FMO

Entrepreneurial
Development
Bank

INTERIM REPORT

2020

Ernestina Osei Peprah is the environmental & compliance manager at Miro Forestry in Ghana. It is her fifth year with the company and she has enjoyed every bit of it. Miro develops timber plantations and at the same time conserves environmentally sensitive areas. Its total planted area consists of over 17,000 hectares of eucalyptus, acacia, gmelina and teak across Ghana and Sierra Leone - all FSC-certified.

Our mission is to empower entrepreneurs to build a better world

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AT A GLANCE

FMO is the Dutch entrepreneurial development bank

Since 1970 we have been a driving force behind investments empowering local entrepreneurs in emerging markets. We believe in a world in which, in 2050, more than 9 billion people live well and within the means of the planet's resources.

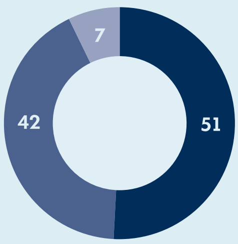
We invest with the aim of enhancing local prosperity in emerging markets and take risks that the commercial banking sector is not willing to take. We focus on the private sector in the following industries: Energy, Financial Institutions and Agribusiness, Food & Water. Through our investments in these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

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

FMO has its head office in The Hague, the Netherlands, with local offices in Johannesburg, South Africa, and Nairobi, Kenya. We also have a representative office registered in Singapore.

Organization and ratings

Ownership structure %



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

Ratings

AAA
Fitch ratings

AAA
Standard&Poor's

5th /934 banks
Sustainalytics relative performance (1st=lowest risk)

Prime
ISS ESG rating

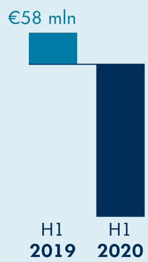
Employees

622
Total number of employees

57
Number of nationalities

42%
of women in senior and middle management

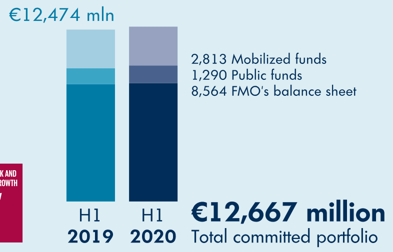
Financial performance

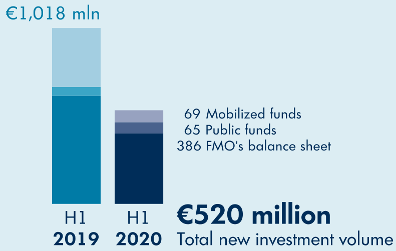


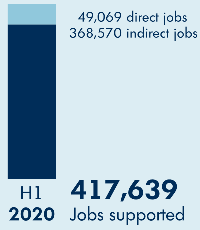
-€280 million
Net profit/loss

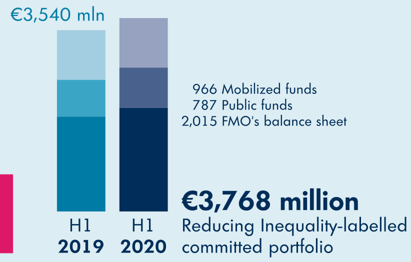
21.9%
CET1(%)

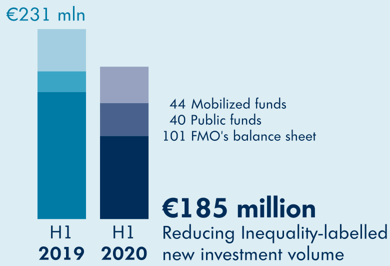
Investing in local prosperity

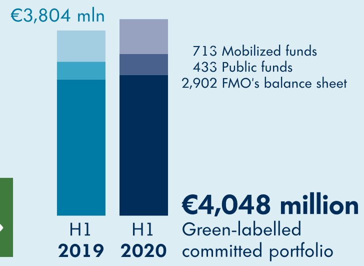


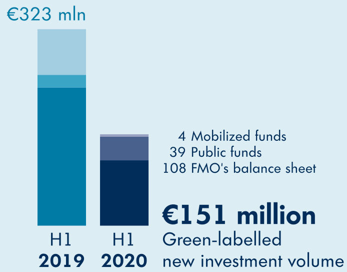












LETTER FROM THE MANAGEMENT BOARD

The first half of 2020, the year we celebrate our 50th anniversary, has been dynamic for FMO due to the COVID-19 pandemic that has spread around the world. Despite these developments we continue to support our clients and investees, through regular financing as well as financial and non-financial support tailored to the needs emerging from the COVID-19 pandemic.

Some highlights from the first six months include:

- Our first renewable energy investment in Djibouti for the construction and operation of a 60MW windfarm, helping Djibouti meet energy demands and transition towards 100% renewable energy-based electricity production by 2030.
- New exciting partnerships under the FMO Ventures Program. For instance, an equity investment made in liwwa (Egypt), improving access to finance for SMEs in emerging markets by supporting technology-enabled business models.
- Issuing of a seven-year Sustainability Bond (€500 million).
- The scale up of the NASIRA financial guarantee with €25 million to support small COVID-19-affected entrepreneurs in Africa and the European Neighborhood together with the European Commission.
- A partnership with COFINA, one of the few homegrown microfinance groups in Africa. Much of the funding will specifically support lending to women and youth-owned businesses, in countries where nearly half the population still lives below the national poverty line.
- The issuance, together with our partner TCX, of FMO's largest ever note in frontier currency, amounting to US$50 million in Uzbekistan Som.
- COVID-19-related support provided to several customers in the (M)SME sector. For example, upon request, Banco Promerica de Costa Rica was able to repurpose its financing of green buildings to support SMEs with liquidity, helping them to maintain their workforce.

Our response to COVID-19
With COVID-19 we have come to face a new reality. We are proud of how quickly and effortlessly our colleagues have adapted to working from home. We remained connected, facilitated 700+ home offices and ensured we could quickly shift our attention to our customers. FMO's markets have been severely impacted by the pandemic. All our markets have reported COVID-19 infections, although some more than others. Economically, emerging markets (EMs) have been vulnerable to the effects of the pandemic. In March and April, more than US$90 billion equity and debt flowed from EMs, creating liquidity issues for governments and corporates. Constrained by high debt ratios and low real interest rates going into the crisis, many governments and central banks have struggled to develop sufficient response packages to shield the private sector and households from the worst impacts.

To respond to these developments, FMO developed a COVID-19 Response Package with financial and non-financial support, covering: Remote Advisory Services (17 projects under implementation), a Platform for Learning and Exchange (to date 18 webinars with approximately 700 attendees) and our Emergency Grant Facility (to date €3.5 million). Furthermore, FMO also granted payment holidays to customers with short term liquidity needs for existing customers who can apply for loans offering additional liquidity. We granted 18 payment deferrals and 3 full restructuring requests. Meanwhile, we carried on business as usual, adapting our processes where possible.

Impact on our business
Although FMO quickly adapted to the outbreak of the COVID-19 pandemic, it has impacted our operations, performance and balance sheet. For the first half of 2020 we report a net loss of €280 million. There are two main reasons for this. First, the impairments for our loan portfolio increased with about €100 million, as the risk that some loans might not be paid back in full increased. Second, the value of our private equity investments (including investments in associates) decreased by €255 million. In IFRS 9, these fair values are reflected in the profit and loss account.

Internal changes
Internally, we have invested significant time and resources into our Know Your Customer (KYC) processes, focusing to a large extent on the prevention of Financial Economic Crime. This resulted in a newly formed KYC department, accompanied by an increasing number of FTEs, and related training sessions to upskill staff.

At our first *virtual* Annual General Meeting of Shareholders, in April, two Supervisory Board members retired from their roles: Pier Vellinga (Chairman) and Alexandra Schaapveld. We thank them for their contribution during the past years. At the same time, we welcomed three new members: Reintje van Haeringen, Marjolein Demmers and Dugald Agble. Dirk Jan van den Berg and Koos Timmermans have assumed the roles of Chairman and Vice-Chairman, respectively.

In June, Peter van Mierlo announced that he would step down as FMO's CEO. This decision, the circumstances leading up to his departure and the subsequent media attention affected all of us, deeply. In the weeks that followed we intensified dialogues with our full FMO-team to answer questions and address concerns on leadership style, and to reconnect with one another so as to move forward again.

In July, reflecting on its first period, the Executive Committee (ExCo) concluded that it has not been successful in connecting with the broader leadership group in the organization, and announced its decision to discontinue. The ExCo members stepped down per 1 August and continue in their managerial roles. A new governance structure will be co-created with management and will be designed in the second half of this year. In the interim, decision-making will remain with the Management Board.

Our outlook
It is the first time FMO expects to make a loss since our financial independence from the Dutch government in 1990. And we are well prepared for it. FMO's buffers exceed the minimum required by the Dutch Central Bank and the higher requirements defined by our own risk appetite. At the end of June, our total capital ratio was 22.8 percent, where a minimum of 14 percent is required.

We enter the second half of the year energized by the opportunities and entrepreneurial spirit we see among our colleagues, customers and partners. Because, despite the weight of the pandemic on global prosperity and on reaching the Sustainable Development Goals (SDGs), we also see how new ways of working and thinking help us move forward. Technology will stimulate further innovation and allow us to connect with colleagues and partners all over the world. Partnerships remain crucial as we actively engage with other European Development Finance Institutions (EDFIs) as well as multilateral banks to jointly support our customers.

Our outlook for the rest of the year will depend on the future path of the pandemic and the related socio-economic impact on our customers. We carefully plan potential – upside as well as worst-case – scenarios, and estimate impacts on our balance sheet and operations, and factor these into our regular (longer-term) business planning. The crisis forces us to fundamentally redefine how we work and interact with each other, providing us with an opportunity to rethink the future of 'traditional' development finance. For FMO, this is an exciting place to be.

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

- The 2020 condensed consolidated interim accounts give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated undertakings;
- This Interim Report 2020 includes a fair overview of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim accounts 2020; and
- This Interim Report 2020 includes a description of the principal risks and uncertainties for the remaining six months of the financial year.

The Hague, August 20, 2020

Fatoumata Bouaré, Chief Risk & Finance Officer
Linda Broekhuizen, Chief Investment Officer

Our markets have faced record-breaking capital outflows and an unprecedented recession as a result of COVID-19, which has reversed the progress made in the past two decades towards reducing poverty and inequality. 2020 will be the first year since the turn of the century that the number of people living below the poverty line will increase.[1] FMO's role as a Development Finance Institution (DFI), as such, is needed now more than ever before.

COVID-19 impact on reaching the SDGs

The crisis will slow progress towards the SDGs. The pandemic has delivered a blow to employment and economic growth (SDG 8). Many companies are laying off employees as they face sharp decreases in demand and interruptions to production and shipping. In many emerging markets (EMs), millions of workers in the informal sector have been hit hard. Unprotected by social security or local law, many workers in these low-skilled, low-productivity and low-paid jobs have abruptly lost their jobs and incomes. This has led to increased levels of poverty and inequality (SDG 10). Meanwhile, the climate (SDG 13) crisis continues as the global community moves away from the commitments set forward in the Paris Agreement. Despite the drastic reduction in economic activity due to COVID-19, the resulting 6% drop in greenhouse gas emissions projected for 2020 falls short of the 7.6% target to meet the 1.5°C ambition set in the Paris Agreement.[2]

GDP growth in developing countries (excluding China) is expected to be as low as -5% this year and grow by 4.7% next year – assuming the pandemic will be brought under control in 2020. Significant downside risks remain to this projection and may hence further jeopardize progress in achieving the SDGs by 2030.[3]

Road to recovery – the role of DFIs

Constrained by high debt ratios and low real interest rates prior to the crisis, many governments and central banks in EMs have struggled to develop adequate response packages to shield the private sector. DFIs such as FMO play an important role supporting and continuing to invest in these businesses as well as the jobs provided by them. In the short-term, we are aligning our corona response with peers and partners to accommodate our joint customers while finding new ways of working (e.g. virtual due diligence). In the short- to long-term, we continue to invest in these markets, working with our partners to acquire high-risk capital from public entities ('blending') to crowd in commercial capital (through syndication and fund management activities). We foresee opportunities to stay ahead of the curve and accelerate growth beyond the current crisis, gearing our investments towards new and innovative solutions that are focused on connecting the un(der)served to basic infrastructure and financial services.

Use of blended finance

FMO and the DFI community are benefitting from a greater availability of blended finance offered by institutions such as the European Commission (EC), Global Climate Fund (GCF) and national governments. EC budgets through the European Fund for Sustainable Development program, for instance, are expected to increase substantially and could be used towards developing higher impact and innovative solutions. More (blended) financing is also provided for 'upstream' project development, which typically requires considerable time and resources as well as market development.

1 **World Bank Group (2020). Global Economic Prospects.**

2 United Nations (2019). The Sustainable Development Goals Report.

3 International Monetary Fund (June 2020). World Economic Outlook Update.

Commercial capital to achieve the SDGs

Commercial capital is crucial to achieve the SDGs. In the years leading up to the pandemic, institutional investors were increasingly targeting the SDGs, and impact investing was becoming more mainstream as progress was being made towards standardizing impact measurement and reporting. This increased transparency and improved decision-making by companies, investors, and policymakers. FMO will continue to demonstrate that impact investing in EMs – even under the current circumstances – is worthwhile and profitable. FMO's role is to bring together governmental, NGO and commercial parties to invest capital (back) into emerging and developing markets to boost resilience post-COVID-19. With our syndicated and blended product lines, FMO can bear the risks and pave the way for the private sector to invest in EMs. Several of our commercial partners, such as our FMO Investment Management (FMO IM) funds and Munich Re, have already expressed their ongoing commitment to co-invest in select FMO loans.

Regulatory pressure to increase

Several new regulations may impact FMO's operations and the markets in which we operate. These include:

Basel IV. The translation of the Basel IV agreement into European law ("CRR-3") is expected to increase the capital requirements for FMO as it requires a higher risk weight to be applied to equity investments and a higher capital charge for market risk. An increase in capital consumption might limit the ability of FMO to invest and create impact.

Climate related risks. The European Central Bank (ECB) published a Draft guide on climate-related and environmental risks. The guide outlines the ECB's understanding of prudent management of climate-related and environmental risks and sets out supervisory expectations for banks in this respect. This will likely have implications for FMO's internal procedures, climate-related and environmental disclosures and how we incorporate climate and environmental risks into our business strategy, risk management and governance frameworks.

EU Taxonomy. Member states and the European Union (EU) will be required to apply the Taxonomy when adopting measures (e.g. labels or standards) in setting requirements for financial products or corporate bonds presented as 'environmentally sustainable'. The first climate change mitigation and adaptation criteria need to be adopted by the end of 2020 and applied by the end of 2021. Other environmental objectives (e.g. water) need to be adopted by the end of 2021 and applied by the end of 2022. FMO is currently assessing the implications of the EU Taxonomy.

FEC and tax integrity. We expect a stricter approach from both the EC and the Dutch Central Bank (DNB) with respect to client tax integrity. Both the EC and the Financial Action Task Force frequently revise their list of high-risk countries which influence the customer due diligence requirements with respect to customers in those countries. The effectiveness of the Financial Economic Crime (FEC) Enhancement Program, which is currently underway within FMO, will be closely monitored by the DNB.

OUR VISION

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

OUR MISSION

We empower entrepreneurs to build a better world.

OUR SDGs

STRATEGIC GOAL

Your preferred partner to invest in local prosperity.

OUR MARKETS

OUR STRATEGY

→ Higher Impact Portfolio

→ Deeper Relationships

→ Higher Productivity

OUR VALUES AND BEHAVIORS

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

OUR STRATEGY

We believe in a world in which, in 2050, more than 9 billion people live well and within the means of the planet's resources. To achieve this, we need to overcome the global challenges highlighted by the 17 UN Sustainable Development Goals.

In line with our vision and mission, we aligned our strategy with the SDGs with an overarching strategic goal of being 'Your preferred partner to invest in local prosperity'.

