholders' equity	-	-	-	-	-	-	2,137,560	2,137,560
Total liabilities and shareholders' equity	**323,630**	**-**	**2,410,555**	**-**	**2,193,978**	**5,469**	**2,154,012**	**7,087,644**

FAIR VALUE OF FINANCIAL ASSETS AND 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.

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 dealer 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 but can be derived from market observable data (level 3). A substantial part of fair value of equity investments (level 3) is based on net asset values.

The fair value measurement of derivative financial instruments categorized within level 3, are mainly based on EBITDA multiples within a range of 6-8 for the relevant industry classes per country / region, adjusted for illiquidity. An increase (decrease) by 10% of these EBITDA multiples would have minimum to zero impact as a result of the decline in value.

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

FMO uses internal valuation models to value its financial instruments. Due to model imperfections, there are differences between the transaction price and the calculated fair value. These differences are not recorded in the profit and loss at once but are amortized over the remaining maturity of the transactions. Per December 31, 2015, the unamortized accrual amounts to €26,312 (2014: €20,582). An amount of €5,126 was recorded as a loss in the profit and loss (2014: €4,726).

The carrying values in the financial asset and liability categories approximate their fair values, except private sector loans and non-hedged funding. Loans to the private sector are valued at amortized cost. The underlying changes to the fair value of these assets are therefore not recognized in the balance sheet. At December 31, 2015, the fair value of the loans to the private sector and loans guaranteed by the State was €68,112 (2014: €208,349) above their carrying value. A parallel shift of 100 basis points in the interest curves will result in an increase (decrease) of the fair value by €65 million (2014: €56 million).

The non-hedged funding is valued at amortized cost. The difference between the fair value and the carrying cost value amounts to €8,510 (2014: €12,033).

The loans to the private sector and non-hedged funding are categorized within level 3. The valuation technique we use for the calculation of fair value is 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 December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Short-term deposits	-	1,545,384	-	1,545,384
Derivative financial instruments	-	250,177	981	251,158
Available for sale financial assets				
Equity investments	43,695	-	1,423,821	1,467,516
Interest-bearing securities	611,570	-	-	611,570
Total financial assets at fair value	**655,265**	**1,795,561**	**1,424,802**	**3,875,628**
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	-	391,073	-	391,073
Total financial liabilities at fair value	**-**	**391,073**	**-**	**391,073**

At December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Short-term deposits	-	1,093,606	-	1,093,606
Derivative financial instruments	-	241,215	188	241,403
Available for sale financial assets				
Equity investments	51,970	-	781,418	833,388
Interest-bearing securities	593,263	-	-	593,263
Total financial assets at fair value	**645,233**	**1,334,821**	**781,606**	**2,761,660**
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	-	329,099	-	329,099
Total financial liabilities at fair value	**-**	**329,099**	**-**	**329,099**

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

Movements in financial instruments measured at fair value based on level 3

	Derivative financial instruments	Equity investments	Total
Balance at January 1, 2014	23,698	641,966	665,664
Total gains or losses			
· In profit and loss (changes in fair value and value adjustments)	-22,540	-8,023	-30,563
· In other comprehensive income (changes in fair value available for sale reserve)	-	60,329	60,329
Purchases	-	160,984	160,984
Sales	-970	-73,926	-74,896
Transfers into level 3	-	4,030	4,030
Transfers out of level 3	-	-3,942	-3,942
Balance at December 31, 2014	**188**	**781,418**	**781,606**
Total gains or losses			
· In profit and loss (changes in fair value and value adjustments)	793	-13,430	-12,637
· In other comprehensive income (changes in fair value available for sale reserve)	-	197,772	197,772
Purchases	-	253,633	253,633
Sales	-	-82,858	-82,858
Transfers into level 3	-	287,286	287,286
Transfers out of level 3	-	-	-
Balance at December 31, 2015	**981**	**1,423,821**	**1,424,802**

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

Type of equity investment	Fair value at December 31, 2015	Valuation technique	Significant unobservable inputs	Range (weighted average)	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	906,636	Net Asset Value	n/a	n/a	n/a
Private equity direct investments	139,135	Recent transactions	n/a	Based on at arm's length recent transactions	n/a
	125,837	Book multiples	Book value	0.8 – 3.0	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €13 million. To be recorded in other comprehensive income
	192,334	Cost as best estimate for FV	n/a	n/a	For impairment testing purposes we also determine a fair value based on unobservable inputs. The positive impact on other comprehensive income is within a range of €10 million - €15million.
	46,233	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 €5 million. To be recorded in other comprehensive income
	13,646	Firm offers	Book value	1.3 – 1.5	n/a
Total	**1,423,821**				

all amounts in € × 1,000

Notes to the consolidated annual accounts

NOTES TO THE CONSOLIDATED BALANCE SHEET: ASSETS

1. Banks

	2015	2014
Banks	76,966	33,743
Balance at December 31	**76,966**	**33,743**

2. Short-term deposits

	2015	2014
Collateral delivered (related to derivative financial instruments)	213,822	208,878
Commercial paper	950,912	429,405
Money market funds	110,505	199,165
Dutch central bank	264,359	142,722
Mandatory reserve deposit with Dutch central bank	5,786	1,880
Other	-	111,556
Balance at December 31	**1,545,384**	**1,093,606**

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

3. Derivative financial instruments

FMO utilizes the following derivative instruments for both hedging and non-hedging purposes:

- (Cross-currency) interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic currency exchange or interest rate exposure (for example fixed rate or floating rate) or a combination of all these (i.e. cross-currency interest rate swaps).
- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

The following table summarizes the notional amounts and the fair values of the 'derivatives other than hedging instruments'. These derivatives are held to reduce interest rate risks and currency risks but do not meet the specified criteria to apply hedge accounting. The following table also includes derivatives related to the asset portfolio.

At December 31, 2015	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedging instruments:			
· Currency swaps	53,550	426	-21
· Interest rate swaps	883,765	4,842	-1,990
· Cross-currency interest rate swaps	3,351,025	180,314	-369,725
Subtotal	**4,288,340**	**185,582**	**-371,736**
Embedded derivatives related to asset portfolio	0	981	0
Total derivative assets (/liabilities) other than hedging instruments	**4,288,340**	**186,563**	**-371,736**

The following table summarizes the notional amounts and the fair values of the derivatives designated as fair value hedges. These derivatives are held to hedge interest rate risks and currency risks.

At December 31, 2015	Notional amounts	Fair value assets	Fair value Liabilities
Derivatives designated as fair value hedges:			
· Interest rate swaps	3,116,931	64,526	-19,337
Total derivatives designated as fair value hedges	3,116,931	64,526	-19,337
Total derivative financial instruments assets (/liabilities)	**7,405,271**	**251,089**	**-391,073**

For the year ended December 31, 2015, FMO recognized an ineffectiveness of €1.3 million net profit (2014: €1.9 million net loss) on the fair value hedges. The loss on the hedging instruments amounts to €16.2 million (2014: €35.0 million profit). The profit on hedged items attributable to the hedged risk amounts to €17.5 million (2014: €36.9 million loss).

The comparative figures for derivatives have been included in the following tables.

At December 31, 2014	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedging instruments:			
· Currency swaps	228,509	3,983	-799
· Interest rate swaps	1,060,164	6,480	-2,388
· Cross-currency interest rate swaps	2,977,244	169,344	-320,443
Subtotal	**4,265,917**	**179,807**	**-323,630**
Embedded derivatives related to asset portfolio	-	188	-
Total derivative assets (/liabilities) other than hedging instruments	**4,265,917**	**179,995**	**-323,630**

At December 31, 2014	Notional amounts	Fair value assets	Fair value liabilities
Derivatives designated as fair value hedges:			
· Interest rate swaps	2,148,758	61,408	-5,469
Total derivatives designated as fair value hedges	2,148,758	61,408	-5,469
Total derivative financial instruments assets (/liabilities)	**6,414,675**	**241,403**	**-329,099**

4. Loans to the private sector

These loans to the private sector in developing countries are for FMO's account and risk. The movements of the loans to the private sector can be summarized as follows:

	2015	2014
Balance at January 1	4,151,852	3,228,684
Disbursements	1,057,626	1,139,334
Re-class to equity investments	-	-2,566
Repayments	-925,359	-592,912
Write-offs	-26,484	-20,603
Changes in amortizable fees	-6,694	-8,927
Changes in fair value	-225	787
Exchange rate differences	363,742	408,055
Balance at December 31	**4,614,458**	**4,151,852**
Value adjustments	-364,079	-350,527
Net balance at December 31	**4,250,379**	**3,801,325**

all amounts in € × 1,000

The following table summarizes the loans segmented by sector.

	2015	2014
Financial Institutions	2,026,188	1,849,974
Energy	1,066,161	807,939
Agribusiness	350,877	284,294
Multi-Sector Fund Investments	43,906	71,357
Infrastructure, Manufacturing and Services	763,247	787,761
Net balance at December 31	**4,250,379**	**3,801,325**

	2015	2014
Gross amount of loans to companies in which FMO has equity investments	289,420	254,323
Gross amount of subordinated loans	449,717	495,851
Gross amount of non-performing loans	321,351	283,745

Non-Performing Loans (NPL) are defined as loans with a counterparty-specific value adjustment and/or loans with interest and/or principal payments that are past due 90 days or more.

5. Loans guaranteed by the State

These loans in developing countries are individually guaranteed by the Dutch State for 80% to 95%. Any losses will be compensated by the State up to the guaranteed percentage.

The loan portfolio guaranteed by the State comprises the loans issued under the FOM program. The movements can be summarized as follows:

	2015	2014
Balance at January 1	67,320	60,899
Disbursements	6,641	23,802
Repayments	-11,041	-20,498
Write-offs	-3,126	-
Changes in amortizable fees	134	200
Exchange rate differences	2,509	2,917
Balance at December 31	**62,437**	**67,320**
Value adjustments	-5,657	-8,805
Net balance at December 31	**56,780**	**58,515**

The following table summarizes the loans guaranteed by the State segmented by sector.

	2015	2014
Financial Institutions	-	-
Energy	-	-
Agribusiness	33,020	35,480
Multi-Sector Fund Investments	-	-
Infrastructure, Manufacturing and Services	23,760	23,035
Net balance at December 31	**56,780**	**58,515**
Gross amount of subordinated loans	33,637	34,027
Gross amount of non-performing loans	10,731	12,505

6. Equity investments

These equity investments in developing countries are for FMO's account and risk. The movements in net book value of the equity investments are summarized in the following table.

	2015	2014
Net balance at January 1	1,124,417	943,197
Purchases and contributions	254,560	240,626
Re-class from loans	-	2,566
Re-class to associates	-	-385
Sales	-86,771	-102,012
Value adjustments	-19,128	-14,531
Changes in fair value	194,438	54,956
Net balance at December 31	**1,467,516**	**1,124,417**

	2015	2014
Equity investments at fair value	1,467,516	833,388
Equity investments at cost less impairment	-	291,029
Net balance at December 31	**1,467,516**	**1,124,417**

The following table summarizes the equity investments segmented by sector.

	2015	2014
Financial Institutions	396,317	220,543
Energy	214,931	152,198
Agribusiness	63,141	53,579
Multi-Sector Fund Investments	646,757	619,157
Infrastructure, Manufacturing and Services	146,370	78,940
Net balance at December 31	**1,467,516**	**1,124,417**

7. Investments in associates

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

	2015	2014
Net balance at January 1	24,358	19,246
Purchases and contributions	6,302	459
Re-class from equity investments	-	385
Sales	-3,377	-
Share in net results	3,090	1,892
Translation differences	2,379	2,376
Net balance at December 31	**32,752**	**24,358**

There were no associates valued at cost less impairment in 2015 (2014: €0).

The following table summarizes the associates segmented by sector.

	2015	2014
Financial Institutions	8,852	1,647
Multi-Sector Fund Investments	22,415	21,126
Infrastructure, Manufacturing and Services	1,485	1,585
Net balance at December 31	**32,752**	**24,358**

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

	Associates at equity method
Total assets	34,215
Total liabilities	1,463
Total income	2,639
Total profit/loss	3,090

8. Movement in value adjustments

Movement in value adjustments FMO portfolio in the consolidated balance sheet

	Guarantees	Loans	Total
Balance at January 1, 2014	5,743	301,176	306,919
Additions	4,193	60,241	64,434
Reversals	-1,286	-26,656	-27,942
Exchange rate differences	1,009	36,369	37,378
Write-offs	-	-20,603	-20,603
Balance at December 31, 2014	**9,659**	**350,527**	**360,186**
Additions	1,016	53,770	54,786
Reversals	-	-45,245	-45,245
Exchange rate differences	838	31,511	32,349
Write-offs	-	-26,484	-26,484
Balance at December 31, 2015	**11,513**	**364,079**	**375,592**

The value adjustments related to guarantees are included in other liabilities (see note 17).

Movement in value adjustments on loans guaranteed by the State in the consolidated balance sheet

	2015	2014
Balance at January 1	8,805	7,544
Additions	2,249	567
Reversals	-2,892	-
Exchange rate differences	621	694
Write-offs	-3,126	-
Balance at December 31	**5,657**	**8,805**

FMO's own risk participation with regard to FOM (5% to 20%) is not guaranteed. The guaranteed part is recorded under other receivables, and this amounts to €543 (2014: €493) for the value adjustment recognized in 2015. See also note 12.

Total value adjustments on loans in the consolidated profit and loss account

	2015	2014
Additions and reversals loans FMO portfolio	-8,525	-33,585
Additions and reversals loans guaranteed by the State	643	-567
Guaranteed part additions and reversals loans guaranteed by the State	-543	493
Balance at December 31	**-8,425**	**-33,659**

9. Interest-bearing securities

This portfolio contains marketable bonds and private loans with fixed interest rates.

FMO has no impairment charged to interest-bearing securities.

	2015	2014
Bonds (listed)	611,570	593,263
Balance at December 31	**611,570**	**593,263**

All interest-bearing securities are classified as available for sale assets. The movements can be summarized as follows:

	2015	2014
Balance at January 1	593,263	664,705
Amortization premiums/discounts	180	4,833
Purchases	248,009	169,941
Sale and redemption	-221,292	-241,260
Revaluation	-8,590	-4,956
Balance at December 31	**611,570**	**593,263**

The interest-bearing securities have been issued by:

	2015	2014
Private parties - credit institutions	248,655	312,559
Public institutions	362,915	280,704
Balance at December 31	**611,570**	**593,263**

10. Tangible fixed assets

	Furniture	ICT equipment	Leasehold improvement	Total 2015	Total 2014
Historical cost price at January 1	9,255	10,538	146	19,939	17,815
Accumulated depreciation at January 1	-6,912	-5,428	-131	-12,471	-10,347
Balance at January 1	**2,343**	**5,110**	**15**	**7,468**	**7,468**
Investments	44	2,307	29	2,380	2,124
Depreciation	-513	-1,631	-6	-2,150	-2,124
Divestments historical cost price	-57	-2,608	-94	-2,759	-
Accumulated depreciation on divestments	53	2,544	90	2,687	-
Balance at December 31	**1,870**	**5,722**	**34**	**7,626**	**7,468**
Historical cost price at December 31	9,242	10,237	81	19,560	19,939
Accumulated depreciation at December 31	-7,372	-4,515	-47	-11,934	-12,471
Balance at December 31	**1,870**	**5,722**	**34**	**7,626**	**7,468**

11. Current accounts with State funds and other programs

	2015	2014
Current account EIB	299	-
Current account MASSIF	425	-
Balance at December 31	**724**	**-**

12. Other receivables

	2015	2014
Debtors related to sale of equity investments	351	-
Taxes and social premiums	355	401
To be declared on State guaranteed loans	4,660	7,349
Accrued management fees State funds	4,724	4,837
Other receivables	14,981	11,283
Balance at December 31	**25,071**	**23,870**

13. Accrued income

	2015	2014
Accrued interest on loans	60,347	46,969
Accrued interest on swaps and other assets	32,970	36,092
Balance at December 31	**93,317**	**83,061**

NOTES TO THE CONSOLIDATED BALANCE SHEET: LIABILITIES

14. Banks

	2015	2014
Banks	-	81,168
Balance at December 31	**-**	**81,168**

15. Short-term credits

	2015	2014
Collateral received (related to derivative financial instruments)	76,015	136,145
Other	-	125,000
Balance at December 31	**76,015**	**261,145**

16. Debentures and notes

Debentures and notes consist of medium-term notes under FMO's Debt Issuance Programme and public issues in the Swiss Franc public, the Japanese Yen Samurai, the Australian Dollar and Canadian Dollar market. Furthermore a subordinated note is also included in the Debentures and Notes. Under IFRS this note is classified as financial liability, but for regulatory purposes it is considered as Tier 2 capital.