Our efforts to achieve this goal focus on three pillars: higher impact portfolio, deeper relationships and higher productivity. We create higher impact by focusing our activities on SDGs and markets that are key to economic, environmental and social progress. We increase this impact by deepening relationships with our customers and other stakeholders, by mobilizing third-party funds and by working closely with businesses and industry associations to enhance ESG standards. By achieving higher productivity and organizational efficiency, we can scale up our activities, and create greater impact.

We monitor a set of performance metrics aligned with these three pillars and set specific targets for each. This allows us to define, steer and track success for each objective.

Higher impact portfolio

SDG focus

We aim to create a higher impact portfolio by focusing investments on three SDGs across all our sectors: Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10), and Climate Action (SDG 13). Through our sector-specific strategies, we also contribute to Zero Hunger (SDG 2), Gender Equality (SDG 5), Renewable and Affordable Energy (SDG 7), and Partnerships for the Goals (SDG 17). Meanwhile, we contribute to other SDGs by ensuring our investments comply with international ESG standards and policies.

SDG 8 I Decent Work and Economic Growth

8 DECENT WORK AND ECONOMIC GROWTH

The central goal of SDG 8 is increased economic growth and decent work for all. By investing in underserved markets, we support jobs, improved labor standards and economic prosperity. Jobs allow people to develop themselves and lift their families out of poverty.

Our contribution consists of:

- Providing finance to enhance economic growth and support jobs. In line with our mandate, we invest in low- and middle-income countries where we are additional to the market;
- Promoting and protecting labor standards by working with our clients to meet our ESG standards, which are based on the IFC Performance Standards and ILO labor standards. This includes freedom from forced and child labor, freedom from discrimination at work, freedom of association and the right to collective bargaining;
- Through our investments in financial institutions, we invest in small and medium-sized enterprises (SMEs). Several studies show that SMEs are job generators although their financing needs are often underserved.

SDG 10 I Reduced Inequalities

Inequality within and among countries remains a key issue in the world today. SDG 10 is about promoting social and economic inclusion of all, which we support by investing in the world's poorest countries and inclusive business. Reducing inequality also strives for gender equality as women are often underserved in low-income countries.

Our contribution consists of:

- Providing finance to inclusive businesses that reduce inequalities within countries. Inclusive businesses expand access to goods, services and livelihood opportunities on a commercially viable basis to people at the Base of the Pyramid by making them part of the companies' value chain of suppliers, distributors, retailers or customers;
- Providing finance to projects in the Least Developed Countries[4] to reduce inequalities between countries;
- Providing finance to financial institutions with an SME and/or microfinance portfolio to increase access to capital and support business growth;
- Providing finance to power generation projects and off-grid power solutions to increase access to reliable and sustainable energy.

SDG 13 I Climate Action

We all experience the effects of climate change. Annual average economic losses due to climate-related disasters are estimated by the UN to be hundreds of billions of dollars. Each country has a responsibility to contribute to a solution to limit the global mean temperature increase to below 2 degrees. An annual injection of approximately US$100 billion[5] is needed (and more is likely required) to help developing countries to adapt to climate change and invest in low-carbon economies.

Our contribution consists of:

- Providing finance to projects that reduce greenhouse gas emissions, increase resource efficiency, preserve and grow natural capital and support climate mitigation;
- Building expertise and deal experience on climate adaptation;
- Aiming to align our portfolio to a 1.5-degree pathway. Staying on this pathway requires a continued reduction in portfolio emissions. This can be achieved through growing the green volumes across all departments, investing in projects delivering negative emissions, developing an approach to measure and report on climate risk, and finding ways to further improve data quality and availability.

Focus markets

To achieve the higher impact we aspire to, we focus our investments on regions where our impact can be the greatest and on sectors that are crucial to economic, environmental and social progress.

4 As defined by the UN

5 https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-13-climate-action.html

We maintain a wide geographical spread to optimize our impact and diversify risks, while prioritizing specific regions and countries where development impact is needed most. We increase our focus on countries in Africa, Asia and the European Neighborhood. We continue to invest in Latin America and the Caribbean, focusing our efforts on opportunities to achieve impact at scale by leveraging our strong network and client relationships, for instance, through our sector initiatives to raise ESG standards in the financial industry.

We focus on three sectors that – in our view – are crucial to a country's economic and social progress:

1. **Agribusiness, Food & Water**. This sector can ensure that by 2050, 9 billion people have access to food and that the environmental and social footprint is minimized.[6] To this end, we invest in advanced technologies and apply international standards. We finance sustainable agribusiness companies throughout the value chain including those that make agriculture more water-efficient. We also invest in forestry.
2. **Energy**. Approximately a billion people lack access to energy. Many of these people live in rural Africa. Three billion people lack access to clean cooking fuels and technology.[7] We invest in renewable energy, as well as in projects that provide access to energy in less developed economies.
3. **Financial Institutions**. Accessible finance is a cornerstone of a strong economy and private sector. A healthy financial sector can bolster entrepreneurs and individuals. We provide long-term funding, risk capital and local currency financing and focus on SME financing. We also promote green lines and look for business models that serve the unbanked.

Deeper relationships

FMO is a relatively small player relative to the challenge we face. To achieve the SDGs in the next decade, we need to pool our resources and work with others. Deepening our relationships will enable us to mobilize third-party funds and create investment opportunities to increase our impact in our focus markets.

This is important for several reasons. First, to close the financing gap: in 2014, the UN estimated an additional US$2.5 trillion a year is needed in developing countries alone to achieve the SDGs.[8] Second, to facilitate learning and achieve more by harmonizing the way stakeholders measure and report on impact. Third, to address the lack of bankable projects in these markets. FMO and other stakeholders need to get involved much earlier in the development phase of a project and support projects throughout the entire life cycle.

We will continue to grow our mobilizing activities to increase the capital flow towards developing countries. This entails developing more efficient mobilizing vehicles with commercial investors and insurance companies, such as the new Unfunded Risk Participation Program FMO established with Munich Re at the end of 2019. Munich Re will contribute to the SDGs by participating in FMO transactions for up to US$500 million in the next three years.

FMO will increase and strengthen its partnerships with (existing) donors on a national, European and global level. We will continue to manage several public funds on behalf of the Dutch government to invest early on in projects, take higher risks and achieve our higher impact objective. FMO will scale up the investments made through NASIRA, a program guaranteed by the European Commission, which provides risk-sharing to Financial Institutions customers to unlock lending to migrant, female and young entrepreneurs. Furthermore, FMO will operationalize the Dutch Fund for Climate and Development which it recently established together with the SNV Netherlands Development Organization, World Wide Fund for Nature and Climate Fund Managers.

We also support the Dutch private sector. We are building a portfolio which will be transferred to Invest International, a new joint venture that will be established in 2020 together with the Dutch government. The joint venture will continue to provide Dutch businesses and commercial banks with export finance and other investment solutions in emerging markets.

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6 https://www.un.org/sustainabledevelopment/wp-content/uploads/2016/08/2.pdf

7 https://ourworldindata.org/energy-access#access-to-clean-fuels-for-cooking

8 UNCTAD (2014). World Investment Report 2014.

Higher productivity

We are committed to building a high-performing organization that enables us to deliver higher impact and build deeper relationships. We will continue our transition towards a more efficient and productive organization that is process, data and values-driven. This transition is focused on two areas. First, we will continue to address regulatory requirements, reduce operational risk, and improve processes by bringing our house in order so as to build a strong foundation for the future. Second, we will step up our efforts in seeking productivity gains inspired by the new ways of working triggered by COVID-19 and creating synergies and new forms of collaboration internally and with our partners.

At the heart of this lies our digitalization agenda that brings in technology to support the needs of our growing business, to lower the organization's risk profile and to further enhance our own efficiency and productivity. We will allocate sufficient time and resources towards building a solid foundation of IT systems and applications, data management and automating business processes to ensure inter-connectivity and flexibility.

We will continue to redesign and optimize processes to deliver better and faster service to our customers and ensure we are compliant with regulatory requirements. Focusing, for example, on:

1. **Know Your Customer (KYC)**. We will continue to improve our KYC process to mitigate risks associated with financial economic crime. We will ensure it is supported by a strong FEC policy and control framework, robust governance, systems and a dedicated team of skilled employees.
2. **ESG risk management**. We will strengthen ESG risk management by aligning internal policies, risk appetite, controls and processes to improve how we assess, track and manage ESG risks.
3. **Issue management**. We will expand our efforts to safeguard FMO's reputational risk by bringing in stakeholder perspectives and expertise on FMO's business, policies and future investments as well as on dilemmas we face. By creating a two-way dialogue, we aim to establish a better understanding among our stakeholders and ourselves of the impact we may have on our environment.

This transition requires a new way of working and culture that is trust-based, inclusive and values-driven. FMO focuses on ongoing dialogue and engagement with its employees where internal collaboration, openness, transparency and accountability are key. We continue to upskill our employees at all levels of the organization; for instance, through a revised Learning & Development strategy aimed to align skills and capabilities with our strategic objectives. We will also launch a Leadership program to facilitate talent development. Furthermore, we aim to develop more effective knowledge management and exchange, improving the way we collect, store and share knowledge with our external community.

PERFORMANCE ON OUR STRATEGY

This chapter outlines our 2020 performance with respect to FMO's three strategic pillars: a higher impact portfolio in our chosen industries, deeper relationships and higher productivity.

Our response to COVID-19

The private sector is needed to address the public health, economic and social impacts of the COVID-19 crisis and safeguard employment in both the formal and informal sector. Therefore, FMO continues to work closely with its customers to boost resilience during and post-COVID-19. We are in close contact with them to understand how they expect to be impacted by the pandemic, and what, specifically, they need to overcome the current crisis and support their communities. We are closely aligning our COVID-19 response with partners.

Together with the DFI and MDB community we are committed to helping resolve current liquidity and solvency issues. Whilst FMO's focus is typically on supporting jobs, it is unavoidable that some retrenchment takes place in the current environment. FMO works closely with its customers to protect jobs and to ensure retrenchment happens in a responsible way if necessary.

We provide our existing customers greater flexibility on previously agreed financing structures, including moratorium on debt payments for firms in distress or for firms that offer deferrals to their clients, which is common in the microfinance sector. We have approved 18 payment deferrals and 3 full restructuring requests from existing customers. We also continue to invest in new and existing business ventures, while exploring new ways to conduct due diligence and source opportunities by working closely with on-the-ground staff and external partners.

As small businesses are heavily affected, the European Commission, together with MASSIF and FMO scaled up the NASIRA program. The program is expanded to support COVID-19-affected entrepreneurs, next to female, young and migrant entrepreneurs who were already included. With these adjustments, the NASIRA guarantee will help small businesses in Africa and the European Neighborhood stay afloat during and after this pandemic. In response to the need for innovative technological solutions in our markets in Africa and Asia, FMO's NL Business team has supported several transactions by Dutch organizations, active in the Health and Water sector, based on a COVID-19 carve-out of €1 million from the Development Accelerator facility.

FMO also offers capacity development, which is comprised of three pillars, aimed to equip FMO customers with the critical knowledge, connections, and leadership they need to weather the social and economic implications of the crisis over the near- and long-term.

Pillar 1, Remote Advisory Services, helps to ensure FMO customers can achieve sustained impact and business continuity. Working through leading financial consultancies, FMO is supporting its customers on pertinent topics such as crisis management, business continuity and resilience planning, adaptive leadership and coaching, as well as in environmental, social and governance related challenges. As of July, there are 17 projects under implementation across nearly all sectors and regions.

For Pillar 2, a Platform for Learning and Exchange, FMO is providing a space for its customers to learn from each other and to exchange experiences in dealing with the pandemic. So far, 18 webinars have been offered with approximately 700 attendees and featuring 15 customers as panelists.

For Pillar 3, the Emergency Grant Facility, FMO is providing €3.5 million in emergency funding to enable FMO customers to adapt or scale their business models. In total, 45 FMO customers are being awarded with a grant. Over 60% of grants focus on safeguarding the health and safety of affected employees, workers, and communities through the provision of personal protective equipment. The remaining 40% focus on business continuity by means of digitalization, last mile distribution of renewable energy to medical facilities and water and sanitation to communities, as well as awareness raising and education around effective health and safety measures to combat transmission.

Higher Impact Portfolio

We create higher impact by investing in regions where our impact can be greatest and in sectors that are crucial to economic, environmental and social progress. We measure our success in line with our core SDGs.

Contribution to the SDGs per investment area

In € million unless otherwise stated	SDGs	Total H1 2019	Total H1 2020	Agribusiness, Food & Water	Energy	Financial Institutions	Private Equity	NL Business	Other
Total Committed Portfolio		**€12,474**	**€12,667**	**€1,975**	**€3,215**	**€4,201**	**€2,995**	**€36**	**€245**
of which FMO		€8,503	€8,564	€1,165	€2,183	€2,584	€2,487	€27	€118
of which public funds		€1,163	€1,290	€213	€257	€180	€508	€5	€127
of which mobilized funds		€2,808	€2,813	€597	€775	€1,437		€4	
New investments		**€1,018**	**€520**	**€160**	**€49**	**€245**	**€ 62**		**€4**
of which FMO		€626	€386	€102	€49	€184	€47		€4
of which public funds		€52	€65	€35		€15	€15		
of which mobilized funds		€340	€69	€23		€46			
Direct jobs (number)[1]			49,069	7,599	1,552	12,963	25,172	116	1,667
Indirect jobs (number)[1]			368,570	52,873	77,673	79,269	139,362	228	19,165
Green-labelled committed portfolio		€3,804	€4,048	€534	€2,244	€698	€535	€1	€36
Green-labelled new investments		€323	€151	€78	€13	€54	€6		
RI-labelled committed portfolio		€3,540	€3,768	€753	€878	€1,542	€589	€6	
RI-labelled new investments		€231	€185	€21		€154	€10		
ESG target performance[2]			97%	96%	99%	96%	98%	100%	93%

[1] Results based on the new harmonized joint impact model. No comparative figure available.
[2] Results represent performance of all customers with Environmental & Social risk categories A or B+ or those supported by a corporate governance officer. No comparative figure available.

SDG 8 I Decent Work and Economic Growth

By creating or supporting jobs and strengthening local economies, we contribute to stability in underprivileged regions. Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation.[9] SDG 8 calls for promoting economic growth that is sustained, inclusive and sustainable; and employment that is full, productive and decent.

9 United Nations (2015). Addis Ababa Action Agenda of the Third International Conference on Financing for Development. The Addis Ababa Action Agenda – endorsed by the United Nations General Assembly in July 2015 – provides a global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities.

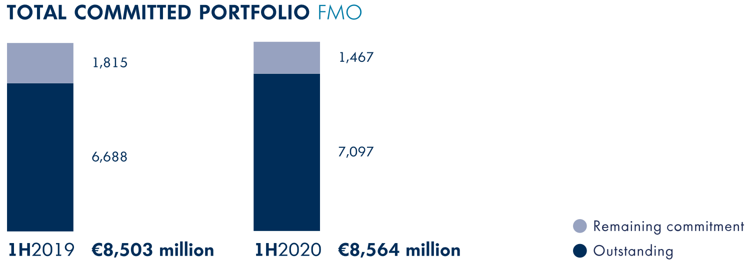
Total commitments

To stimulate economic growth, FMO provides long-term financing to developing countries that the market does not provide or does not provide on an adequate scale or on reasonable terms. These countries are often characterized by a fragile private sector, little job security and high poverty rates. Our customers operate in volatile markets that are significantly impacted by macroeconomic trends like increasing commodity prices, exchange rate movements and more recently COVID-19. Long-term investments in these markets are needed now more than ever.