The movements can be summarized as follows:

	2015	2014
Balance at January 1	4,196,998	3,609,796
Amortization of premiums/discounts	2,299	3,441
Proceeds from issuance	1,753,536	1,231,182
Redemptions	-680,100	-901,158
Changes in fair value	-225,741	37,799
Exchange rate differences	300,622	215,938
Balance at December 31	**5,347,614**	**4,196,998**

The following table summarizes the carrying value of the debentures and notes.

	2015	2014
Debentures and notes under hedge accounting	3,152,672	2,193,978
Debentures and notes valued at amortized cost	2,194,942	2,003,020
Balance at December 31	**5,347,614**	**4,196,998**

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

	2015	2014
Debentures and notes under hedge accounting	3,810,008	1,698,007
Debentures and notes valued at amortized cost	1,514,867	2,590,919
Balance at December 31	**5,324,875**	**4,288,926**

17. Other liabilities

	2015	2014
Amortized costs related to guarantees	326	298
Liabilities for guarantees	11,513	9,659
Other liabilities	637	18
Balance at December 31	**12,476**	**9,975**

The movements in liabilities for guarantees are set out in note 8.

18. Current accounts with State funds and other programs

	2015	2014
Current account MASSIF	229	779
Current account European Investment Bank	-	240
Current account Foreign Affairs CD	1,229	-
Current account Infrastructure Development Fund	1	-
Balance at December 31	**1,459**	**1,019**

19. Accrued liabilities

	2015	2014
Accrued interest on banks, debt securities and debentures and notes	48,133	45,516
Other accrued liabilities	8,895	8,676
Balance at December 31	**57,028**	**54,192**

20. Provisions

The amounts recognized in the balance sheet are as follows.

	2015	2014
Pension schemes	1,706	12,237
Other provisions	-	230
Balance at December 31	**1,706**	**12,467**

Pension schemes

FMO's pension schemes cover all its employees. The pension schemes are defined benefit plans and most of these plans are average-pay-schemes. FMO has a contract with a well established insurer, in which all nominal pension obligations are guaranteed. As a result FMO's pension plan is exposed to counterparty risk, interest rate risk (changes of discount rate), inflation and changes in the life expectancy for pensioners. FMO has outsourced the management of the pension assets to an asset manager and has agreed strict guidelines with this asset manager. The assets of the funded plans are held independently of FMO's assets by the insurance company in separately administered funds. Independent actuaries value the schemes every year using the projected unit credit method. The latest actuarial valuations were carried out as per December 31, 2015.

The amounts recognized in the balance sheet are as follows:

	2015	2014
Present value of funded defined benefit obligations	147,670	155,401
Fair value of plan assets	-145,964	-143,164
Liability in the balance sheet	**1,706**	**12,237**

The movements in the present value of the defined benefit obligations can be summarized as follows:

	2015	2014
Present value at January 1	155,401	122,111
Service cost	10,088	-2,484
Interest cost	3,765	4,268
Actuarial gains/losses	-19,755	33,508
Benefits paid	-1,829	-2,002
Present value at December 31	**147,670**	**155,401**

The actuarial gain on the defined benefit obligation amounts to €19,755 (2014: €33,508 loss) and is mainly due to the increase of the discount rate (2015: 2.7% and 2014: 2.3%).

The movements in the fair value of plan assets can be summarized as follows:

	2015	2014
Fair value at January 1	-143,164	-99,532
Expected return on plan assets	-3,335	-3,390
Employer contribution	-5,952	-3,593
Plan participants' contributions	-595	-1,185
Actuarial gains/losses	5,253	-37,467
Benefits paid	1,829	2,003
Fair value at December 31	**-145,964**	**-143,164**

The categories of the plan assets can be summarized as follows:

	2015 (%)	2014 (%)
Equities	19	18
Fixed income	81	82
Total	**100**	**100**

The movement in the liability recognized in the balance sheet is as follows:

	2015	2014
Balance at January 1	12,237	22,579
Annual expense	10,823	-1,936
Contributions paid	-6,852	-4,448
Actuarial gains/losses	-14,502	-3,958
Other payments	-	-
Balance at December 31	**1,706**	**12,237**

The amounts recognized in the profit and loss account as net periodic pension cost are as follows:

	2015	2014
Current service cost	10,988	8,788
Net interest cost	430	878
Past service cost	-	-10,417
Subtotal	**11,418**	**-751**
Contribution by plan participants	-595	-1,185
Total annual expense	**10,823**	**-1,936**

In November 2014 FMO decided (after consultation of the Works Council) to adjust FMO's pension scheme as of January 1, 2015. As a consequence of the amended legal requirements related to pensions, FMO made the following adjustments:

- Decrease of pension accrual rate from 2.15% to 1.875%;
- Cap the maximum pensionable income at €100,000;
- Decrease of plan participants' contributions from 5% to 2.5%;
- Decrease the offset ("franchise") from €13,449 to €12,553.

These changes resulted in a reduction of the defined benefit obligation of €10,417 which is recognized as past service cost.

The principal assumptions used for the purpose of the actuarial valuations at year-end are as follows:

	2015 (%)	2014 (%)
Discount rate	2.7	2.3
Expected pension indexation for active participants	1.8	1.8
Expected pension indexation for inactive participants	1.0	1.0
Wage inflation	1.5	1.5
Future salary growth	0.5-3.5	0.5-3.5

The assumption for future salary growth is a range of percentages which are based on the age of individual employees. The pension indexation is conditional.

Significant actuarial assumptions are the discount rate, indexation for active participants and (general) wage inflation. Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Increase (+0.5%)	Decrease (-0.5%)
Discount rate	-16,777	19,849
Increase indexation for active participants	3,928	-3,671
Future salary growth	873	-1,065

Other provisions

The other provisions are provisions for severance arrangements. This provision is determined using present value calculations.

	2015	2014
Balance at January 1	230	260
Addition	-	126
Release	-204	-
Paid out	-26	-156
Balance at December 31	**-**	**230**

21. Shareholders' equity

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which can only be held by the State, and 49% B shares, also of €22.69 each, which can be held by private investors. The voting rights for A shares and B shares are equal. In addition, the equity of the company comprises of three reserves, which result from the Agreement State-FMO of November 16, 1998. These are the share premium reserve, the development fund and the contractual reserve. As long as the company continues its activities, these reserves are not available to the shareholders. Upon liquidation of FMO these reserves fall to the State, after settlement of the contractual return to the shareholders.

	2015	2014
Authorized share capital		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**

Issued and paid-up share capital		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Share premium reserve

	2015	2014
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	8,061	8,061
Share premium reserve shareholder B, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	21,211	21,211
Balance at December 31	**29,272**	**29,272**

Other reserves

In 2015 the addition to the Other reserves relates to the actuarial gains on defined benefit plans of €10,877.

Contractual reserve

The addition relates to that part of the annual profit that FMO is obliged to reserve under the Agreement State-FMO of November 16, 1998 (see 'other information').

Development fund

This special purpose reserve contains the allocation of risk capital provided by the State to finance the portfolio of loans and equity investments. In 2005, FMO received the final contribution to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve

	Equity investments	Interestbearing securities	Total available for sale reserve
Balance at January 1, 2014	200,247	15,642	215,889
Fair value changes	28,607	-4,227	24,380
Foreign exchange differences	79,755	-	79,755
Transfers due to sale	-53,427	-729	-54,156
Transfers due to impairment	12	-	12
Tax effect	-	1,239	1,239
Balance at December 31, 2014	**255,194**	**11,925**	**267,119**
Fair value changes	100,725	-7,812	92,913
Foreign exchange differences	95,692	-	95,692
Transfers due to sale	-2,302	-778	-3,080
Transfers due to impairment	560	-	560
Tax effect	-	2,148	2,148
Balance at December 31, 2015	**449,869**	**5,483**	**455,352**

Included in the available for sale reserve is an amount of €20,079 (2014: €16,625) for fair value changes in equity investments that were previously impaired.