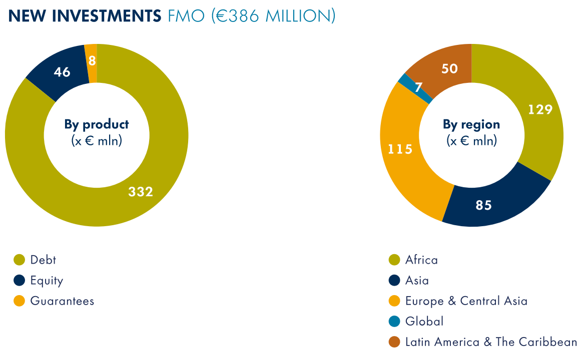
Description and methodology

Our contribution toward economic growth is measured by the total committed portfolio and new investments made in developing countries. Total committed portfolio reflects the risk exposure taken by FMO or another party on active commitments. For debt, this includes the outstanding portfolio plus remaining commitments that have not yet been disbursed, reduced by guarantees received from third parties; for equity, it includes the current exposure plus the remaining commitment reserved for all previously made investments; and for guarantees it includes the limit amount. New investment refers to the volume of new commitments made to customers in the first half of 2020. This includes decreases and increases of an existing commitment and new commitments to existing or new customers. Both metrics cover investments made on FMO's own books as well as investments made through public funds, or through funds that have been mobilized from third party participants. This includes loans, equity investments, guarantees and mezzanine products. It excludes grants.

Results



In H1 2020, our total committed portfolio in developing and emerging markets amounted to €12.7 billion of which €8.6 billion was on FMO's own books (H1 2019: €8.5 billion), €1.3 billion was through public funds (H1 2019: €1.2 billion) and €2.8 billion through mobilized funds (H1 2019: €2.8 billion). FMO's committed portfolio grew by less than 1%. The COVID-19 pandemic and subsequent economic climate in our markets have negatively affected the activities in our debt and equity portfolios. In line with emerging market equity prices, the fair value of FMO's private equity portfolio decreased in the first half of 2020. In addition, we closed fewer new contracts (debt and equity) than the previous year, as explained below. In our equity portfolio, several exits were postponed. But with procedures starting up again in recent weeks these are offering prospects for the near term. Furthermore, we have continued to transfer FMO participations to the FMO Investment Management funds in our efforts to mobilize more private party capital towards achieving higher impact. These funds are reflected in our direct mobilized portfolio.



In the first half of 2020, we invested a total of €520 million in developing and emerging markets of which €386 million was on FMO's own books (H1 2019: €626 million), €65 million through public funds (H1 2019: €52 million) and €69 million through mobilized funds (H1 2019: €340 million). FMO new investments were 38% lower than the same period last year. This is explained by the current economic recession as well as the travel restrictions that inhibit FMO from carrying out its due diligence process and exploring new viable business opportunities. New investments primarily resulted from existing customers and customers that already advanced through FMO's due diligence. In line with our strategy, approximately 55% of new investments on FMO's own books went towards countries in Africa and Asia, while 28% of investments were made in countries in the European Neighborhood.

Jobs supported

Creating and safeguarding jobs is crucial for sustainable development, as employment paves the way out of poverty. The private sector is one of the most important employers across emerging and frontier economies. DFIs are promoters of private sector development, where job provision is a key focus.

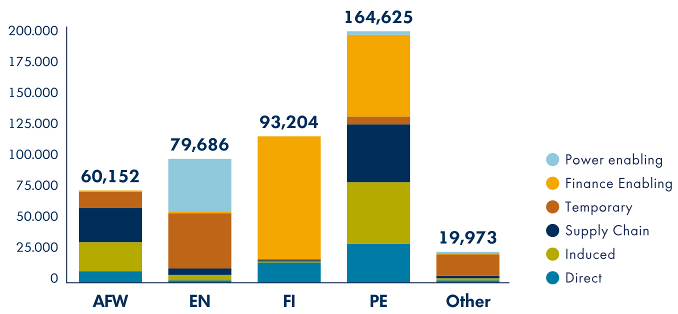
Description and methodology

The measurement of direct jobs is a commonly used indicator for corporates and DFIs. It enables us to report on the impact on employment as supported by our investments. Direct jobs refer to the number of full-time equivalent employees, as defined at a local level, working for the client company or on a project. In addition, we model the estimated indirect jobs supported by our portfolio businesses through supply chains, jobs supported from the spending of wages, and economy-wide employment enabled by bank lending and the supply of electricity. The additional output requires more direct employment and intermediary inputs. This in turn leads to expansion among existing and new suppliers, thereby supporting and/or creating jobs. Some products and services – most notably electricity and finance – remove constraints for other businesses, enabling them also to expand and again support and/or create jobs. In emerging markets, firm expansion is assumed not to significantly displace employment in competing businesses.

This is the first time we report according to the new Joint Impact Model (JIM). The JIM is the successor of FMO's impact model which was introduced in 2015. Since early 2019, FMO and Steward Redqueen, together with other strategic partners, have worked on the harmonization of the underlying methodology and the inputs required. Given the change in approach, FMO has published a separate article on its public website explaining the new methodology, the first insights and next steps. A full methodological description is available on FMO's public website: Joint Impact Model

An important methodological change in this model is its ability to run at portfolio level instead of only at commitment, which has been the methodology of the current impact model so far. After careful consideration and discussion with the members of the JIM, it is recommended that the best application of the model is backward-looking (ex-post) portfolio analysis. In other words, the use of the new Joint Impact Model provides the opportunity for FMO to review the way it reports on direct and indirect jobs. This means that we are no longer estimating the expected effects in the future. Instead our focus is on what is in our current outstanding portfolio; what has already been built, and the investees of the funds we invest in. For example, we no longer include estimations on power plants built in the future, or funds' future expected impact. FMO continues to collect information to run the JIM. Assumptions have been made where information is currently unavailable.

DIRECT AND INDIRECT EMPLOYMENT BY INVESTMENT AREA



Each investment area shows different effects. For example, in Financial Institutions, impact is mainly driven by finance enabling effects. These are Economy-wide jobs generated via financial services due to lending to businesses and individuals. Direct employment is also a strong driver for Financial Institutions as they are one of the biggest direct employers. In Energy, impact is mainly driven by power enabling effects, which attributes the number of jobs as a result of an increase in gigawatt hours (GWh) of electricity supplied to the national system. It also has very high temporary effects, which is due to the number of projects that are currently in construction phase. In Agribusiness, Food & Water, the split is distributed more evenly across supply chain effects related to the impact that stem from sourcing goods and services from producers, and Induced effects that stem from re-spending wages into the economy. Private Equity consists of corporates, funds, energy projects and financial institutions. Their impact stems from power enabling, finance enabling and induced/supply chain effects, reflecting the wide-ranging activities that Private Equity engages in.

For the first time the results also take into account Private Equity investees themselves. However, the portion linked to FMO is very small as attribution is applied at the fund and investee level. It is important to note that the model is used to estimate economy-wide effects using the latest ILO and World Bank data. This means that recent impacts from COVID-19 and other worldwide crises are not being considered in the model.

SDG 10 I Reduced Inequalities

Through our investments FMO aims to contribute to the targets of SDG 10 – Reduced Inequalities (RI). Specifically to target 10.1: “by 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average” and target 10.B: “encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing states and landlocked developing countries, in accordance with their national plans and programmes”. [10]

Reduced Inequalities-labelled commitments

FMO labels investments to capture whether, and the extent to which they contribute towards reduced inequalities.

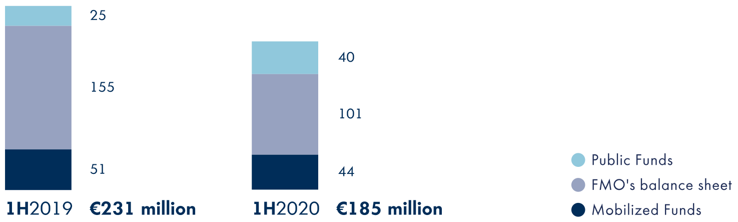
10 United Nations. Goal 10: Reduce Inequality within and among countries.

Description and methodology

An investment is eligible for the RI label when the level of (ex ante) impact is targeted at Least Developed Countries (LDCs) and/or inclusive business. Funds channelled towards LDCs – countries that suffer severe structural impediments to sustainable development – reduce inequalities vis à vis higher income countries. Investing in inclusive business reduces inequalities within countries by increasing access to goods, services, and livelihood opportunities on a commercially viable basis to people at the Base of the Pyramid (BoP). The BoP is defined as people who live on less than US$8 per day in terms of purchasing power parity or who lack access to basic goods, services and sources of income. FMO's inclusive business investments target the un(der)banked, the unconnected, youth, women, smallholder farmers and rural populations.

Results

NEW INVESTMENTS REDUCED INEQUALITY LABEL



In the first half of 2020, FMO invested a total of €185 million in reducing inequalities (H1 2019: €231 million) of which €101 million was from FMO's own books, €40 million was managed on behalf of the Dutch government and €44 million was from mobilized funds. €69 million contributed towards LDCs and €116 million contributed towards inclusive businesses. Overall, this represents a 20% decrease compared to the same period last year, caused by the lower volumes of new investment achieved by the business. Nevertheless, the total committed portfolio that was labelled RI increased from approximately €3.5 to €3.8 billion in the same period, representing a 30% share of the total committed portfolio. This increase is explained by the new investments that were achieved at the end of 2019.

Gender

In May 2019 FMO joined the "2X Challenge – Financing for Women". The 2X Challenge is a multilateral initiative launched during the G7 Charlevoix Summit with the ambitious objective of deploying and mobilizing unprecedented amounts of capital to support projects and enterprises that empower women as entrepreneurs, as business leaders, as employees and as consumers of products and services that enhance their economic participation.

Description and methodology

As part of the program, evidence-based eligibility criteria have been developed around five focus areas: entrepreneurship, leadership, employment, consumption and investments through financial intermediaries. The Gender Finance Collaborative, in which FMO also participates, translated these into a set of indicators which have been harmonized with the Global Impact Investing Network's IRIS+ system. To qualify, an investment needs to meet at least one of the criteria with the intent of maintaining it.

Results

In H1 2020, a total of €32 million was committed through our Financial Institutions and Energy investments which qualified under the leadership and consumption criteria. €3 million was on FMO's own books, €10 million was from public funds and €19 million was from mobilized funds.

SDG 13 I Climate Action

FMO contributes to the commitment among developed countries, as stated by the UN Framework Convention on Climate Change, to jointly mobilize US$100 billion annually by 2020 to address the needs of developing countries in the context of meaningful mitigation actions (target 13.A). [11]

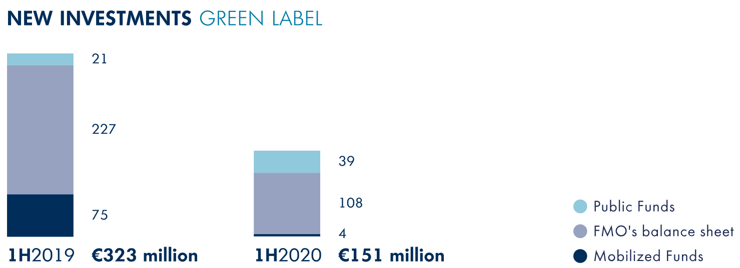
Green-labelled commitments

Tackling climate change has been central to our strategy since we adopted our 2050 vision in 2013. FMO's ambition is to align its investment portfolio to a 1.5° pathway. One way to support this ambition is to grow our "Green" portfolio, which is aimed at reducing greenhouse gas emissions, increasing resource efficiency, preserving and growing natural capital, and supporting climate adaptation. FMO labels investments to capture whether, and the extent to which they contribute towards climate action.

Description and methodology

FMO's Green Definition is based on the existing common Principles of Climate Mitigation as defined in the Multilateral Development Banks (IDFC-MDB) report for Climate Finance Tracking. All Green investments should meet FMO's Green principles, leading to genuine improvement as follows: the improvement 1) goes beyond the local regulatory requirements; 2) is unrelated to stress on local resources; and 3) is sustainable throughout the value chain of an industry or a business. Moreover, Green investments should not contribute to a long-term lock-in of high carbon infrastructure. FMO's Green criteria, eligible investments and internal Green label process are further described in our Green Methodology available on FMO's public website.

Results



The majority of our Green-labelled investments flow towards renewable energy projects (wind, solar, hydro), agriculture and so-called Green credit lines. In the first half of 2020, FMO invested a total of €151 million in Green projects (H1 2019: €323 million) of which €108 million was on FMO's own books, €39 million was managed on behalf of the Dutch government and €4 million was from mobilized funds. This represents a 53% decrease compared to the same period last year, caused by fewer Green transactions in the Energy and Financial Institutions sector and an increase in the number of Private Equity fund investments, which only qualify for a Green label if more than 50% of the expected pipeline or portfolio volume of the fund support activities that fall within FMO's Green definition. Nevertheless, the total committed portfolio that was labelled Green increased from approximately €3.8 to €4 billion in the same period, representing a 32% share of the total committed portfolio. This increase is explained by the new investments that were achieved at the end of 2019.

11 United Nations. Goal 13: Take urgent action to combat climate change and its impacts.

ESG Performance

FMO monitors all customers with high or medium ESG risks against internationally accepted ESG standards and in line with contractual agreements. We support our customers in managing the environmental, social and corporate governance risks and impacts of their business ventures. We step up our engagement when ESG issues arise or a customer's ESG performance is below standard.

Description and methodology

The ESG target and results cover all customers with a high or medium ESG risk profile. This includes customers with Environmental & Social (E&S) risk categories A or B+ or those supported by a corporate governance officer. In the first half of 2020, this translated to 303 customers. FMO identifies and rates performance on ESG risks that apply to each customer at the start and during the relationship. FMO includes ESG requirements and conditions in all its contractual agreements with its customers. These requirements are based on local laws, the IFC Performance Standards, the World Bank Group Environmental, Health & Safety Guidelines and the G20/OECD Principles of Corporate Governance. Each customer's ESG performance is re-evaluated as part of FMO's annual Client Credit Review cycle. We expect 90% of their high and medium ESG risks to be managed in line with international standards, or with a clear strategy in place for meeting them.

Results

In the first half of 2020, we completed annual reviews for 124 customers. Following these reviews, 97% of all high and medium ESG risks in our portfolio appear to be managed in line with, or with a clear strategy towards, meeting international standards. The remaining 3% of risks will be addressed with each customer. FMO has an appetite for managed risk in our portfolio. In case of gaps in ESG risk management, FMO works with its customers to develop and implement an Action Plan to avoid adverse ESG impacts and/or to improve ESG risk management over time.

Later this year we will migrate to a new system and methodology to assess customer ESG performance. To enhance the granularity of our assessments we have redefined the risks under each Performance Standard and introduced five different performance levels, replacing the previous three. In the interest of continuity with respect to ESG performance reporting, the current assessments will be translated to the new methodology. The ESG performance results, based on the new methodology, as well as an update on the known E&S issues in our portfolio will be included in the next Annual Report.

Deeper Relationships

FMO attaches strategic importance to deepening relationships with our stakeholders, because by pooling resources and partnering with others we can significantly increase our impact. As part of these efforts, FMO mobilizes and blends funds, builds partnerships, manages funds on behalf of the Dutch government, supports Dutch businesses and empowers its employees and customers.

Mobilized funds

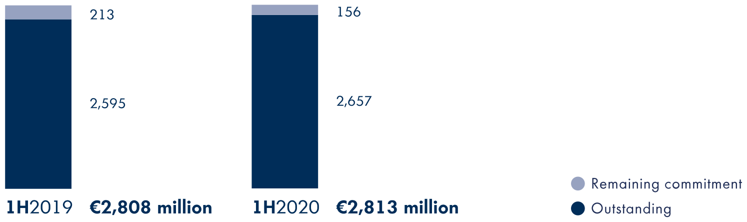
Mobilizing additional funds is important to finance the needs of the Sustainable Development Goals. Private sector investments are among the most important sources of financing to support development and growth in low- and middle-income countries. Increasing private mobilized capital is therefore a key focus for FMO.

Description and methodology

Our mobilization efforts are measured in terms of total committed portfolio and mobilized amounts in a given reporting period. Total committed portfolio reflects the risk exposure taken by third parties on active commitments. Mobilized amounts reflect the commitments made by third parties in a given reporting period, which distinguishes between new investments made to customers and transfers of risk participation from FMO to third parties. We focus on "direct mobilization": investments made by other public and private participants due to the direct and active role of FMO. Indirect mobilization, as such, is excluded although we also participate in deals that are led by other DFIs and MDBs. Direct mobilized funds include commitments made by syndicate partners, FMO loan commitments that have been transferred to a third party ("funded risk participation"), and credit risk related to specific loan commitments that have been transferred to a third party ("unfunded risk participation"). It excludes equity investments. Parallel loans fall under the definition of direct mobilization but are excluded from the total committed portfolio figures as payments are administered by each parallel partner in the transaction and, as such, are not known by FMO.