Translation reserve

	2015	2014
Balance at January 1	859	-644
Change	3,252	1,503
Balance at December 31	**4,111**	**859**

Non-controlling interests

Equis DFI Feeder L.P.	2015	2014
Balance at January 1	-	-
Acquisition by third party of non-controlling share	1,266	-
Balance at December 31	**1,266**	**-**

NOTES TO THE SPECIFIC ITEMS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

22. Net interest income

Interest income

	2015	2014
Interest on loans valued at amortized cost	286,363	212,274
Interest on banks	-156	-281
Interest on short-term deposits	1,495	1,592
Interest on derivatives related to asset portfolio	-23,607	-19,212
Interest on available for sale interest-bearing securities	8,613	12,219
Total interest income	**272,708**	**206,592**

Included in the interest on loans is €10,805 (2014: €6,360) related to loans for which value adjustments have been recorded.

Interest expense

	2015	2014
Interest on debentures and notes under hedge accounting	-56,269	-45,964
Interest on debentures and notes valued at amortized cost	-8,458	-11,377
Interest on derivatives	19,413	20,312
Interest on short-term credits	-192	-164
Total interest expense	**-45,506**	**-37,193**

23. Net fee and commission income

	2015	2014
Prepayment fees	2,390	1,218
Administration fees	2,173	1,687
Other fees (like arrangement, cancellation and waiver fees)	2,982	4,052
Total fee and commission income	**7,545**	**6,957**
Custodian fees and charges for the early repayment of debt securities	-163	-120
Total fee and commission expense	**-163**	**-120**
Net fee and commission income	**7,382**	**6,837**

24. Results from equity investments

	2015	2014
Result from the sale of equity investments at cost	-	3,365
Result from the sale of equity investments at fair value	24,236	55,963
Result from the sale of associates	3	-
Total results from equity investments	**24,239**	**59,328**

The carrying amount of the equity investments valued at cost at the time of sale was €3,797 (2014: €9,233). The carrying amount of the equity investments valued at fair value at the time of sale was €6,897 (2014: €84,251). The release from the available for sale reserve at the time of the sale of equity investments at fair value was €2,302 (2014: €53,427); as a result the net result from sale of equity investments at fair value amounted to a gain of €15,240 (2014: gain of €2,536).

25. Results from financial transactions

	2015	2014
Result on valuation of hedged items	17,498	-36,834
Result on sale and valuation of derivatives designated at fair value (hedging instruments)	-18,899	34,975
Subtotal	**-1,401**	**-1,859**
Result on sale and valuation of derivatives held for trading[1)]	11,167	8,689
Result on sale and valuation of embedded derivatives related to asset portfolio	1,278	-24,663
Result on sale of interest-bearing securities	778	729
Foreign exchange results	2,263	2,718
Other	-728	107
Total results from financial transactions	**13,357**	**-14,279**

1) Hedge accounting is not applied to these derivatives. These derivatives are used for hedging interest-rate and foreign-exchange risk for loans in emerging market currencies and funding in currencies other than euros and US dollars. FMO has no derivatives for trading purposes.

26. Remuneration for services rendered

	2015	2014
Funds and programs managed on behalf of the State:		
· MASSIF	13,130	13,914
· Infrastructure Development Fund	3,602	3,333
· Access to Energy Fund	1,635	1,595
· FOM OS	517	506
· Foreign Affairs CD	12	-
EIB	-	297
Syndication fees, remuneration from directorships and others	7,079	5,469
Total remuneration for services rendered	**25,975**	**25,114**

Remuneration for managing funds and programs is expressed in gross amounts. Related management expenses are included in operating expenses.

27. Other operating income

	2015	2014
Other operating income	1,751	1,195
Total other operating income	**1,751**	**1,195**

Other operating income mainly consists of received payments on written-off loans.

28. Staff costs

	2015	2014
Salaries	-32,685	-32,445
Social security costs	-3,646	-3,629
Pension costs	-10,823	1,936
Temporaries	-1,963	-1,243
Travel and subsistence allowances	-4,002	-4,024
Other personnel expenses	-6,523	-6,518
Total staff costs	**-59,642**	**-45,923**

The number of FTEs at December 31, 2015 amounted to 374 (2014: 366 FTEs).

29. Other administrative expenses

	2015	2014
Other administrative expenses	-17,372	-13,642

These expenses consist of services from third parties and other operational expenses. The remuneration paid to the Supervisory Board is included in these expenses. At December 31, 2015 the Supervisory Board consisted of five members (2014: six). The members of the Supervisory Board were paid a total remuneration of €102 (2014: €106).

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated entities.

Fee charged by auditors	2015	2014
Statutory audit of annual accounts	-208	-186
Other assurance services	-344	-180
Total	**-552**	**-366**

30. Other operating expenses

	2015	2014
Other operating expenses	-359	-35

The other operating expenses includes bank charges.

31. Income taxes

Income tax by type

	2015	2014
Current income taxes	-41,611	-23,411
Deferred income taxes	943	-1,585
Total income tax	**-40,668**	**-24,996**

The reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2015	2014
Profit before taxation	214,956	149,372
Income taxes at statutory rate of 25% (2014: 25%)	-53,739	-37,343
Increase/decrease resulting from:		
· Settlement with local withholding taxes	4,806	3,877
· Non-taxable income and expense (participation exemption facility)	8,576	8,039
· Tax adjustments to prior periods	-345	704
· Other	34	-273
Total income tax	**-40,668**	**-24,996**
Effective income tax rate	18.9%	16.7%

all amounts in € × 1,000

Current income tax

The company paid €22,811 (2014: €26,351) to tax authorities. The remaining current income tax liabilities amount to €18,563 (2014: €236 receivables). Per year-end 2015 there were no unused tax losses and the unused tax credits amount to €188 (2014: €0).

Deferred tax

FMO's deferred income tax assets and liabilities are summarized as follows:

	2015	2014
Deferred tax assets		
Pension provision	2,108	1,165
Actuarial gains and losses on defined benefit plans	-	1,214
Depreciation fixed assets	-	-
Total deferred tax assets	**2,108**	**2,379**
Deferred tax liabilities		
Actuarial gains & losses defined benefit plans	-2,411	-
Fair value measurement of interest-bearing securities	-1,838	-3,985
Total deferred tax liabilities	**-4,249**	**-3,985**
Net balance at December 31	**-2,141**	**-1,606**

OFF-BALANCE SHEET INFORMATION

32. Commitments and contingent liabilities

The company issued guarantees regarding principal and interest repayments for a number of projects. The nominal amount of the guarantees is valued at the exchange rate as per December 31, 2015 and December 31, 2014.

	2015	2014
Contingent liabilities		
Effective guarantees issued	119,974	119,630
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-11,839	-9,957
Total guarantees issued	**108,135**	**109,673**
Effective guarantees received	230,937	191,777
Total guarantees received	**230,937**	**191,777**

Of the liabilities for guarantees €0 (2014: €0) is covered by a counter guarantee of the State.

	2015	2014
Irrevocable facilities		
Contractual commitments for disbursements of:		
· Loans	934,109	876,405
· Equity investments	710,508	560,866
· Contractual commitments for guarantees	178,505	164,680
Total irrevocable facilities	**1,823,122**	**1,601,951**

33. Lease and rental commitments

The future lease payments under non-cancelable operating leases are based on contractual terms and can be summarized as follows:

2015	≤ 1 year	>1 - ≤ 5 years	> 5 years	Total
Buildings	2,102	8,820	10,757	21,679
Cars	807	1,314	-	2,121
Total lease and rental commitments	**2,909**	**10,134**	**10,757**	**23,800**

2014	≤ 1 year	>1 - ≤ 5 years	> 5 years	Total
Buildings	2,062	8,654	13,025	23,741
Cars	786	1,134	-	1,920
Total lease and rental commitments	**2,848**	**9,788**	**13,025**	**25,661**

34. Related parties

FMO defines the Dutch State, its subsidiaries and associated companies, the Management Board and Supervisory Board as related parties.

Dutch State

The Dutch State holds 51% of FMO's share capital. The remaining 49% is held by commercial banks and other private investors. In 2005 FMO received its last contribution to the development fund from the Dutch State. FMO has a guarantee provision from the State, which is detailed in 'other information'.