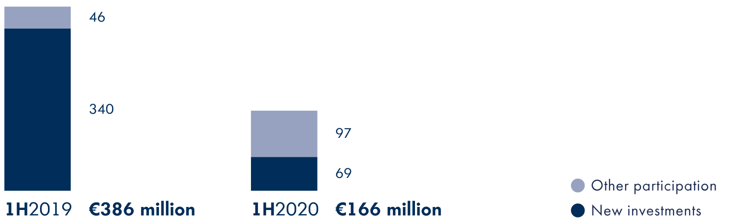
Results

TOTAL COMMITTED PORTFOLIO MOBILIZED FUNDS



Over the years, we built up a direct mobilized committed portfolio of €2.8 billion (1H 2019: €2.8 billion). Almost half – €1.3 billion – has been mobilized from private participants through our FIM funds and other commercial parties. Compared to the same period last year, the portfolio has not increased, which is the result of a significantly lower volume of new investments made in the first half of 2020 – €69 million (H1 2019: €340 million). This was insufficient to offset scheduled loan repayments.

MOBILIZED AMOUNTS



Our efforts to crowd in more third-party capital towards projects with high development impact have been constrained by the economic crisis following the global COVID-19 pandemic. Commercial investors are typically more risk averse and are less interested in investing in developing and emerging markets at this stage of the crisis. Nevertheless, we continue to invest through the FIM funds and a new mobilizing vehicle established with Munich Re, which have expressed their ongoing commitment to co-investing in select FMO loans. Furthermore, we are exploring opportunities with our DFI and MDB partners to provide financing in places that need it most. We utilize one another's networks and experiences to advance through the investment process, which is otherwise hampered by the current travel restrictions.

Public funds

Public investment partners allow us to make investments with a higher risk profile and development impact.

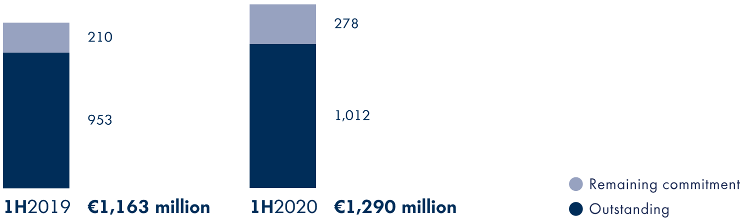
Description and methodology

We track the total committed portfolio as well as new investments made using the public funds we manage. This follows the same methodology as FMO funds, as described previously. Our public investment partners are the Dutch state, the European Commission and the Green Climate Fund. On behalf of the Dutch state, we manage Building Prospects, the Access to Energy Fund (AEF), the Dutch Fund for Climate and Development (DFCD) and MASSIF. With guarantees from the European

Commission we were able to set up NASIRA and the Venture Capital program. We also manage the Capacity Development program that offers grants to strengthen the organizational capabilities of our customers. Finally, as an accredited entity, we receive funds from the EC and the GCF that are ultimately managed by EDFI MC (for ElectriFi, AgriFi) and by Climate Fund Managers for Climate Investor One. Grants provided through the CD program are excluded from the results.

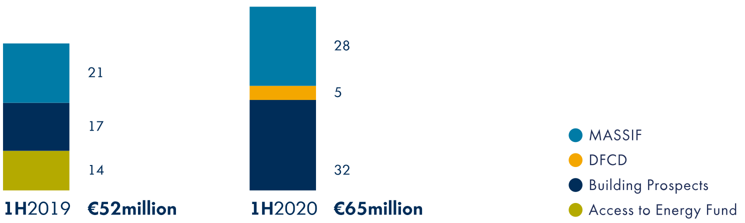
Results

TOTAL COMMITTED PORTFOLIO PUBLIC FUNDS



Over the years, our public funds have built up a total committed portfolio of €1.3 billion (H1 2019: €1.2), representing an increase of over 10% compared to the same period last year. This is explained by the relatively higher volume of new investments made in the past 12 months, which is reflected in a proportionally higher share of remaining commitment.

NEW INVESTMENTS PUBLIC FUNDS



In the first half of 2020, we invested a total of €65 million (H1 2019: €52 million) of which €32 million was through Building Prospects, €28 million was through MASSIF and €5 million was through DFCD. €13 million was invested through our Venture Capital Program to support early-stage, technology-enabled businesses. No investments were made through AEF or NASIRA during this period.

Stakeholder events

FMO organized several events for our stakeholders to share expertise, ideas and build new connections. In June, FMO and Rockstart organized the second edition of Finture Solutions, a competition to support Dutch startups and scale-ups that bring positive change in emerging markets across the world in the fields of AgriTech, Clean Energy, and Health. Since the COVID-19 pandemic prevented organizations from hosting a live pitch event, it was decided to shift to a virtual live stream event that was attended by over 100 people. After an extensive selection process, considering 80 applications and pitches of the top 10 startups, five winners were chosen. Each of these will receive €125,000 in development capital and support from FMO experts to grow their businesses. We further hosted 18 webinars and exchange platforms for approximately 700 attendees aimed at sharing knowledge, connections and expertise to equip our customers to deal with the effects of COVID-19 on their business and community.

Employee engagement

FMO firmly believes it should practice what it preaches when it comes to the SDGs; for example with respect to Gender Equality (SDG 5). FMO has the ambition to be one of the leading organizations in the Netherlands, as well as among DFIs, in the realm of gender diversity and inclusion.

Description and methodology
In 2019, we started reporting internally on 7 key performance indicators (KPIs) related to different gender aspects of the workforce: gender balance, recruitment, turnover, reward, bonuses, promotions and engagement.

Results
Per 30 June 2020, these indicators show a positive picture. The workforce is equally distributed, with 49% women and 51% men. The other indicators show there is no bias in recruitment, turnover, promotions or the distribution of bonuses. At least once per year, FMO conducts a (multiple linear regression) analysis to compare men's and women's salaries, while correcting for part-time work, salary scale, age and tenure. The outcome of the latest analysis (dated 1 April 2020) showed that at a 5% significance level, there is insufficient evidence to indicate that there is a difference in the salaries paid to men and women at FMO in cases where equal work is performed. FMO awards women and men equally for the same work.

7 Gender diversity & inclusion metrics

		total	female	male	% female
1. Gender balance	Total number of employees per June 30, 2020	622	306	316	49%
	Employees in senior and middle management per June 30, 2020	71	30	41	42%
2. Staff growth	New joiners January - June 2020 (headcount)	46	21	25	
	Net growth percentage	3.5%	2.7%	4.3%	
3. Turnover	Number of leavers January - June 2020 (headcount)	25	13	12	
	Turnover percentage (based on average total headcount)	4.1%	4.3%	3.9%	
4. Reward	Gender Pay Gap: FMO conducts periodically (at least once per year) quantitative research to compare men and women's salaries, while correcting for part-time work, salary scale, age and tenure to have a fair comparison. The outcome of the (multiple linear regression) analysis with reference date 1 April 2020, showed there is no sufficient evidence to indicate that there is a difference in the salaries of men and women at FMO in cases where equal work is performed.				
5. Bonuses	Share of bonus amount paid in 2020	100%	44%	56%	
6. Promotions	Promotion ratio January - June 2020	13%	16%	10%	
7. Engagement	Engagement score based on latest survey (October 2019)	7.4	7.3	7.5	

Over the years, FMO has become more international. More than 40 percent of our employees were born outside of The Netherlands and almost one-third has a nationality other than Dutch. In total, our colleagues represented 57 nationalities.

Other FMO employee statistics		
	Jun 30, 2020	Dec 31, 2019
Number of internal employees	622	601
Number of internal FTEs	594	574
Percentage non-Dutch employees	31%	30%
Number of nationalities	57	57
Absenteeism	4.0%	4.1%
Number of external employees	137	114
Total number of internal and external employees	759	715

Higher Productivity

During the COVID-19 global pandemic, FMO has demonstrated it is resilient and can continue to carry out its mission while operating in a robust, effective and efficient way. The first half of the year has been focused on business continuity and further embedding KYC processes and governance in our organization.

Business continuity

Following the outbreak of the COVID-19 pandemic, FMO quickly adapted to a new situation. Employees have been working from home and business continuity plans have been implemented and are working effectively. We adapted our governance structure to ensure quality, agility and multiple perspectives in decision-making. This entailed combining existing decision-making bodies and establishing new taskforces to monitor the impact of the coronavirus on 1) our markets and customers, so as to provide support where needed, and 2) on the liquidity and financial situation of FMO. In addition, we streamlined our processes by delegating approval authority to investment teams on providing moratoriums on principal and interest payments, by providing pricing guidance for new transactions that reflect new market realities and by providing guidance on which type of investments are eligible for digital ESG due diligence.

Know Your Customer

It is FMO’s mission to empower entrepreneurs in developing and emerging countries. FMO also plays a role as gatekeeper to help prevent Financial Economic Crime and preserve the integrity and reputation of the financial system. It is therefore key that FMO knows with whom it is establishing a business relationship. FMO only wants to deal with customers of good standing and reputation. 'Knowing' a customer means acquiring and monitoring all relevant information and documents concerning the identity of the customer, gaining insight into the business and its structure, and assessing the customer risk holistically.

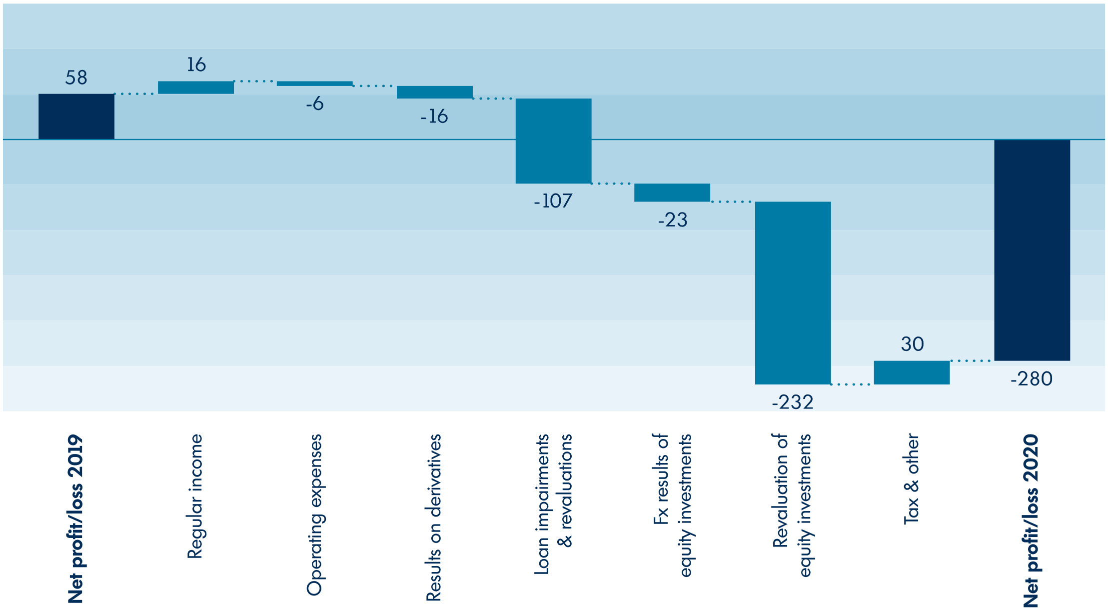
In the first half of 2020, 30 training sessions on FEC and Know Your Customer were attended by an average of 30 participants per session. We have further improved the FEC / KYC policy and guidance notes. In addition, a Systemic Integrity Risk Assessment (SIRA) was conducted using an updated approach that included workshops to assess relevant risk scenarios. Stronger emphasis was made in the SIRA 2020 on risks related to financial economic crime.

As part of the preparations to re-start work on file remediation, an assessment of high-risk triggers was performed by the investment teams in cooperation with the KYC team. This was done to ensure that the “risk buckets” we will use during file remediation fully reflect our updated FEC policies and guidance notes.

To strengthen FMO’s KYC capabilities and ensure a thorough governance of related processes, a new KYC department was formed per 1 July. The KYC department works closely with the investment teams to prepare in-depth Customer Due Diligence. The Compliance department maintains the second line of defense. We have significantly increased the number of FTEs in both the first and second lines of defense.

Financial performance

H1 2020 compared to H1 2019 financial results



FMO noted a net loss of €280 million for H1 2020. The net loss is mainly caused by the significant decline of fair value of FMO's private equity portfolio (including investments in associates). The total fair value losses amounted to €255 million (H1 2019: loss of €1 million). The reduction in fair values can be seen across sectors and geographies and is the result of a global decline in emerging market equity prices. However, as FMO's investees are still distributing dividends, FMO's dividend income amounted to €20 million (H1 2019: €11 million).

The level of impairments on our loan portfolio amounted to €102 million (H1 2019: €15 million). The higher level of impairments is the result of a deterioration of the risk profiles of FMO's sector portfolios in H1 2020. At this stage, the deterioration in risk profiles has not led to a significant increase in non-performing loans (NPLs). In H1 2020, the NPL ratio was 9.6%, which is in line with the year-end 2019 ratio of 9.8%.

The development of our interest and fee income remains stable in comparison with the same period last year.

While FMO's total net loss is expected to have a negative effect on our capitalization, FMO's capital ratio remains significantly above the combined ratio of the SREP minimum and FMO's internal buffers. In the first half year of 2020, FMO raised additional capital by issuing a sustainability bond and performing a private placement of a bond in Swedish Crown. Supervisory guidance following the COVID-19 outbreak allows for the use of regulatory buffers to enable banks to support their clients and the economic recovery.

FMO's total capital ratio as per 30 June 2020 included €175 million of Tier 2 capital. FMO issued a new Tier 2 note in July 2020 to replace the current Tier-2 capital. The request for replacement of current Tier 2 capital in the second half year of 2020 is subject to approval from the Dutch Central Bank, our supervisor.

Condensed consolidated balance sheet

	Notes	June 30, 2020	December 31, 2019
Assets			
Banks		60,339	64,626
Current accounts with State funds and other programs		230	1,194
Short-term deposits	(5)		
-of which: Amortized cost		615,341	446,708
-of which: Fair value through profit or loss		1,016,741	926,769
Interest-bearing securities at amortized cost		401,382	350,237
Derivative financial instruments	(5)	438,899	301,237
Loans to the private sector			
-of which: Amortized cost		4,312,068	4,334,109
-of which: Fair value through profit or loss		642,990	696,513
Equity investments			
-of which: Fair value through OCI		107,955	122,921
-of which: Fair value through profit or loss		1,608,837	1,756,644
Investments in associates		221,215	285,867
Current tax receivables		48,311	46,484
Other receivables		21,983	25,824
Property, plant and equipment		30,140	28,289
Intangible assets		20,122	17,585
Deferred income tax assets		28,570	6,986
Total assets		**9,575,123**	**9,411,993**
Liabilities			
Short-term credits	(8)	190,997	94,339
Current accounts with State funds and other programs		109	2,832
Derivative financial instruments	(5)	296,874	257,171
Debentures and notes	(7)	6,147,480	5,808,182
Wage tax liabilities		2,379	412
Accrued liabilities		21,002	22,983
Other liabilities	(9)	28,190	43,959
Provisions		48,179	49,440
Deferred income tax liabilities		3,245	5,638
Total liabilities		**6,738,455**	**6,284,956**
Shareholders' equity			
Share capital		9,076	9,076
Share premium reserve		29,272	29,272
Contractual reserve		2,379,350	2,379,350
Development fund		657,981	657,981
Fair value reserve		20,509	33,082
Actuarial result pensions		-13,093	-13,974
Translation reserve		-1,817	-2,742
Other reserves		32,162	32,162
Undistributed profit/(loss)		-276,881	2,707
Shareholders' equity (parent)		**2,836,559**	**3,126,914**
Non-controlling interests		109	123
Total shareholders' equity		**2,836,668**	**3,127,037**
Total liabilities and shareholders' equity		**9,575,123**	**9,411,993**
Contingent liabilities			
- Encumbered funds (single resolution fund)	(6)	832	389
- Effective guarantees issued	(6)	74,777	98,370
- Effective guarantees received	(6)	-203,113	-211,194
Irrevocable facilities	(6)	1,508,612	1,782,882

Condensed consolidated profit and loss account

	Notes	June 30, 2020	June 30, 2019
Income			
Interest income from financial instruments measured at AC	(10)	168,571	162,005
Interest income from financial instruments measured at FVPL	(10)	4,257	31,267
Interest expenses from financial instruments measured at AC	(11)	-61,744	-68,497
Interest expenses from financial instruments measured at FVPL	(11)	3,650	-16,352
Net interest income		**114,734**	**108,424**
Fee and commission income		3,131	3,361
Fee and commission expense		-3,697	-4,707
Net fee and commission income	**(12)**	**-566**	**-1,346**
Dividend income	(13)	20,166	11,537
Results from equity investments	(14)	-189,481	-3,439
Results from financial transactions	(15)	-28,081	5,479
Remuneration for services rendered	(17)	15,221	14,528
Gains and losses due to derecognition		2,000	1,910
Other operating income		615	1,508
Total other income		**-179,560**	**31,523**
Total income		**-65,392**	**138,601**
Operating expenses			
Staff costs		-46,772	-42,154
Other administrative expenses		-13,447	-13,884
Depreciation and impairment of PP&E + intangible assets		-4,976	-3,660
Other operating expenses		-129	-43
Total operating expenses		**-65,324**	**-59,741**
Impairments on			
Interest-bearing securities		-43	-
Loans		-102,499	-15,065
Loan commitments		-400	-22
Guarantees issued		-2,823	592
Total impairments		**-105,765**	**-14,495**
Results on associates			
Share in the result of associates		-66,950	2,023
Total result on associates		**-66,950**	**2,023**
Profit/(loss) before taxation		-303,431	66,388
Income tax		23,829	-8,444
Net profit/(loss)		**-279,602**	**57,944**
Net profit/(loss) attributable to			
Owners of the parent company		-279,588	58,054
Non controlling interests		-14	-109
Net profit/(loss)		**-279,602**	**57,945**

Condensed consolidated statement of comprehensive income

	Notes	June 30, 2020	June 30, 2019
Net profit/(loss)		**-279,602**	**57,944**
Other comprehensive income			
Share of other comprehensive income of associates due to exchange differences		925	1,451
Income tax effect		-	-
Items to be reclassified to profit and loss		**925**	**1,451**
Fair value reserve of equity instruments at FVOCI		-14,967	7,002
Actuarial gains/(losses) on defined benefit plans		1,124	-1,077
Income tax effect		2,151	-2,281
Items not reclassified to profit and loss		**-11,692**	**3,644**
Total other comprehensive income, net of tax		**-10,767**	**5,095**
Total comprehensive income		**-290,369**	**63,039**
Total comprehensive income attributable to			
Owners of the parent company		-290,354	63,148
Non-controlling interests		-14	-109
Total comprehensive income		**-290,368**	**63,039**

Condensed consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Contrac-tual reserve	Develop-ment fund	Fair value reserve	Actuarial result pensions	Trans-lation reserve	Other reserves	Undis-tributed profit	Non-controlling interests	Total
Balance at January 1, 2019	**9,076**	**29,272**	**2,261,694**	**657,981**	**17,773**	**-21,123**	**-6,758**	**32,162**	**3,570**	**161**	**2,983,808**
Total other comprehensive income, net of tax	-	-	-	-	6,052	-	1,451	-	-	-	7,503
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	-2,408	-	-	-	-	-2,408
Changes in subsidiary Equis DFI Feeder L.P.[1]	-	-	-	-	-	-	-	-	-	8	8
Net profit/ (loss)	-	-	-	-	-	-	-	-	58,053	-109	57,944
Dividends	-	-	-	-	-	-	-	-	-3,570	-	-3,570
Balance at June 30, 2019	**9,076**	**29,272**	**2,261,694**	**657,981**	**23,825**	**-23,531**	**-5,307**	**32,162**	**58,053**	**60**	**3,043,285**
Balance at December 31, 2019	**9,076**	**29,272**	**2,379,350**	**657,981**	**33,082**	**-13,974**	**-2,742**	**32,162**	**2,707**	**123**	**3,127,037**
Total other comprehensive income, net of tax	-	-	-	-	-12,573	-	925	-	-	-	-11,648
Actuarial gains/losses on defined benefit plans, net of tax	-	-	-	-	-	881	-	-	-	-	881
Changes in subsidiary Equis DFI Feeder L.P.[1]	-	-	-	-	-	-	-	-	-	-14	-14
Net profit/ (loss)	-	-	-	-	-	-	-	-	-279,588	-	-279,588
Dividends	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2020	**9,076**	**29,272**	**2,379,350**	**657,981**	**20,509**	**-13,093**	**-1,817**	**32,162**	**-276,881**	**109**	**2,836,668**

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

Condensed consolidated statement of cash flows

	Notes	June 30, 2020	June 30, 2019
Operational activities			
Net profit/(loss)		-279,602	57,944
Adjustment for non-cash items:			
- Result of associates		66,950	-2,023
- Unrealised (gains) losses arising from changes in fair value[1]		219,572	44,987
- Unrealised (gains) losses arising from changes in foreign exchange rates		17,946	10,998
- Unrealised (gains) losses arising from other changes[2]		-8,910	7,645
- Amortization of premiums/discounts debentures and notes		5,457	5,814
- Impairments		105,766	15,251
- Depreciation and impairment of PP&E assets		4,976	3,660
- Income tax expense		-23,829	8,444
Changes in:			
- Income taxes payable / receivable		22,567	-20,448
- Loans		-95,917	5,499
- Equity investments		-39,023	-117,349
- Other assets and liabilities[3]		-36,876	-15,546
- Short-term deposits > 3 months[3]		-133,633	-574,490
- Short-term credits[3]		95,987	39,778
Net cash flow from operational activities		**-78,569**	**-529,836**
Investment activities			
Purchase of interest-bearing securities		-99,193	-
Redemption/sale of interest-bearing securities		50,707	17,601
Investments in PP&E and intangible fixed assets		-7,671	-7,700
Disinvestments in PP&E and intangible fixed assets		-	-
Net cash flow from investment activities		**-56,157**	**9,901**
Financing activities			
Proceeds from issuance of debt securities, debentures and notes	(7)	926,230	1,085,065
Redemption of debt securities, debentures and notes	(7)	-646,089	-498,507
Lease payments		-1,745	-1,635
Dividend paid		-	-3,570
Net cash flow from financing activities		**278,396**	**581,353**
Net cash flow		**143,670**	**61,418**
Cash and cash equivalents			
Net foreign exchange difference		-467	-24,897
Banks and short term deposits at January 1		1,438,103	929,506
Banks and short term deposits at June 30		1,581,306	966,027
Total cash flow		**143,670**	**61,418**
Operational cash flows from interest and dividends			
Interest received		192,328	147,383
Interest paid		-58,094	-84,021
Dividend received		20,166	11,537
Interest paid for lease liabilities		-89	-480

1 Unrealized (gains) losses arising from changes in fair value related to fair value changes in loans to private sector, derivatives, equity investments, debentures and notes.

2 Unrealized (gains) losses arising from other changes relate to changes in accrual and amortizable fees of financial assets and liabilities.

3 Movement is excluding foreign exchange results. Foreign exchange results are included in unrealized gains (losses) arising from foreign exchange rates.

Banks and short term deposits

The balance as mentioned in the cash flow statement corresponds with the following items in the consolidated balance sheet:

Cash position maturity bucket < 3 months	June 30, 2020	June 30, 2019
Banks	60,339	32,765
Short term deposits measured at AC	615,341	490,159
Short term deposits measured at FVPL	1,016,741	1,315,177
-of which > 3 months	-111,115	-872,074
Banks and short term deposits < 3 months	**1,581,306**	**966,027**

Notes to the consolidated interim accounts

1 Corporate information

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

Financing and investing activities

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

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

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

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

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

Commercial fund management

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

Services in relation to government and public funding

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), Building Prospects, Capacity Development Program (CD), Partnership Development Fund (PDF), Development Accelerator (DA), Fund Emerging Markets for Developing Countries (also called FOM-OS) and Dutch Fund for Climate and Development (DFCD)

FMO incurs a risk in MASSIF as it has an equity share of 2.17% (2019: 2.17%). 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 Dutch State. The economic risks related to these funds are predominantly taken by the Dutch government, and FMO has limited power over policy issues regarding these funds. FMO receives a remuneration fees for managing these funds. Therefore, with the exception of FMO's equity share in MASSIF, the funds' assets, results and 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 Dutch State.

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

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

In December 2018, the EC approved up to €75 million in guarantees and signed the contract for risk sharing facility NASIRA. The facility uses guarantees to allow banks to on-lend to underserved entrepreneurs within the European neighborhood and Sub-Saharan Africa. It targets portfolios consisting of loans of young, female and migrant entrepreneurs including refugees, returnees and internally displaced people. The goal of these guarantees is to allow local banks to provide loans to groups they perceive as too risky. Risk sharing reduces the perceived and real risks of lending to vulnerable and underserved parts of the population and enables financing for people who want to grow their business. Following the COVID - 19 outbreak, the EC together with FMO scaled up the NASIRA financial guarantee to support small COVID-19 affected entrepreneurs in Africa and EU Neighbourhood. The measures are a joint response and include a top-up of €25 million from the European Fund for Sustainable Development and an expansion in scope to support COVID-19 affected entrepreneurs.

In November 2019, FMO and the European Commission (EC) signed the guarantee agreement for the FMO Ventures Program. The EC has provided €40 million in guarantees to FMO's innovative early-stage investment program. FMO Ventures Program will contribute to FMO's ambition to further strengthen the focus on early-stage investments that deploy an innovative, technology-enabled business model. Such start-ups, often led by young entrepreneurs, have high developmental impact in our markets. The program will aim to invest a total of €200 million in both fund and direct investments in Africa, the European Neighborhood and Asia (excluding China). The direct investments will focus on start and scale-ups in AgriTech, Energy Access, and FinTech. Next to equity investments, the Program will also have a dedicated technical assistance program, for which the EC is providing €6.5 million, that will seek to support investees of FMO Ventures Program and will promote the development of local Venture Capital ecosystems in emerging markets in general.

2 Basis of preparation and changes to accounting policies

2.1 Basis of preparation

The condensed consolidated interim accounts as at June 30, 2020 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These 2020 condensed consolidated interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies, presentation and methods of computation are consistent with those applied in the preparation of FMO's consolidated financial statements for the year ended December 31, 2019. The consolidated interim accounts do not include all the information and disclosures that are required for the consolidated annual accounts, and should be read in conjunction with FMO's consolidated annual accounts as at December 31, 2019.

2.2 Group accounting and consolidation

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

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

2.3 Foreign currency translation

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

2.4 Adoption of new standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation FMO's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of January 1, 2020. FMO has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following standards, amendments to published standards and interpretations were adopted in the current year.

Amendments to the Conceptual Framework for Financial Reporting

On March 28, 2018 the IASB presented the revised Conceptual Framework for Financial Reporting. The Conceptual Framework is not a standard itself but can be used as general guidance for transactions/ events where specific IFRS standards are not available. The main improvements in the revised Conceptual Framework include the introduction of concepts for measurement bases and presentation & disclosure, guidance for recognition and derecognition of assets and liabilities. In addition definitions of an asset & liability and the criteria for recognition have been updated. These amendments are effective from January 1, 2020 and have no significant impact on FMO.

Amendment to IFRS 3 Business Combinations

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations in order to help entities determine whether an acquired set of activities and assets is a business or not. An entity shall apply the amendments to business combinations and asset acquisitions that occur on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendments have had no impact to date as FMO has not entered into any business combinations as at the date of these condensed consolidated interim accounts. Any future business combinations will be assessed in light of the amendments.

Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments are effective for annual periods beginning on or after January 1, 2020 and are applied prospectively. The amendments did not change the information FMO judges to be material to the primary users of its financial statements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. This concluded the first phase to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). In May 2020, the IASB published an Exposure Draft in which amendments are proposed on IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. This Exposure Draft is the second phase on the effects of interest rate benchmark reform.

In June 2020, the IASB reviewed the feedback on the exposure draft and made tentative decisions regarding all proposed amendments. The IASB expects to issue final amendments in Q3 2020.

In January 2019, FMO started the IBOR project with an expected end date of December 2021. FMO is preparing for discount curve changes in EUR and USD derivatives (cleared interest rate swaps) at various stages in 2020. Next to derivatives, impact is expected on the valuations of other financial assets and liabilities (mainly Loans to private sector and Debentures and Notes). The impact on financial reporting is primarily expected in the areas of hedge accounting of cleared and non-cleared derivatives and the choice between cash compensation or compensating swaps. The financial impact is not expected to be material.

2.5 Standards issued but not yet effective

Other significant standards issued, but not yet endorsed by the European Union and not yet effective up to the date of issuance of FMO's Interim Report 2020, are listed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. In June 2020 IFRS 17 was amended whereby the effective date was extended to financial periods beginning on or after January 1, 2023.   This standard does not have an impact on FMO.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

These amendments affect the presentation of liabilities in the statement of financial position. They clarify the considerations that determine whether a liability should be classified as current or non-current. The amendments are not expected to have a significant impact on how FMO classifies liabilities in the statement of financial position. The amendments are effective from 1 January 2023 and are applied retrospectively.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments to IFRS 3 update the reference to the 2018 Conceptual Framework, as well as making reference to IAS 37 when determining whether a present obligation exists as a part of an acquisition. In addition, IFRS 3 now explicitly states contingent assets acquired in a business combination are not recognised. The amendments are effective for business combinations entered into on or after 1 January 2022. They are not expected to have a significant impact on FMO's treatment of business combinations.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. The amendments are effective for annual periods beginning on or after 1 January 2022 and are applied retrospectively. Given the nature of FMO's property, plant and equipment, this amendment is not expected to have a significant impact on the accounting treatment of these items.

Amendments to IAS 37 - Onerous Contracts

The amendments provide clarity on which costs an entity considers in assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022 and to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. There are currently no contracts which FMO believes will be significantly impacted by the amendments.

Annual Improvements 2018-2020

Subsidiary as a First-Time Adopter (IFRS 1)

IFRS 1 allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. The amendment extends this relief to the cumulative translation differences for foreign operations. The amendment is effective for annual periods beginning on or after 1 January 2022. The amendment will not have an impact on the consolidated financial statements of FMO.

Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (IFRS 9)

When considering the derecognition of a financial liability, IFRS 9 indicates that the terms of the instrument are deemed to be substantially different (and therefore qualify for derecognition) if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity should include when applying the '10 per cent' test. The amendment is effective for annual periods beginning on or after 1 January 2022 and is not expected to have a significant impact on the accounting treatment for derecognition of financial liabilities.

Lease Incentives (IFRS 16)

The amendment removes an illustrative example on the reimbursement of leasehold improvements and has no impact on the accounting treatment for leases.

Amendment to IFRS 16 - COVID-19 Related Rent Concessions

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. FMO is not expecting to make use of any rent concessions.

2.6 Estimates and assumptions

In preparing the condensed consolidated interim accounts in conformity with IAS 34, management is required to make estimates and assumptions affected reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The same methods for making estimates and assumptions have been followed in the condensed consolidated interim accounts as were applied in the preparation of FMO's consolidated annual accounts as at December 31, 2019.

A management overlay was introduced to reflect the impact of significant increases in credit risk on certain exposures of the loan portfolio. The overlay is derived by limiting the maximum number of notches between a client's rating and its respective country rating, also taking into account the underlying sector. In addition, the macro-economic scenarios applied in the estimation of expected credit losses were updated to reflect the latest IMF GDP forecasts, considering the economic impact of the COVID-19 pandemic. For equity investments, additional inputs of MSCI indexes have been included in the valuation of these investments that incorporate the impact of the pandemic. The details and impact of the above items are presented in the 'Risk Developments' section, in the 'Credit Risk and Equity Investment Risk' sub-sections respectively.