FMO stimulates the development of small and medium Dutch-sponsored enterprises in selected emerging markets through the 'Faciliteit Opkomende Markten'. This facility is a joint initiative with the Dutch Ministry of Foreign Trade and Development Corporation. The State acts as a guarantor for 80% to 95% of the outstanding loans. These loans are included in the consolidated annual accounts under 'loans guaranteed by the State'.

FMO executes several government funds and programs at the risk and expense of the State. Below is a description of the different funds and programs:

1. *MASSIF*
   MASSIF extends risk capital and local currency financing to financial intermediaries in developing countries who in turn serve micro- and small-scale entrepreneurs and lower income households. FMO has a 2.34 % (2014: 2.36%) stake in this fund. For 2015, FMO received a fixed remuneration of €13,130. In 2015 two investments have been transferred at arm's length from MASSIF to FMO.
2. *Infrastructure Development Fund*
   Through this fund, FMO concentrates on the development of the social and economic infrastructure in least developed countries. FMO aims to stimulate private investors to invest in private or public-private infrastructure projects in these countries. By providing risk capital, the Infrastructure Development Fund decreases risk for other financiers. As a result, additional private funds are attracted. For 2015, FMO received a fixed remuneration of €3,602 in accordance with the subsidy order.
3. *Access to Energy Fund*
   FMO agreed with the Dutch Minister for Development Cooperation to execute the subsidy scheme, Access to Energy Fund. Through this fund, FMO provides risk and concessional financing through equity, local currency loans, subordinated debt and grants to facilitate projects that generate, transmit or distribute sustainable energy. For 2015, FMO received a fixed remuneration of €1,635.
4. *FOM OS*
   The program finances private sector companies with a strong focus on food security and water. For 2015, FMO received a fixed remuneration of €517. The program has been closed for new commitments at the request of the Ministry of Foreign Trade and Development Corporation as per June 30, 2014.
5. *Capacity Development Program*
   The program will invest in inclusive projects, focusing particularly on the themes of climate change and gender. For 2015, FMO received a fixed remuneration of €12.

all amounts in € × 1,000

Subsidiaries

The consolidated subsidiaries Nuevo Banco Comercial Holding B.V., Asia Participations B.V., FMO Medu II Investment Trust Ltd. and Equis DFI Feeder L.P. are used for intermediate holding purposes. The subsidiary FMO Investment Management B.V. manages third party capital funds which are invested alongside FMO's own transactions in emerging and developing markets. In the first half of 2015, the subsidiary FMO Antillen N.V. was liquidated.

The transactions during the year are summarized in note 3 of the company balance sheet.

Remuneration of the Management Board

On December 31, 2015, the Management Board consisted of three statutory members (2014: three). The members of the Management Board have no options, shares or loans related to the company.

The total remuneration of the Management Board in 2015 amounts to €1,069 (2014: €1,060) and is specified as follows:

	Fixed remuneration 1)	Pension 2)	Allowance for retirement 3)	Other4)	Total 2015 6)
Nanno Kleiterp	300	29	69	32	430
Jürgen Rigterink	241	21	35	32	329
Linda Broekhuizen	241	18	31	20	310
Total	**782**	**68**	**135**	**84**	**1,069**

	Fixed remuneration	Pension		Other5)	Total 2014
Nanno Kleiterp	297	82		59	438
Jürgen Rigterink	227	42		52	321
Linda Broekhuizen	227	34		40	301
Total	**751**	**158**		**151**	**1,060**

1) The fixed remuneration increase of Jürgen Rigterink and Linda Broekhuizen is as a result of the new CAO salary increase of 1% and the movement of the leave allowance (ADV) from "other - see footnote 4)" to fixed remuneration.

2) Costs related to pension accrual up to salary of € 100

3) Allowance for retirement related to the salary above € 100 (as a result of the Wet Witteveen)

4) Includes contributions to company car, fixed expense allowance, general profit-sharing and compensation of interest on mortgages. This is in line with the general fringe benefits within FMO. The maximal amount of general profit-sharing is €2,800.

5) Includes contributions to company car, fixed expense allowance, general profit-sharing, life-course savings scheme, compensation of interest on mortgages, compensation for the return of leave allowance (ADV) and anniversary benefits. In 2014, includes a one-off compensation for the adjustments to the pension scheme. This is in line with the general fringe benefits within FMO.

6) As of January 1, 2014, Nico Pijl, former member of the Management Board, benefits from his life-course savings scheme. In line with the general fringe benefits within FMO, pension costs including one-off compensation for adjustments to the pension plan are incurred by FMO. The expenses amounted to €94 in 2014 and €81 in 2015 and are not included in the above tables.

The annual remuneration of the members of the Supervisory Board is as follows:

	Remuneration 2015	Committees 2015	Total 2015	Total 2014
Jean Frijns, Chairman	22.5	5.0	27.5	27.5
Bert Bruggink	15.0	3.5	18.5	18.5
Agnes Jongerius	15.0	3.5	18.5	18.5
Alexandra Schaapveld	15.0	2.5	17.5	17.5
Pier Vellinga	15.0	5.0	20.0	17.5
Rein Willems	-	-	-	6.5
Total	**82.5**	**19.5**	**102.0**	**106.0**

The members of the Supervisory Board have no shares, options or loans related to the company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

35. Other comprehensive income

Other comprehensive income

		2015		2014
Items to be reclassified to profit and loss				
Exchange differences on translating foreign operations		3,252		1,503
Available for sale interest-bearing securities:				
· Unrealized results during the year	-7,812		-4,227	
· Less: reclassification adjustments for results included in profit and loss	-778		-729	
Total available for sale interest-bearing securities		**-8,590**		**-4,956**
Available for sale equity investments:				
· Unrealized results during the year	100,725		28,607	
· Foreign exchange results	95,692		79,755	
· Reclassification adjustments for results included in profit and loss	-1,742		-53,415	
Total available for sale equity investments		**194,675**		**54,947**
Total other comprehensive income before tax		**189,337**		**51,494**
Income tax effect		2,148		1,239
Total to be reclassified to profit and loss		**191,485**		**52,733**
Items not reclassified to profit and loss				
Actuarial gains/losses on defined benefit plans		14,502		3,959
Income tax effect		-3,625		-1,169
Total not reclassified to profit and loss		**10,877**		**2,790**
Total other comprehensive income at December 31		**202,362**		**55,523**

Tax effects relating to each component of other comprehensive income

	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	3,252	-	3,252
Available for sale interest-bearing securities	-8,590	2,148	-6,442
Available for sale equity investments	194,675	-	194,675
Actuarial gains/losses on defined benefit plans	14,502	-3,625	10,877
Balance at December 31, 2015	**203,839**	**-1,477**	**202,362**

	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	1,503	-	1,503
Available for sale interest-bearing securities	-4,956	1,239	-3,717
Available for sale equity investments	54,947	-	54,947
Actuarial gains/losses on defined benefit plans	3,959	-1,169	2,790
Balance at December 31, 2014	**55,453**	**70**	**55,523**

all amounts in € × 1,000

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated cash flow statement shows the sources of liquidity that became available during the year and the application of this liquidity. The liquidity is measured by the balance sheet accounts 'banks' and 'short-term deposits'. The cash flows are broken down according to operational, investing and financing activities. The cash flow statement is prepared using the indirect method.

36. Net cash flow from operational activities

The net cash flow from operational activities includes the company's portfolio movements, such as loans to the private sector and under guarantee of the State, equity investments, subsidiaries and associates. The net cash flow further includes the movements in working capital and current accounts with the State in regard to government funds and programs.

37. Net cash flow from investing activities

The net cash flow from investing activities includes the movements in the investment portfolio, such as the interest-bearing securities. The movements in tangible fixed assets are also included in the cash flow from investing activities.

38. Net cash flow from financing activities

The net cash flow from financing activities includes movements in the funding attracted from the capital market. Also included in the cash flow from financing activities are the additions to and reductions from the company's capital.

Company
annual accounts
Accounting policies

ACTIVITIES
The activities of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as FMO) consist of financing activities in developing countries to stimulate private-sector development. Furthermore, FMO provides services in relation to government funds and programs. Further reference is made to the consolidated annual accounts.

Abbreviated income statement
In accordance with the provisions of article 402, Book 2 of the Dutch Civil Code, the company presents the profit and loss account for the year in abbreviated format.