2.7 Segment Reporting

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

3 Risk developments

For a detailed overview of FMO's risk governance and risk management approach please refer to the section "Risk Management" in FMO's consolidated annual accounts as of 31 December,2019. The risk developments in the first half year of 2020 are disclosed below.

The COVID-19 outbreak and the subsequent lockdown in the Netherlands and countries where FMO operates, affected FMO's processes and its clients. In response to these developments, FMO has adapted its governance in order to support business continuity and to enhance risk monitoring. Combined ALCO/IRC meetings were convened initially on a daily basis, continuing on a weekly basis, to monitor the impact of the COVID-19 pandemic on FMO's business as well as funding markets and to enable quick decision- making. ALCO/IRC is supported by two newly created tasks forces:

- Liquidity and Financial Task Force (LFTF) which monitors the impact of the COVID-19 pandemic on the liquidity and capital situation of FMO
- Corona Business Task Force (CBTF) which monitors the impact on FMO's operations, markets and clients.

During the first half of 2020, no additional liquidity or market risks materialized due to the COVID-19 pandemic.

3.1 Capital adequacy

FMO complies with the CRR/CRD requirements and reports its capital ratios to the Dutch Central Bank on a quarterly basis. FMO calculates the capital requirement for its entire portfolio based on the standardized approach. At the end of June 2020, the Total Capital ratio equalled to 22.8%, which is a comparable level as per December 2019 (22.5%).

Due to COVID - 19 pandemic, it was expected that the capital position would be effected due to the expected loan loss provisions and devaluation of the Private Equity portfolio. Although a net loss was indeed recognized and deducted from the Tier 1 Capital, this reduction was compensated by a decrease in risk weighted assets. This was mainly driven by lower credit risk capital requirement, due to the lower valuation of FMO's portfolio. Moreover, the capital charge for market risk has decreased due to a smaller open position for USD, predominantly caused by the revaluation of the equity portfolio and the increased EUR/USD FX rate, and the recent update of EBA-guidance for closely correlated currencies, in which USD has been included as a closely correlated currency with EUR.

FMO's capital ratio remains above the combined ratio of the SREP minimum and FMO's internal buffers.

	June 30, 2020	December 31, 2019
IFRS shareholders' equity	2,836,559	3,126,914
Tier 2 capital	175,000	175,000
Regulatory adjustments:		
-Interim profit not included in CET 1 capital	-	-62,419
-Other adjustments (deducted from CET 1) [1]	-207,148	-233,152
-Other adjustments (deducted from Tier 2) [1]	-70,348	-77,285
Total capital	**2,734,063**	**2,929,058**
Of which Common Equity Tier 1 capital	*2,629,412*	*2,831,343*
Risk weighted assets	**11,984,971**	**12,994,098**
Of which:		
-Credit and counterparty risk	*9,945,434*	*10,317,068*
-Foreign exchange	*1,480,468*	*2,115,779*
-Operational risk	*510,739*	*506,198*
-Credit valuation adjustment	*48,329*	*55,053*
Total capital ratio	22.8%	22.5%
Common Equity Tier 1 ratio	21.9%	21.8%

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

3.2 Credit risk

In 2020, the COVID-19 pandemic and related economic crisis is having a severe impact on emerging markets (EMs). It is also expected to significantly affect FMO's clients and loan portfolio. Despite the crisis, FMO's NPLs reduced slightly from 9.8% to 9.6% during H1-2020. This reduction is a result of several factors, which includes calling on guarantees received for part of the NPL portfolio. FMO also had to write off a small portion of its NPLs. In view of the negative outlook, it is expected that the crisis will affect the NPL levels going forward.

In response to this outlook, FMO concluded that a country crisis override was justified and should be applied to the entire loan portfolio. Country ratings were considered the best proxy to estimate the increased risk of the individual clients. Risk ratings of a large number of clients were downgraded as FMO temporarily implemented more stringent country caps with respect to client sectors in April 2020. The country caps of clients related to the sectors Energy - construction and Energy - off grid were set as one rating notch lower than the respective country ratings. For the clients in the sector Agribusiness, Food and Water - exporting companies, the country caps were set as one rating notch better than the respective country ratings. For the clients related to other sectors, the country caps were considered equal to the respective country ratings. As a result, significant financial impact of the country overrides was reflected in the March to April ECL movement. This impact was observed in two ways: migration from Stage 1 to 2 due to significant increase in credit risk (namely 3 notch downgrade since origination) and increased Stage 1 and 2 impairments due to higher PDs (while the clients remained in the same stage). During this period, ECL for Stage 2 increased by €39 million due to rating migrations from Stage 1 to 2. Furthermore, stage 1 and stage 2 impairments increased by €26 million due to rating downgrades to clients without stage migration. The total impact of adjusting risk ratings as result of this management overlay amounts to €65 million.

The approach applied before COVID - 19 outbreak for incorporating country caps is as follows: for banks and non - banking financial institutions, the final rating would be capped at a maximum of 3 notches better than the client's country rating if the country rating were F16 or worse; if the country rating was F15 or better, the country cap would be 2 notches. For Corporates, the final rating was capped at a maximum of 3 notches better than the client's country rating. For Project Finance, the final rating was capped at maximum of 1 notch better than the client's country rating in case of a Purchasing Power Agreement/Offtake Agreement with a government-related entity. For all other projects, the cap was two notches. If country ratings change, the impact on impairment charge at a portfolio level is expected to be more substantial under the new country caps for countries with low ratings. Country ratings have been updated based on currently available information from external rating agencies, which means that not all countries were downgraded at this point in time. Due to the overall decline of the global economy however, country ratings are likely to face downward adjustments in the near future.

In the first half of 2020, country crisis adjustment and, to a lesser extent, forbearance measures (due to payment holidays) resulted in an increase in the stage-2 portfolio from €502 million to €983 million, and a stage-2 impairment charge of €84 million (YE 2019: €25 million). The stage-3 impairment charge for H1-2020 amounted to €188 million (YE 2019: €182 million), which reflects that FMO's clients are, at this moment, still coping relatively well with the COVID-19 crisis. However, it is expected that the negative economic outlook will affect FMO's portfolio and hence stage-3 impairments over time. FMO is closely monitoring the loan portfolio.

Loans past due and impairments as per June 30, 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Fair Value**	**Total**
Loans not past due	3,208,519	1,053,060	29,574	643,921	4,935,074
Loans past due:	-	-	-	-	
-Past due up to 30 days	34,136	6,748	29,298	10,948	81,130
-Past due 30-60 days	-	11,699	-	235	11,934
-Past due 60-90 days	-	6,126	-	-	6,126
-Past due more than 90 days	-	-	299,984	42,000	341,984
Subtotal	**3,242,655**	**1,077,633**	**358,856**	**697,104**	**5,376,248**
Less: amortizable fees	-38,250	-10,269	-2,526	-	-51,045
Less: ECL allowance	-44,050	-83,994	-187,987	-	-316,031
Less: FV adjustments	-	-	-	-54,114	-54,114
Carrying amount	**3,160,355**	**983,370**	**168,343**	**642,990**	**4,955,058**

Loans past due and impairments as per December 31, 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Fair Value**	**Total**
Loans not past due	3,687,277	512,658	111,047	650,788	4,961,770
Loans past due:					
-Past due up to 30 days	24,357	1,897	-	8,864	35,118
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	12,511	-	5,058	17,569
-Past due more than 90 days	-	5,054	272,836	78,178	356,068
Subtotal	**3,711,634**	**532,120**	**383,883**	**742,888**	**5,370,525**
Less: amortizable fees	-45,542	-5,055	-2,990	-	-53,587
Less: ECL allowance	-32,524	-25,227	-182,190	-	-239,941
Less: FV adjustments	-	-	-	-46,375	-46,375
Carrying amount	**3,633,568**	**501,838**	**198,703**	**696,513**	**5,030,622**

All Interest Bearing Securities (credit quality of AA+ or higher) and Banks (credit quality of BBB- or higher) are classified as Stage 1. An amount of €111 thousand is calculated for the ECL of both asset classes as per June 30, 2020.

The following table shows the credit quality and the exposure to credit risk of the loans to the private sector at amortized cost at June 30, 2020. An increase is mainly observed in Stage 2 exposures and ECL allowance, driven by changes in the client ratings which were monitored and updated after the start of the COVID - 19 pandemic.

Loans to the private sector at June 30, 2020

Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
F1-F10 (BBB- and higher)	101,215	6,420	-	-	107,635
F11-F13 (BB-,BB,BB+)	1,163,655	45,204	-	211,771	1,420,630
F14-F16 (B-,B,B+)	1,826,325	539,402	-	349,837	2,715,564
F17 and lower (CCC+ and lower)	151,460	486,607	358,856	135,496	1,132,419
Sub-total	**3,242,655**	**1,077,633**	**358,856**	**697,104**	**5,376,248**
Less: amortizable fees	-38,250	-10,269	-2,526	-	-51,045
Less: ECL allowance	-44,050	-83,994	-187,987	-	-316,031
Less: FV adjustments	-	-	-	-54,114	-54,114
Carrying value	**3,160,355**	**983,370**	**168,343**	**642,990**	**4,955,058**

Loans to the private sector at December 31, 2019					
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Fair value**	**Total**
F1-F10 (BBB- and higher)	366,815	9,706	-	3,732	380,253
F11-F13 (BB-,BB,BB+)	2,066,085	113,684	-	339,254	2,519,023
F14-F16 (B-,B,B+)	1,224,431	242,040	94,248	301,565	1,862,284
F17 and lower (CCC+ and lower)	54,303	166,690	289,635	98,337	608,965
Sub-total	**3,711,634**	**532,120**	**383,883**	**742,888**	**5,370,525**
Less: amortizable fees	-45,542	-5,055	-2,990	-	-53,587
Less: ECL allowance	-32,524	-25,227	-182,190	-	-239,941
Less: FV adjustments	-	-	-	-46,375	-46,375
Carrying value	**3,633,568**	**501,838**	**198,703**	**696,513**	**5,030,622**

The following table shows the credit quality and the exposure to credit risk of the financial guarantees on June 30, 2020.

Financial guarantees[1]		**June 30, 2020**			**December 31, 2019**
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
F1-F10 (BBB- and higher)	26,690	-	-	26,690	40,629
F11-F13 (BB-,BB,BB+)	37,707	28,681	-	66,388	264,763
F14-F16 (B-,B,B+)	175,604	36,261	-	211,865	64,978
F17 and lower (CCC+ and lower)	-	61,896	-	61,896	29,779
Sub-total	**240,001**	**126,838**	**-**	**366,839**	**400,149**
ECL allowance	-1,316	-3,319	-	-4,635	-2,092
Total	**238,685**	**123,519**	**-**	**362,204**	**398,057**

The following table shows the credit quality and the exposure to credit risk of the loan commitments to private sector on June 30, 2020. These represents contract signed but not disbursed yet. A similar trend is visible for these exposures as loans to the private sector due to downgrades in client ratings.

Loans commitments			**June 30, 2020**			**December 31, 2019**
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Other [2]**	**Total**	**Total**
F1-F10 (BBB- and higher)	-	-	-	-	-	21,919
F11-F13 (BB-,BB,BB+)	93,956	5,737	-	8,897	108,590	481,000
F14-F16 (B-,B,B+)	343,638	49,879	-	40,213	433,730	272,315
F17 and lower (CCC+ and lower)	47,316	17,928	4,843	2,855	72,942	57,200
Total nominal amount	**484,910**	**73,544**	**4,843**	**51,965**	**615,262**	**832,434**
ECL allowance	-4,578	-1,718	-	-	-6,296	-6,274
Total	**480,332**	**71,826**	**4,843**	**51,965**	**608,966**	**826,160**

1 Total financial guarantees represent €74,777 classified as contingent liabilities and €292,063 classified as irrevocable facilities, as per Section 6 Commitments and Contingent Liabilities.

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

The following tables shows the changes in loans for the period June 30, 2020.

Changes in Loans to the private sector at AC in 2020	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross amount	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**
At January 1	3,666,093	-32,524	527,065	-22,364	380,892	-182,190	4,574,050	-237,078
Additions	485,863	-9,989	45,402	-11,860	-	-13,712	531,265	-35,561
Exposure derecognised or matured/lapsed (excluding write offs)	-290,681	2,936	-75,830	1,876	-30,112	3,664	-396,623	8,476
Transfers to Stage 1	34,847	-1,101	-34,847	1,101	-	-	-	-
Transfers to Stage 2	-616,230	9,133	634,552	-11,407	-18,322	2,274	-	-
Transfers to Stage 3	-	-	-39,566	4,203	39,566	-4,203	-	-
Modifications of financial assets (including derecognition)	-24,256	508	21,608	-2,863	162	-	-2,486	-2,355
Changes in risk profile not related to transfers	-	-15,664	-	-46,258	-	-13,871	-	-75,793
Amounts written off / disposed	-	-	-	-	-20,048	20,048	-20,048	20,048
Changes in amortizable fees	1,608	-	757	-	309	-	2,674	-
Changes in accrued income	2,332	-	1,663	-	3,518	-	7,513	-
Foreign exchange adjustments	-55,171	2,651	-13,440	3,578	365	3	-68,246	6,232
At June 30	**3,204,405**	**-44,050**	**1,067,364**	**-83,994**	**356,330**	**-187,987**	**4,628,099**	**-316,031**

Movement financial guarantees[1] in 2020	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Outstanding exposure/ Nominal amount	**ECL allowance**	**Outstanding exposure/ Nominal amount**	**ECL allowance**	**Outstanding exposure/ Nominal amount**	**ECL allowance**	**Outstanding exposure/ Nominal amount**	**ECL allowance**
At January 1	311,775	-1,067	86,207	-483	2,167	-542	400,149	-2,092
Additions	26,959	-439	13,670	-947	-	-	40,629	-1,386
Exposures matured (excluding write-offs)	-48,552	174	-22,764	70	-1,781	445	-73,097	689
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-49,822	374	49,822	-374	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-359	-	-1,586	-	1	-	-1,944
Foreign exchange adjustments	-359	1	-97	1	-386	96	-842	98
At June 30	**240,001**	**-1,316**	**126,838**	**-3,319**	**-**	**-**	**366,839**	**-4,635**

1 Total financial guarantees represent €74,777 classified as contingent liabilities and €292,063 classified as irrevocable facilities, as per Section 6 Commitments and Contingent Liabilities.

Movement of loan commitments in 2020	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2020	685,149	-3,187	100,122	-3,087	4,849	-	790,120	-6,274
Additions	154,104	-1,720	7,529	-22	-	-	161,633	-1,742
Exposures derecognised or matured (excluding write-offs)	-347,569	1,518	-30,859	1,845	-	-	-378,428	3,363
Transfers to Stage 1	5,570	-2	-5,570	2	-	-	-	-
Transfers to Stage 2	-2,434	5	2,434	-5	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-1,421	-	-600	-	-	-	-2,021
Changes due to modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-9,910	229	-112	149	-6	-	-10,028	378
At June 30, 2020	**484,910**	**-4,578**	**73,544**	**-1,718**	**4,843**	**-**	**563,297**	**-6,296**

The modelling methodologies, assumptions and inputs applied in determining ECL in the current period are consistent with those applied in the financial year ending December 31, 2019, except for the adjustment of the country caps.

The COVID-19 pandemic triggered discussions regarding any potential need for reassessment of the impairment model. Some aspects of the impairment model such as staging criteria were rethought but it was concluded that there was not sufficient justification to make a change in model assumptions and methodology. However, it was decided that any payment deferrals or holidays granted to the COVID-19 affected clients will be treated as forbearance measures and therefore, the clients will be transferred to stage 2. Moreover, the macroeconomic scenarios' model was updated following the publication of the new COVID-19-incorporated macroeconomic outlook data by the International Monetary Fund (IMF) in April 2020 and in June 2020. The updates of the model caused new point-in-time adjustments to probability of defaults in the impairment model, leading to an increase of €5.54 and €3.23 million in combined stage-1 and stage-2 impairment charge in April and June 2020, respectively.

IMF GDP % Growth Forecasts	2019	2020
Turkey	0.4	-5.0
India	7.4	-4.5
Georgia	4.8	-4.0
Argentina	-1.6	-9.9
Nigeria	2.3	-5.4
Uganda	6.1	3.5
Bangladesh	7.1	2.0
Ghana	7.6	1.5
Armenia	4.8	-1.5
Costa Rica	3.3	-3.3

June 30, 2020	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector	Guarantees	Bonds and Cash	Total
ECL Scenario:						
Upside	272,138	5%	13,440	161	6	13,607
Base case	327,092	50%	161,173	2,317	56	163,546
Downside	397,207	45%	175,821	2,872	50	178,743
Total			**350,434**	**5,351**	**111**	**355,896**

December 31, 2019	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector	Guarantees	Bonds and Cash	Total
ECL Scenario:						
Upside	222,318	5%	11,035	77	4	11,116
Base case	248,376	50%	123,107	1,046	35	124,188
Downside	288,068	45%	128,199	1,401	31	129,631
Total			**262,341**	**2,524**	**70**	**264,935**

June 30, 2020

ECL allowance Stage 2 - Trigger assessment	Loans to private Sector	Guarantees	Loan Commitments	Total
More than 30 days past due	-442	-	-	-442
Forbearance	-6,457	-	-124	-6,581
Deterioration in credit risk rating	-77,095	-3,319	-1,594	-82,008
Total	**-83,994**	**-3,319**	**-1,718**	**-89,031**

December 31, 2019

ECL allowance Stage 2 - Trigger assessment	Loans to private Sector	Guarantees	Loan Commitments	Total
More than 30 days past due	-43	-	-853	-896
Forbearance	-5,646	-	-525	-6,171
Deterioration in credit risk rating	-19,538	-483	-1,709	-21,730
Total	**-25,227**	**-483**	**-3,087**	**-28,797**

FMO has announced it will undertake several restructuring measures to support clients. These include granting payment holidays (temporarily forbearing repayment of notional) to clients with short term liquidity needs. Existing clients can also apply for loans providing additional liquidity. Moreover, FMO is extending grants to a group of clients to enable them to adapt their business models and to support COVID - 19 affected communities to meet current health and socio-economic challenges. During Q2 2020, only a limited number of restructuring measures were requested and approved, having no material impact on the gains/losses due to modifications. As the COVID - 19 pandemic is now accelerating in the countries where FMO operates, more requests related to restructuring of loans are expected over time.

June 30, 2020	Performing	*of which: performing but past due > 30 days and <=90 days*	*of which: performing forborne*	Non Performing	*of which: non performing forborne*	*of which: impaired*	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loans to the private sector (Amortised Cost)	4,272,121	17,825	197,501	407,023	66,688	321,219	4,679,144	-51,045	-316,031	-	4,312,068
Loans to the private sector (Fair value)	586,435	235	24,827	110,669	82,495	-	697,104	-	-	-54,114	642,990
Total	**4,858,556**	**18,060**	**222,328**	**517,692**	**149,183**	**321,219**	**5,376,248**	**-51,045**	**-316,031**	**-54,114**	**4,955,058**

December 31, 2019	Performing	of which: performing but past due > 30 days and <=90 days	of which: performing forborne	Non Performing	of which: non performing forborne	of which: impaired	Sub Total	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loans to the private sector (Amortised Cost)	**4,216,428**	-	67,189	**411,189**	87,688	224,605	**4,627,637**	-53,587	-239,941	-	**4,334,109**
Loans to the private sector (Fair value)	**629,973**	-	34,087	**112,915**	78,573	-	**742,888**	-	-	-46,375	**696,513**
Total	**4,846,401**	-	**101,276**	**524,104**	**166,261**	**224,605**	**5,370,525**	**-53,587**	**-239,941**	**-46,375**	**5,030,622**

3.3 Equity investment risk

Initially, COVID-19 was limited to China and the only negative impact FMO expected was related to supply chain disruptions. In March 2020, the COVID-19 pandemic accelerated, affecting FMO's equity investments portfolio significantly after Q1 2020. Despite relatively strong dividend income (€20 million), which FMO mainly received in Q1 2020, a loss of €189 million (refer to note 'Results from Equity Investments') was incurred during first half of the year, driven by the reduction in the value of the equity investments portfolio by approximately 12.5%.

The fair value of the equity investments is based on best reasonable estimates, which rely on the latest available financial information. Due to the timing of the publication of the available information (which is mainly based on the March 31st financial reporting of investees), the effect of COVID-19 was not always fully considered in the information received. Therefore, when applicable (where the COVID-19 was not yet included in the received information), FMO further adjusted the inputs for valuations by using the MSCI (Morgan Stanley Capital International) indexes, specifically Emerging and Frontier markets, to generate a reasonable estimate of the fair value as per June 30, 2020. The adjustment is based on the global/regional indices while also considering the currency exposure (LCY, USD and EUR).

Although a lot of companies are affected, most losses can be found in the financial sector in Africa and India. Moreover the poor macro-economic situation in Argentina resulted in a lower valuation of FMO's investments in that country. In the Energy sector we also noted a slow-down of new project construction and payment issues of distributors, affecting return. Exit risk did increase in Q1 and Q2 2020 as the market for private equity transactions slowed considerably. In Q1 2020, we did receive return of capital distributions from our fund investments (€33 million); however, most transactions were contracted in 2019, resulting in distributions in 2020. In Q2 2020 this slowed down to €27 million. Exit processes on our direct investments are postponed or awaiting approvals. The expectation is that the exit risk will further increase in second half of 2020.

3.4 Concentration risk

Concentration risk is the risk that FMO’s exposures are too concentrated within or across different risk categories. Concentration risk may trigger losses large enough to threaten an institution’s health or ability to maintain its core operations or trigger material change in institution’s risk profile. Strong diversification within FMO’s emerging market portfolio is ensured through stringent limits on individual counterparties, sectors, countries and regions. These limits are monitored by FMO's Risk department, regularly reviewed and approved by the IRC. Diversification across countries, sectors and individual counterparties, is a key strategy to safeguard the credit quality of the portfolio.

To ensure diversification within FMO’s emerging market portfolio across regions, a country limit framework is in place to mitigate concentration risk from the perspective of the portfolio as a whole. Country limits range from 8% to 22% of FMO’s shareholders’ equity, depending on the country rating, where FMO sets higher limits in less risky countries. Sector limits are in place, with a limit equal to 50% of the country limit for each sector in any given country. The assessment of the country rating (F-rating scoring in line with internal credit risk rating) is based on a benchmark of external rating agencies and other external information.

During the first half of 2020, country risk has become an even more important risk factor as the shape of the world economy has changed significantly, with the COVID-19 pandemic spreading across the globe. Without exceptions, all geographies important to FMO are impacted by this pandemic. Instead of a predicted growth in developing and emerging markets of around 4-5% in 2020 and 2021 (IMF WEO Jan 2020), forecasts have been drastically revised. A decline of 3% in 2020, with a recovery to 6% in 2021, is now projected (IMF WEO June 2020).

Consequently, a number of countries were downgraded in the first half year of 2020, most notably Argentina, Costa Rica, Ecuador, Lebanon, South Africa, Sri Lanka and Zambia. The downgrades of Costa Rica, Ecuador, South Africa and Sri Lanka also led to a reduced country limit.

Given the high uncertainty regarding developments in the markets, countries have become more prone to being downgraded by rating agencies, possibly resulting in lower country limits. Besides, a decline in shareholders' equity leads to lower country limits. In order for FMO to remain a reliable partner for its clients in markets especially important to FMO, country limits for a number of countries were temporarily fixed. This ensures business continuity and mitigates the reputational risk that would emerge if transactions would need to be cancelled at a very late stage.

Apart from economic developments in FMO's regions and their effect on the country limits, FMO closely follows the development of COVID-19 cases and policy responses in its markets. Since June, India is the country with the highest number of confirmed cases among the key markets important for FMO; followed by South Africa and Turkey. New confirmed cases in India and South Africa are still growing daily at an exponential rate. Turkey saw the curve with daily confirmed cases flattening over the course of April. Next to South Africa, various other Sub-Saharan African countries experienced the largest percentual increase in the total number of cases over this last period. Cases of COVID-19 cases continue to increase in many of the key developing countries (i.e. not flattening the curve), indicating that lockdowns are not sustainable or that measures do not have the desired effect.

On a sector level, FMO observed that in the Agribusiness, Food & Water sector some clients suffer from tightening of local liquidity and 10 to 15% of our clients have requested deferral of payments. The Energy portfolio shows different developments in different regions and markets, with an elevated risk profile in East Africa. About 20% of the portfolio is classified as subject to high risk due to the COVID-19 circumstances. Within Financial Institutions, an elevated risk profile is observed for some 20% of FMO's clients, whereby the impact of the COVID-19 crisis is expected to become visible with a delay.

FMO monitors the developments in its markets on an ongoing basis, whereby the Corona Business Taskforce plays an important role in translating developments in the markets into actions we can take to support our clients where possible.

Overall, FMO keeps a well-diversified portfolio across a wide range of countries, which is assured through its limits framework on countries and sectors, and through close monitoring. Despite the fact that all countries are affected by the COVID-19 pandemic, the impact of the pandemic on our markets differs per country as the government responses vary in timing and stringency. Diversification across countries and sectors remains a key strategy to safeguard the credit quality of the portfolio.

3.5 Compliance risk

Based on a revised Financial Economic Crime (FEC) Enhancement program plan sent to DNB at the end of March 2020, FMO continued to remediate KYC files and execute the plan in 2020. A more comprehensive scope is taken to improve and ensure sound and controlled operations towards "know-your-customer" requirements, thereby transparently managing customer integrity risks that specifically apply to FMOs customer portfolio. Improvements were made related, for example, to hiring new staff in both the first line - enabling FMO to further develop a dedicated KYC team - as well as in the Compliance department. Further preparations for the desired future proof infrastructure and processes aim to go-live in the third quarter of 2020 while work continues on remediating "KYC-files". A robust training course was rolled out for relevant existing and new staff within the first line and support functions, e.g. on awareness regarding anti-money laundering risks, the latest requirements, and the revised financial economic crime framework. In total more than 300 employees were trained. This will continue in 2020.

3.6 Regulatory risk

This section describes the latest insights and regulatory publications that could impact FMO's future risk position, in addition to those described in the Regulatory Risk section of the 2019 Annual Report.

The unprecedented COVID-19 outbreak has forced regulators to put in place a set of supervision measures with the aim to alleviate the operational burden for banks and support lending, while maintaining a sound capital base. To this end, supervisors have temporarily allowed banks to operate below certain capital buffers (CCB and P2G), but it remains uncertain at what pace buffers will be required to be re-built. On 27 March 2020, The Basel Committee also announced deferral of implementation of the final phase of the Basel III standard by one year. This will affect the revisions of Capital Requirements Regulation and market risk framework, which means that a higher risk weight for equity investments and a higher capital charge for market risk will be delayed or possibly revised. Such postponement gives FMO more time to prepare for implementation, but it also increases uncertainty regarding upcoming regulatory actions.

Despite the high priority level of the COVID-19 pandemic, European supervisors remain committed to further advancing the management and disclosure of climate-related and environmental risks. On 20 May 2020, ECB published a draft Guide on climate-related and environmental risks for consultation. The Guide represents a first supervisory standard in this field. The Guide will be effective immediately upon its final publication which is expected later in 2020. In light of the expectations set out in the Guide, FMO will need to adapt its internal practices and include climate-related and environmental risks considerations into business strategy, risk management and governance frameworks, as well as to enhance the climate-related and environmental disclosures.

4 Segment information

The Management Board sets performance targets, approves and monitors the budgets prepared by servicing units. Servicing units are not identical to the strategic sectors.

FMO's strategic sectors represent the economic sectors in which FMO operates. The three strategic sectors are Agribusiness Food & Water, Financial Institutions and Energy, which also represent economic sectors. FMO's Management Board steers on the following six servicing units: Agribusiness, Food & Water, Financial Institutions and Energy, Private Equity, Partnership for impact and Other. In first half of 2020, no transactions are identified which are reallocated to a different servicing unit.

FMO presents the results of the operating segments using a financial performance measure called underlying profit. Underlying profit excludes the EUR/USD currency effects related to the results from equity investments. Since the adoption of IFRS 9, all fair value changes including currency effects are now recorded in the profit and loss account instead of shareholder's equity.

Underlying profit as presented below is an alternative performance measure. The table below shows a reconciliation of the underlying net profit to the net profit.

At June 30, 2020	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Interest income	71,859	66,509	26,308	2,120	391	5,641	172,828
Interest expenses	-13,331	-15,628	-6,612	-15,442	-212	-6,869	-58,094
Net fee and commission income	569	-1,218	-303	540	-	-154	-566
Dividend income	-	-	-	20,166	-	-	20,166
Results from equity investments	-	-	-	-170,319	-	-	-170,319
Results from financial transactions	-6,307	2,035	-4,969	-2,419	-	-16,421	-28,081
Remuneration for services rendered	2,493	3,261	1,694	4,494	3,195	84	15,221
Gains and losses due to derecognition	-	-	2,000	-	-	-	2,000
Other operating income	-	-	-	38	-	577	615
Total underlying income	**55,283**	**54,959**	**18,118**	**-160,822**	**3,374**	**-17,142**	**-46,230**
Operating expenses	-15,759	-14,126	-11,854	-16,396	-4,252	-2,937	-65,324
Total operating expenses	**-15,759**	**-14,126**	**-11,854**	**-16,396**	**-4,252**	**-2,937**	**-65,324**
Impairments on loans and guarantees	-43,417	-44,301	-17,326	-464	-51	-206	-105,765
Total impairments	**-43,417**	**-44,301**	**-17,326**	**-464**	**-51**	**-206**	**-105,765**
Profit/(loss) before results from associates and taxation	-3,893	-3,468	-11,062	-177,682	-929	-20,285	-217,319
Share in results from associates	-	-	-	-66,950	-	-	-66,950
Taxation	973	867	2,765	10,636	232	7,876	23,349
Underlying net profit/(loss)	**-2,920**	**-2,601**	**-8,297**	**-233,996**	**-697**	**-12,409**	**-260,920**
Currency effect equity investments	-	-	-	-18,683	-	-	-18,683
Net profit/(loss)	**-2,920**	**-2,601**	**-8,297**	**-252,679**	**-697**	**-12,409**	**-279,603**

Segment assets at June 30, 2020	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Loans to the private sector	2,134,659	1,755,437	958,399	33,577	17,694	55,292	4,955,058
Equity investments and investments in associates	-	-	-	1,938,007	-	-	1,938,007
Other assets	830,585	683,032	372,908	767,134	6,884	21,515	2,682,058
Total assets	**2,965,244**	**2,438,469**	**1,331,307**	**2,738,718**	**24,578**	**76,807**	**9,575,123**
Contingent liabilities – Effective guarantees issued	27,425	47,352	-	-	-	-	74,777
Assets under management (loans and equity investments) managed for the risk of the state	168,200	226,381	157,833	407,923	15,878	2,071	978,286