SIGNIFICANT ACCOUNTING POLICIES

Principles of valuation and determination of results
The annual accounts are prepared in accordance with the financial reporting requirements as included in Part 9 of Book 2 of the Dutch Civil Code with the allowed application of the accounting policies (IFRS) as set forth in the consolidated annual accounts. The principles of valuation and determination of results stated in the consolidated balance sheet and profit and loss account are also applicable to the company balance sheet and profit and loss account. Investments in group companies are initially recognized at cost and subsequently accounted for by the equity method.

Reference to the consolidated annual accounts
As mentioned above, the accounting policies applied in the annual accounts correspond with the consolidated annual accounts. Furthermore, the consolidated annual accounts have a limited consolidation scope and accordingly the notes to the balance sheet and profit and loss account are almost similar in both the company annual accounts and the consolidated annual accounts. In these cases, reference is made to the disclosure notes and information provided in the consolidated annual accounts. For the mandatory disclosure notes and those notes with larger discrepancies, the information is included in the notes to the company's annual accounts.

Estimates and assumptions
In preparing the annual accounts, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. The most relevant estimates and assumptions relate to the determination of the fair value of financial instruments based on generally accepted modeled valuation techniques, and the determination of the counterparty specific and group-specific value adjustments. Estimates and assumptions are also used for the pension liabilities, determination of tax and depreciation of tangible fixed assets and others.

Company balance sheet

(before profit appropriation)	Notes	Page number	2015	2014
Assets				
Banks			56,304	20,097
Short-term deposits			1,545,384	1,093,606
Derivative financial instruments			251,089	241,403
Loans to the private sector			4,250,379	3,801,325
Loans guaranteed by the State			56,780	58,515
Equity investments	(1)	143	1,446,145	1,117,009
Investments in associates	(2)	143	32,752	24,358
Interest-bearing securities			611,570	593,263
Subsidiaries	(3)	143	33,211	19,605
Tangible fixed assets			7,626	7,468
Deferred income tax assets			2,108	2,379
Current income tax receivables			-	236
Current accounts with State funds and other programs			724	-
Other receivables			32,586	28,343
Accrued income			93,317	83,061
Total assets			**8,419,975**	**7,090,668**
Liabilities				
Banks			-	81,168
Short-term credits			76,015	261,145
Derivative financial instruments			391,073	329,099
Debentures and notes			5,347,614	4,196,998
Other liabilities			12,476	12,904
Current accounts with State funds and other programs			1,459	1,019
Current income tax liabilities			18,563	-
Wage tax liabilities			183	36
Deferred income tax liabilities			4,249	3,985
Accrued liabilities			56,987	54,287
Provisions			1,706	12,467
Total liabilities			**5,910,325**	**4,953,108**
Shareholders' equity				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			1,308,420	1,140,363
Development fund			657,981	657,981
Available for sale reserve			447,177	267,119
Translation reserve			4,111	859
Other reserves			47,382	28,330
Undistributed profit			6,231	4,560
Total shareholders' equity	(4)	144	**2,509,650**	**2,137,560**
Total liabilities and shareholders' equity			**8,419,975**	**7,090,668**
Contingent liabilities			-119,974	119,630
Irrevocable facilities			1,796,763	1,601,951

Company profit and loss account

	Notes	Page number	2015	2014
Profit after taxation			173,828	123,144
Income from subsidiaries, after tax	(3)	143	460	1,232
Net profit			**174,288**	**124,376**

all amounts in € × 1,000

Notes to the company annual accounts

NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

1. Equity investments

	2015	2014
Balance at January 1	1,117,009	939,265
Purchases and contributions	247,479	237,465
Re-class from loans	-	2,566
Re-class to associates	-	-385
Sales	-86,771	-100,926
Value adjustments	-18,073	-14,531
Changes in fair value	186,501	53,555
Balance at December 31	**1,446,145**	**1,117,009**

	2015	2014
Equity investments at fair value	1,446,145	829,915
Equity investments at cost less impairment	-	287,094
Balance at December 31	**1,446,145**	**1,117,009**

2. Investments in associates

	2015	2014
Balance at January 1	24,358	19,246
Purchases and contributions	6,302	459
Re-class from equity investments	-	385
Sales	-3,377	-
Share in net results	3,090	1,892
Translation differences	2,379	2,376
Balance at December 31	**32,752**	**24,358**

3. Subsidiaries

	2015	2014
Balance at January 1	19,605	14,950
Purchases and contributions	5,240	3,218
Share in other comprehensive income	8,175	-
Share in net results	460	1,232
Dividend declared and received	-269	205
Balance at December 31	**33,211**	**19,605**

The investments in subsidiaries consist of the following interests in the share capital of:
1. Asia Participations B.V.: 100%
2. FMO Antillen N.V.: 100%
3. FMO Investment Management B.V.: 100%
4. FMO Medu II Investment Trust Ltd.: 100%
5. Nuevo Banco Comercial Holding B.V.: 100%
6. Equis DFI Feeder L.P.: 63%

In the first half of 2015, the subsidiary FMO Antillen N.V. has been liquidated.

The following table summarizes the carrying value of the subsidiaries.

	2015	2014
Asia Participations B.V.	9,362	-12
FMO Antillen N.V.	-	3,258
FMO Investment Management B.V.	5,109	-
FMO Medu II Investment Trust Ltd.	2,561	3,472
Nuevo Banco Comercial Holding B.V.	14,023	12,887
Equis DFI Feeder L.P	2,156	-
Balance at December 31	**33,211**	**19,605**

4. Shareholders' equity

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which are held only by the State, and 49% B shares, also of €22.69 each, which are held by private investors. The voting rights for A shares and B shares are equal.

The equity of the company comprises three reserves, which result from the Agreement State-FMO of November 16, 1998. These are the share premium reserve, the development fund and the contractual reserve. As the company continues its activities, these reserves are not available to the shareholders. Upon liquidation of FMO, these reserves fall to the State, after settlement of the contractual return to the shareholders.

	2015	2014
Authorized share capital		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**

	2015	2014
Issued and paid-up share capital		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Share premium reserve

	2015	2014
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State on the financial restructuring	8,061	8,061
Share premium reserve shareholder B, contributed on the transfer to the company of investments administered on behalf of the State on the financial restructuring	21,211	21,211
Balance at December 31	**29,272**	**29,272**

Contractual reserve

The addition relates to that part of the net profit, which FMO is obliged to reserve under the Agreement State-FMO of November 16, 1998 (see 'other information').

Development fund

This special purpose reserve contains the annual budgetary allocations made by the State to finance the portfolio of loans and equity investments. In 2005, FMO received the final contribution to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve (AFS reserve)

The available for sale reserve includes net revaluations of financial instruments classified as available for sale that have not been reported through the profit and loss account.

The following table shows the components of the available for sale reserve at December 31, 2015 and December 31, 2014.

	2015	2014
Gross gains and losses in the AFS reserve		
Equity investments at fair value	441,694	255,194
Interest-bearing securities at fair value	7,324	15,914
Subtotal gains and losses in the AFS reserve	**449,018**	**271,108**
Deferred taxes on gains and losses		
Equity investments at fair value	--	-
Interest-bearing securities at fair value	-1,841	-3,989
Subtotal deferred taxes on gains and losses	**-1,841**	**-3,989**
Net gains and losses in the AFS reserve		
Equity investments at fair value	441,694	255,194
Interest-bearing securities at fair value	5,483	11,925
Total available for sale reserve	**447,177**	**267,119**

The statement of changes in the shareholders' equity details the movements in the available for sale reserve during 2015. The statement is included in the consolidated annual accounts.

Other reserves

	2015	2014
Balance at January 1	28,330	25,540
Actuarial gains/losses on defined benefit plans	10,877	2,790
Share in other comprehensive income of subsidiaries	8,175	-
Balance at December 31	**47,382**	**28,330**

Other information

Provision in the articles of association concerning the appropriation of profit

The provision and the appropriation of the net profit is based upon the Articles of Association and the Agreement between the State and FMO of November 16, 1998.

The General Meeting will determine which portion of the result of a financial year is reserved or in which way a loss will be incorporated, as well as the appropriation of the remaining profit, with regard to which the Supervisory Board and the Management Board can make a non-binding proposal in accordance with the provision and dividend policy adopted by the General Meeting, taking into account the relevant provisions in the Agreement between the State and FMO of November 16, 1998.

Proposal for appropriation of profit

A company net profit of €174,288 was recorded in 2015. Under the Agreement State-FMO of November 16, 1998, FMO is required to add €168,057 to the contractual reserve. Therefore this profit is not completely distributable. The distributable element of the net profit amounts to €6,231 (2014: €4,560). The Management Board and the Supervisory Board propose distributing a sum of €6,231 (2014: €4,560) as cash dividend equaling €15.58 per A and B share (2014: €11.40 per A and B share). This proposal for dividend distribution can be withdrawn if FMO's economical and financial conditions deteriorate significantly in the period up to the moment of distribution of the dividend. This reservation is the result of the recommendation of the European Central Bank on January 28, 2015, and adopted by the Dutch Central Bank.

Guarantee provisions in the Agreement between the State and FMO of November 16, 1998

Article 7: maintenance obligations in the event of depletion of general risks reserve (GRR) fund and inadequate cover for exceptional operating risks

7.1 To determine whether FMO has grounds for invoking the maintenance obligation (the 'State's Maintenance Obligation') as referred to in Article 7.2.1, the losses incurred by FMO as referred to in Article 7.2.2, as shown by the annual accounts drawn up for the relevant year in accordance with generally accepted accounting principles and in conformity with Part 9 of Book 2 of the Netherlands Civil Code and duly adopted by the competent corporate body, shall first be charged to the GRR fund.

7.2.1 The State undertakes vis-à-vis FMO to defray losses on its operations pursuant to Article 3.1 and 3.2 of this Agreement, as determined in Article 7.2.2, to the extent that such risks have not been covered by specific value adjustments and/or compensation and/or insurance benefits received or yet to be received, provided that:

a) the amount of such losses exceeds the size of the GRR fund as at December 31 of the year in which these losses were incurred; and
b) the inadequacy of the cover for general value adjustments under the GRR fund is due to abnormal operating risks, such as unforeseen political difficulties in, or transfer problems with, particular countries or the collapse of the world economy or a regional economy.

7.2.2 The parties shall consult together to determine the magnitude of such losses. Should they fail to agree, FMO's auditors and an auditor designated by the State shall make a reasonable and equitable calculation of the losses in accordance with generally accepted accounting principles.

7.3 If the circumstances arise as described in Article 7.2.1, under a) and b) and FMO requests the State to fulfill its obligations as referred to in Article 7.2, this shall give rise to a claim against the State, which shall be duly acknowledged by the State, on the first business day of the first financial year following the date of the request. Such request shall be in writing.

Article 8: other financial security obligations

8.1 Without prejudice to the other provisions in this Agreement, the State shall prevent situations arising in which FMO is unable to meet the following (comprehensive enumerated) commitments on time: FMO's commitments in respect of:

i) loans raised in the capital market;
ii) short-term funds raised on the money market with maturities of two years or less;
iii) swap agreements involving the exchange of principal and payment of interest;
iv) swap agreements not involving the exchange of principal but with interest payment;
v) foreign exchange forward contracts and forward rate agreements (FRAs);
vi) option and futures contracts;
vii) combinations of the products referred to in (i) to (vi);
viii) guarantees provided by FMO to third parties in respect of the financing of private companies in developing countries;
ix) commitments relating to the maintenance of an adequate organization.

Notes to the guarantee provision

the GRR fund referred to in Article 7 is defined in Article 6 of the Agreement between the State and FMO of November 16, 1998, and consists of the share premium reserve of €21,211 plus the group-specific provision (formerly the general value adjustments) and the contractually required reserve. On December 31, 2015, the fund amounted (rounded) to €1,504,322 (2014: €1,345,149).

Indexes

Glossary of terms

Key Term	Definition	Page
Additionality of FMO's Activities	FMO provides products and services which the market does not provide, or does not provide on an adequate scale or on reasonable terms	P.18, 25
Biodiversity	Potential impact of FMO's investments on ecosystems	P.19, 24
Business Integrity of FMO	Policies, procedures and actions taken by FMO to ensure high standards of business conduct. Examples include investment criteria, exclusion lists and anti-money laundering, anti-bribery and anti-corruption measures	P.24
Client Satisfaction	The extent to which FMO's products and services meet or surpass customer expectations	P.17, 43
Development Impact	FMO's positive indirect economic influence on local economies as participant or agent in socio-economic change	P.7, 8, 17, 25, 26, 36, 50
Diversity and Equal Opportunity FMO Employees	Policies, procedures and actions taken to promote diversity and equal opportunity in FMO's own work force	P.24
Employee Development in FMO	Policies, procedures and actions taken by FMO to provide training and education for skill & talent development and employability	P.24
Enable Impact Investing	Providing access to investors to impact investing and new markets in emerging and developing countries	P.8, 17, 25, 29, 36, 50, 51
ESG Risk Management and Knowledge Building	Assessment of ESG risks and mitigation of ESG risks through action plans prior to contracting. Periodically reviewing ESG risks during the life of the investments and act upon findings. Supporting clients in improving management skills and technical expertise specifically in the area of ESG	P.17, 19, 25, 39, 51, 94
Financial Sustainability	The economic value generated (revenues) and distributed (operating costs, wages, payments to providers of capital and to government) by FMO within boundaries of FMO's risk appetite	P.8, 17, 22, 23, 25, 28, 42, 43, 50, 51
FMO's Own Direct Environmental Impact	FMO's own greenhouse gas emissions of which the majority is the CO_2 emissions caused by FMO's activities resulting from employee flight travel	P.8, 24, 28, 36, 50
FMO's Impact model	For more information on FMO's Impact model methodology, see www.fmo.nl/development-impact	P.26, 47, 55
Good Labor Practices and Decent Work Conditions	Actions taken by FMO's clients to ensure a healthy and safe working environment, provide training and education, fair/living wages, freedom of association and collective bargaining, working hours, prevention of child/forced/compulsory labor and discrimination	P.24
Green Investment	An activity that contributes to the mitigation and adaptation of climate change by reducing or avoiding greenhouse gas (GHG) emissions from the atmosphere or reducing vulnerability of human or natural systems to impacts of climate change and climated related risks. FMO follows the Common Principles for Climate Mitigation Finance and Climate Adaptation Finance as defined by the Multilateral banks. FMO also acknowledges projects that lead to other footprint reduction such as biodiversity conservation and water efficiency.	P.8, 19, 28, 36, 51

Key Term	Definition	Page
Greenhouse Gas Avoidance	The difference between the country's industry average green-house gas emissions and greenhouse gas emissions of the project that we finance	P.7, 8, 26, 36, 37, 50
Health and (Travel) Safety FMO Employees	Policies, procedures and actions taken by FMO to prevent injury, occupational diseases, lost days, absenteeism and work-related fatalities	P.24
Human Rights	FMO recognizes that businesses have a role in respecting human rights (such as the right to demonstrate, the right to land, water, health and safety), and a responsibility to ensure that effective and accessible means of redressing infringements of human rights resulting from our business activities or those we support are available	P.24, 47, 48, 66
Inclusive Development	Investing in projects in all developing countries with the specific aim to expand access to goods, services and livelihood opportunities on a commercially viable basis to people at the base of the pyramid (people living on less than USD 8 per day in purchasing power parity or lacking access to basic goods, services, and income)	P.22, 23, 25, 28, 38, 50
Indirect Environmental Impact	Greenhouse gas emissions that follow from activities of compa-nies that FMO finances	P.25, 36
Innovation and Knowledge Management at FMO	FMO's approach to knowledge management and innovation within its own operations	P.17, 25, 26
Investing in Resource Efficiency (Water, Materials, Waste)	Investments in resource efficiency (water, materials, waste) in response to climate change and resource scarcity	P.24
Local Stakeholder Engagement	FMO asks its clients to set up a local stakeholder engagement process that includes the development of a local grievance mechanism. Stakeholder engagement is important to identi-fying risks and impacts at an early stage, and to help avoid, mitigate, and manage risks and impacts	P.17, 24
Promote ESG Within the Sector	FMO organizes seminars, trainings and conferences for clients, peers and industry stakeholders on ESG practices	P.19, 24, 39, 50
Providing Access to Energy	FMO has a focus on Renewable Energy projects. In some cases FMO finances fossil fuel based projects but only with certain pre-conditions, including the absence of any renewable alternative and in a limited number of countries. We do not provide any direct finance for coal based power projects, but can consider less contaminating fossil fuels, like natural gas	P.24
Remuneration Policy of FMO	Remuneration policy and practices to reflect FMO's objectives of good corporate governance and sustained, long term value creation for its stakeholders. FMO has not had a variable pay for members of the Management Board since 2012	P.24, 62, 66, 137
Safeguard Privacy of FMO's Customers	Having adequate systems and procedures in place to ensure compliance with regulations	P.24
Support Dutch Companies	Part of the Aid and Trade policy of the Ministry of Foreign Affairs is to support Dutch businesses by facilitating investments in and export to emerging markets	P.24, 29, 46, 51
Taxation (Investment Portfolio)	Contributions to governments are important for each nation to finance public goods such as infrastructure, health and education and thus contribute to the wellbeing of the people of that nation (for both more and less developed countries). Compliance and trust from by tax payers, tax authorities and governments can create a healthy tax environment. Within FMO's power we aim to contribute to such an environment	P.24
Transparency of FMO's Activities	The extent to which FMO is operating in such a way that it is easy for stakeholders to see what action is performed	P.23, 29, 46, 47, 50, 51

GRI content index

FMO has chosen for the 'In Accordance' option 'Core'. In the following table, reference is made to the general standard disclosures.

General standard disclosues	No	Description	Page #	External Assurance
Strategy and Analysis	G4-1	Statement of senior decision-maker (CEO) about the relevance of sustainability to FMO and FMO's strategy for addressing sustainability	P.12	-
Organizational Profile	G4-3	Name of organization	P.6, 54, 79	P.68
Organizational Profile	G4-4	Primary products / services	P.6, 17, 52	P.68
Organizational Profile	G4-5	Location of headquarters	P.7, 79	P.68
Organizational Profile	G4-6	Number of countries where the organization operates	P.6	-
Organizational Profile	G4-7	Nature of ownership and legal form	P.6, 54, 79	P.68
Organizational Profile	G4-8	Markets served (incl. geographic breakdown, sectors served and types of customers and beneficiaries)	P.6, 7, 18, 79	P.68
Organizational Profile	G4-9	Scale of organization: Number of employees Number of operations Net sales Total capitalization Quality of products / services provided	P.7, 47, 89, 133	P.68
Organizational Profile	G4-10	Number of employees by gender. Number of permanent employees by employment type and gender	P.47	P.68
Organizational Profile	G4-11	Percentage of total employees covered by collective bargaining agreements	P.47	P.68
Organizational Profile	G4-12	Organization's supply chain	P.18, 19	P.68
Organizational Profile	G4-13	Significant changes during reporting period regarding FMO's size structure, ownership, etc.	P.54, 81	P.68
Organizational Profile	G4-14	How is the precautionary approach principle addressed?	P.19	P.68
Organizational Profile	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which FMO is subscribed	P.56	P.68
Organizational Profile	G4-16	List memberships of associations in which FMO holds a position on the governance body, OR participates in committees/projects, OR views membership as strategic	P.56	P.68
Identified material aspects and boundaries	G4-17	Entities included in the organization's consolidated financial statements. This may be disclosed by referencing the information in publicly available consolidated financial statements	P.81	P.68
Identified material aspects and boundaries	G4-18	Explain process for defining report content.	P.54	P.68
Identified material aspects and boundaries	G4-19	List all material aspects identified	P.24, 25	P.68
Identified material aspects and boundaries	G4-20	For each material aspect, report the aspect boundary within the organization	P.24, 25	P.68

General standard disclosues	No	Description	Page #	External Assurance
Identified material aspects and boundaries	G4-21	For each material aspect, report the aspect boundary outside the organization	P.24, 25	P.68
Identified material aspects and boundaries	G4-22	Report the effect of any restatements of information provided in previous reports, and the reason for such restatements (e.g. from merger & acquisition, nature of business, etc.)	P.54	P.68
Identified material aspects and boundaries	G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	P.54	P.68
Stakeholder Engagement	G4-24	Provide list of stakeholders engaged by the organization	P.18, 24	P.68
Stakeholder Engagement	G4-25	Report basis of identification and selection of stakeholders with whom to engage	P.17	P.68
Stakeholder Engagement	G4-26	Report approach to stakeholder engagement, including frequency of engagement by type of stakeholder	P.18, 24	P.68
Stakeholder Engagement	G4-27	Report key topics/concerns that have been raised through stakeholder engagement	P.22, 23, 24	P.68
Report Profile	G4-28	Reporting period	P.54	P.68
Report Profile	G4-29	Date of most recent previous report	P.54	P.68
Report Profile	G4-30	Reporting cycle	P.54	P.68
Report Profile	G4-31	Contact point for questions regarding the report	P.4, 154	P.68
Report Profile	G4-32	Report the "in accordance" option the organization has chosen. Report the GRI Content index for the chosen option. Report the reference to the External Audit report, if the report has been externally assured	P.54	P.68
Report Profile	G4-33	Report policy and current practice with regard to seeking external assurance for the report	P.55	P.68
Governance	G4-34	Overview of: - Governance structure and composition Role of highest governance body in setting the organization's purpose, values and strategy Competencies and performance evaluation of highest governance body Role of board in risk management Role of board in sustainability reporting Role of board in evaluating economic, environmental and social performance Remuneration and incentives	P.64, 65, 66	P.68
Ethics and Integrity	G4-56	Describe values, principles, standards and norms of behavior such as codes of conduct/ ethics	P.17, 19, 64, 66	P.68

In the following table, reference is made to the specific standard disclosures.

Material aspects	Disclosures management approach (DMA)	Indicators	Omissions	External Assurance
Development impact	P.17	P.36-38		P.68
Financial sustainability and risk appetite of FMO	P.17	P.42-43		P.68
Additionality of FMO's activities	P.18	P.18		P.68
Client satisfaction	P.17	P.39		P.68
Transparency of FMO's activities	P.29	P.46-47		P.68
Enable impact investing	P.17	P.37		P.68
Inclusive development	P.28	P.38		P.68
Indirect environmental footprint	P.28	P.36		P.68
Innovations and knowledge management at FMO	P.26	P.26		P.68
ESG risk management	P.19	P.39		P.68

DISCLAIMER

Presentation of information
This annual report (Annual Report) of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) has been prepared in accordance with *International Financial Reporting Standards as adopted by the European Union* (IFRS-Eu) and with Title 9 of Book 2 of the Netherlands Civil Code.

Cautionary statement regarding forward-looking statements
Certain of the statements in this Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that relate to, among other things, FMO's business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on FMO's current view with respect to future events and financial performance and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Words such as 'anticipate', 'believe', 'could', 'endeavor', 'estimate', 'expect', 'forecast', 'intend', 'predict', 'project', 'may', 'objectives', 'outlook', 'plan', 'strive', 'target', 'will', and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Actual results, performance or events may differ materially from those in such statements and from past results due to, without limitation: (i) changes in general economic conditions, in particular in FMO's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (iii) changes performance of financial markets, including emerging and developing markets, (iv) changes in interest rate levels, (v) changes in credit spread levels, (vi) changes in currency exchange rates, (vii) changes in general competitive factors, (viii) general changes in the valuation of assets, (ix) conclusions with regard to accounting assumptions and methodologies, (x) changes in law and regulations, including regulatory law and fiscal law, (xi) changes in policies of governments and/or regulatory authorities, (xii) changes in credit and financial strength ratings, (xiii) the results of our strategy and investment policies and objectives, (xiv) other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by FMO, and (xv) risks and uncertainties as addressed in this Annual Report.

The forward-looking statements speak only as of the date they are made. FMO does not undertake any obligation to publicly update or revise forward-looking statements contained in this Annual Report, whether as a result of new information, future events or for any other reason.
Neither do FMO nor any of its directors, officers or employees make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

Colophon

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Reporting scope

This integrated annual report covers activities that took place or had an effect on the reporting year.

FMO publishes its integrated annual report in March. The annual shareholders' meeting is held in May. The report is audited by an external auditor. Please read the KPMG's auditor's report for detailed information on the scope of their work. Previous reports are available on www.fmo.nl/reports.

Colophon

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