At June 30, 2019	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Interest income	71,187	65,238	36,333	2,440	18	17,229	192,445
Interest expenses	-18,648	-21,501	-9,255	-20,159	-289	-14,169	-84,021
Net fee and commission income	1,295	-1,977	-515	441	-	-590	-1,346
Dividend income	-	-	-	11,537	-	-	11,537
Results from equity investments	-	-	-	-7,511	-		-7,511
Results from financial transactions	3,335	976	333	1,406	-	-571	5,479
Remuneration for services rendered	2,834	3,053	1,304	4,176	3,107	54	14,528
Gains and losses due to derecognition	1,493	417	-	-	-	-	1,910
Other operating income	-	935	294	-	-	279	1,508
Total underlying income	**61,496**	**47,141**	**28,494**	**-7,670**	**2,836**	**2,232**	**134,529**
Operating expenses	-15,298	-12,706	-10,193	-13,949	-4,628	-2,967	-59,741
Total operating expenses	**-15,298**	**-12,706**	**-10,193**	**-13,949**	**-4,628**	**-2,967**	**-59,741**
Impairments on loans and guarantees	-75	-16,042	1,723	-1,307	-19	1,225	-14,495
Total impairments	**-75**	**-16,042**	**1,723**	**-1,307**	**-19**	**1,225**	**-14,495**
Profit before results from associates and taxation	46,123	18,393	20,024	-22,926	-1,811	490	60,293
Share in results from associates	-	-	-	2,023	-	-	2,023
Taxation	-6,823	-2,721	-2,962	3,928	268	-72	-8,382
Underlying net profit	**39,300**	**15,672**	**17,062**	**-16,975**	**-1,543**	**418**	**53,934**
Currency effect equity investments	-	-	-	4,010	-	-	4,010
Net profit	**39,300**	**15,672**	**17,062**	**-12,965**	**-1,543**	**418**	**57,944**

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

5 Financial Instruments

5.1 Accounting classification

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

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

At June 30, 2020	FVPL - mandatorily	FVPL- designated	Fair value hedging instruments	FVOCI- equity instruments	Amortized cost	Financial liabilities used as hedged items	Total
Financial assets measured at fair value							
Short-term deposits	1,016,741	-	-	-	-	-	1,016,741
Derivative financial instruments	209,649	-	229,250	-	-	-	438,899
Loans to the private sector	642,990	-	-	-	-	-	642,990
Equity investments	1,608,837	-	-	107,955	-	-	1,716,792
Total	**3,478,217**	**-**	**229,250**	**107,955**	**-**	**-**	**3,815,422**
Financial assets not measured at fair value							
Banks	-	-	-	-	60,339	-	60,339
Current accounts with state funds and other programs	-	-	-	-	230	-	230
Short-term deposits	-	-	-	-	615,341	-	615,341
Interest-bearing securities	-	-	-	-	401,382	-	401,382
Loans to the private sector	-	-	-	-	4,312,068	-	4,312,068
Other receivables	-	-	-	-	21,982	-	21,982
Total	**-**	**-**	**-**	**-**	**5,411,342**	**-**	**5,411,342**
Financial liabilities measured at fair value							
Derivative financial instruments	290,017	-	6,857	-	-	-	296,874
Total	**290,017**	**-**	**6,857**	**-**	**-**	**-**	**296,874**
Financial liabilities not measured at fair value							
Short-term credits	-	-	-	-	190,997	-	190,997
Current accounts with state funds and other programs	-	-	-	-	109	-	109
Debentures and notes	-	-	-	-	1,636,306	4,511,174	6,147,480
Accrued liabilities	-	-	-	-	21,002	-	21,002
Other liabilities	-	-	-	-	28,190	-	28,190
Total	**-**	**-**	**-**	**-**	**1,876,604**	**4,511,174**	**6,387,778**

At December 31, 2019	FVPL - mandatorily	FVPL-designated	Fair value hedging instruments	FVOCI-equity instruments	Amortized cost	Financial liabilities used as hedged items	Total
Financial assets measured at fair value							
Short-term deposits	926,769	-	-	-	446,708	-	1,373,477
Derivative financial instruments	157,177	-	144,060		-	-	301,237
Loans to the private sector	696,513	-	-	-	-	-	696,513
Equity investments	1,756,644	-	-	122,921	-	-	1,879,565
Total	**3,537,103**	**-**	**144,060**	**122,921**	**446,708**	**-**	**4,250,792**
Financial assets not measured at fair value							
Banks	-	-	-	-	64,626	-	64,626
Current accounts with state funds and other programs	-	-	-	-	1,194	-	1,194
Short-term deposits	-	-	-	-	1,373,477	-	1,373,477
Interest-bearing securities	-	-	-	-	350,237	-	350,237
Loans to the private sector	-	-	-	-	4,334,109	-	4,334,109
Other receivables	-	-	-	-	25,824	-	25,824
Total	**-**	**-**	**-**	**-**	**6,149,467**	**-**	**6,149,467**
Financial liabilities measured at fair value							
Derivative financial instruments	244,447	-	12,724	-	-	-	257,171
Total	**244,447**	**-**	**12,724**	**-**	**-**	**-**	**257,171**
Financial liabilities not measured at fair value							
Short-term credits	-	-	-	-	94,339	-	94,339
Current accounts with state funds and other programs	-	-	-	-	2,832	-	2,832
Debentures and notes	-	-	-	-	2,035,002	3,773,180	5,808,182
Accrued liabilities	-	-	-	-	22,983	-	22,983
Other liabilities	-	-	-	-	43,959	-	43,959
Total	**-**	**-**	**-**	**-**	**2,199,115**	**3,773,180**	**5,972,295**

5.2 Short-term deposits

	June 30, 2020	December 31, 2019
Collateral delivered (related to derivative financial instruments)	104,518	95,176
Dutch central bank	508,758	350,122
Mandatory reserve deposit with Dutch central bank	2,065	1,410
Call Deposits	-	-
Short term deposits measured at AC	**615,341**	**446,708**
Commercial paper	772,079	796,725
Money market funds	244,662	130,044
Short term deposits measured at FVPL	**1,016,741**	**926,769**
Total	**1,632,082**	**1,373,477**

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

5.3 Derivatives

June 30, 2020	Notional amount	Carrying amount: Assets	Carrying amount: Liabilities	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recorded in profit or loss	Line item in P&L that includes hedge ineffectiveness
Interest rate swaps	4,299,504	229,250	6,857	90,836	1,547	Results from financial transactions
December 31, 2019						
Interest rate swaps	3,653,162	144,061	12,724	46,692	317	Results from financial transactions

June 30, 2020	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item			
Balance sheet line item	**Liabilities**	**Assets**	**Liabilities**	**Change in fair value used for calculating hedge ineffectiveness**	**Accumulated amount remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses**
Debentures and notes	4,511,174	-	-	-92,383	-
December 31, 2019					
Debentures and notes	3,773,180	-	-	-46,375	-

June 30, 2020		Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedge accounting instruments:				
·	Currency swaps	110,068	-507	1,997
·	Interest rate swaps	1,359,001	13,691	31,411
·	Cross-currency interest rate swaps	4,701,069	192,551	254,825
Subtotal		**6,170,138**	**205,735**	**288,233**
Embedded derivatives related to asset portfolio		-	3,914	1,785
Total derivative assets (/liabilities) other than hedge accounting instruments		**6,170,138**	**209,649**	**290,017**

December 31, 2019		Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedge accounting instruments:				
·	Currency swaps	324,015	428	869
·	Interest rate swaps	1,745,060	34,159	44,255
·	Cross-currency interest rate swaps	3,061,803	116,801	197,625
Subtotal		**5,130,878**	**151,388**	**242,749**
Embedded derivatives related to asset portfolio		-	5,789	1,698
Total derivative assets (/liabilities) other than hedge accounting instruments		**5,130,878**	**157,177**	**244,447**

5.4 Equity Investments

The reduction in fair values of the equity portfolio can be seen across sectors and geographies and is the result of global declines in emerging market equity prices affected by COVID - 19 pandemic. Refer to Section 3.3 'Equity Investment Risk' for information about the inputs applied for determining a reliable fair value estimate.

	Equity measured at FVPL	Equity measured at FVOCI	Total
Net balance at January 1, 2020	1,756,644	122,921	1,879,565
Purchases and contributions	102,451	-	102,451
Return of Capital (including sales)	-64,800	-	-64,800
Changes in fair value	-185,458	-14,966	-200,424
Net balance at June 30, 2020	**1,608,837**	**107,955**	**1,716,792**

5.5 Associates

The movement change in 'Associates' during first half year of 2020 is mainly a result of decrease in valuation (-€57 million) of Arise B.V. which is FMO's main investment. The decline in the valuation of Arise B.V. is caused by the COVID-19 factor applied. This factor is based on Arise's management expectations of fair value movements during HY 2020 of its underlying associates. This expectation has been validated with the methodology as reflected in Section 3.3 'Equity Risk Investment'.

	2020
Net balance at January 1, 2020	285,867
Purchases and contributions	6,011
Return of Capital (including sales)	-4,640
Changes in value	-66,023
Net balance at June 30, 2020	**221,215**

5.6 Fair values

Fair value hierarchy

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

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

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

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

Valuation processes

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

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

Valuation techniques

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

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

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

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

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

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

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

	June 30, 2020		December 31, 2019	
Non fair value financial assets-liabilities	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Short term deposits at AC	615,341	615,341	446,708	446,708
Banks	60,339	60,339	64,626	64,626
Interest-bearing securities	401,382	411,277	350,237	355,823
Loans to the private sector at AC	4,312,068	4,497,176	4,334,109	4,533,256
Total non fair value financial assets	**5,389,130**	**5,584,133**	**5,195,681**	**5,400,413**
Short-term credits	190,997	190,997	94,339	94,339
Debentures and notes	6,147,480	6,156,460	5,808,182	5,791,673
Total non fair value financial liabilities	**6,338,477**	**6,347,457**	**5,902,521**	**5,886,012**

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

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

At June 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVPL				
-Short-term deposits	1,016,741	-	-	1,016,741
-Derivative financial instruments	-	434,985	3,914	438,899
-Loans to the private sector	59,054	-	583,936	642,990
-Equity investments	7,041	-	1,601,797	1,608,837
Financial assets at FVOCI				
-Equity investments	-	-	107,955	107,955
Total financial assets at fair value	**1,082,836**	**434,985**	**2,297,602**	**3,815,423**
Financial liabilities mandatorily at FVPL				
-Derivative financial instruments	-	296,874	-	296,874
Total financial liabilities at fair value	**-**	**296,874**	**-**	**296,874**

December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVPL				
Short-term deposits	926,769	-	-	926,769
Derivative financial instruments	-	295,449	5,788	301,237
Loans to the private sector	66,647	-	629,866	696,513
Equity investments	7,726	-	1,748,918	1,756,644
Financial assets at FVOCI				
Equity investments	-	-	122,921	122,921
Total financial assets at fair value	**1,001,142**	**295,449**	**2,507,493**	**3,804,084**
Financial liabilities mandatorily at FVPL				
Derivative financial instruments	-	255,473	1,698	257,171
Total financial liabilities at fair value	**-**	**255,473**	**1,698**	**257,171**

Movements in financial instruments measured at fair value based on level 3	Derivative financial instruments	Loans to the private sector	Equity investments	Total
Restated Balance at January 1, 2019	4,624	670,605	1,556,952	2,232,181
Total gains or losses				
-In profit and loss (changes In fair value)	1,075	-20,359	45,509	26,225
-In other comprehensive income (changes in fair value & exchange rate differences)	-	-	17,496	17,496
Purchases /disbursements	-	101,268	296,294	397,562
Sales/repayments	-	-113,463	-85,734	-199,197
Write-offs	-	-10,498	-	-10,498
Accrued income	-	1,965	-	1,965
Exchange rate differences	89	10,845	18,461	29,395
Derecognition and/or restructuring FVPL versus AC	-	613	-	613
Conversion from loans to equity	-	-11,110	11,312	202
Transfers into level 3	-	-	19,275	19,275
Transfers out of level 3	-	-	-7,726	-7,726
Balance at December 31, 2019	**5,788**	**629,866**	**1,871,839**	**2,507,493**
Total gains or losses				
-In profit and loss (changes In fair value)	-1,868	-2,075	-165,029	-168,972
-In other comprehensive income (changes in fair value & exchange rate differences)	-	-	-14,966	-14,966
Purchases /disbursements	-	20,553	101,864	122,417
Sales/repayments	-	-60,918	-64,800	-125,718
Principal capitalization	-	4,126	-	
Write-offs	-	-	-	-
Accrued income	-	-4,858	-	-4,858
Exchange rate differences	-6	-2,758	-19,156	-21,920
Derecognition and/or restructuring FVPL versus AC	-	-	-	-
Conversion from loans to equity	-	-	-	-
Transfers into level 3	-	-	-	-
Transfers out of level 3	-	-	-	-
Balance at June 30, 2020	**3,914**	**583,936**	**1,709,752**	**2,293,476**

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

Type of debt investment	Fair value at June 30, 2020	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	104,437	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result in a higher/lower fair value of approx €6m.
	195,231	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch will result in 1% increase/decrease
	64,272	Credit impairment	n/a	n/a
Debt Funds	219,996	Net Asset Value	n/a	n/a
Total	**583,936**			

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

Type of equity investment	Fair value at June 30, 2020	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	863,088	Net Asset Value	n/a	n/a
Private equity direct investments	22,069	Recent transactions	Based on at arm's length recent transactions	n/a
	391,005	Book multiples	1.0 – 2.5	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €39 million.
	258,539	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 11,3)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €26 million.
	7,250	Discounted Cash Flow (DCF)	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €1 million.
	95,923	Put option	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €10 million.
	71,878	Firm offers	Based on offers received from external parties	n/a
Total	**1,709,752**			

6 Commitments and contingent liabilities

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

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

	June 30, 2020	December 31, 2019
Contingent liabilities		
Encumbered funds (single resolution fund)	832	389
Effective guarantees issued	74,777	98,370
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-3,848	-2,371
Total guarantees issued	**70,929**	**95,999**
Total contingent liabilities	**71,761**	**96,388**
Guarantees received		
Effective guarantees received	203,113	211,194
Total guarantees received	**203,113**	**211,194**

Nominal amounts for irrevocable facilities is as follows:

	June 30, 2020	December 31, 2019
Irrevocable facilities		
Contractual commitments for disbursements of:		
- Loans	615,262	832,434
- Grants	255	880
- Equity investments and associates	601,032	647,789
- Contractual commitments for financial guarantees given	292,063	301,779
Total irrevocable facilities	**1,508,612**	**1,782,882**

7 Debentures and notes

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

The following table summarizes the carrying value of the debentures and notes. Increase in Debentures and notes is mainly result of issuance of the sustainability bond for €500 million.

	June 30, 2020	December 31, 2019
Debentures and notes under hedge accounting	4,511,174	3,773,180
Debentures and notes valued at AC	1,636,306	2,035,002
Total debentures and notes	**6,147,480**	**5,808,182**

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

	June 30, 2020	December 31, 2019
Debentures and notes under hedge accounting	4,296,066	3,646,496
Debentures and notes valued at AC	1,610,996	2,011,031
Total debentures and notes	**5,907,062**	**5,657,527**

The movements can be summarized as follows:

	2020
Balance at January 1	5,808,182
Amortization of premiums/discounts	5,457
Proceeds from issuance	926,230
Redemptions	-646,089
Changes in fair value	92,383
Changes in accrued expense	450
Exchange rate differences	-39,133
Balance at June 30	**6,147,480**

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

8 Short term credits

	June 30, 2020	December 31, 2019
Collateral received (related to derivative financial instruments)	190,997	94,339
Balance at December 31	**190,997**	**94,339**

9 Other liabilities

	June 30, 2020	December 31, 2019
Payments to third parties and costs related to guarantees	5,828	15,053
Lease liabilities	22,288	23,509
Other liabilities	74	5,397
Total other liabilities	**28,190**	**43,959**

10 Interest Income

	June 30, 2020	June 30, 2019
Interest on loans measured at AC	167,163	160,227
Interest on interest-bearing securities	1,408	1,778
Total interest income from financial instruments measured at AC	**168,571**	**162,005**
Interest on loans measured at FVPL	21,360	32,120
Interest on short-term deposits	4,080	14,225
Interest on derivatives related to asset portfolio	-21,183	-15,078
Total interest income from financial instruments measured at FVPL	**4,257**	**31,267**
Total interest income	**172,828**	**193,272**

11 Interest Expense

	June 30, 2020	June 30, 2019
Interest on debentures and notes hedged	26,237	21,837
Interest on debentures and notes not hedged	34,071	45,198
Interest on short-term credits	519	17
Interest expenses related to banks (assets)	828	965
Interest on leases	89	480
Total interest expense from financial instruments measured at AC	**61,744**	**68,497**
Interest on derivatives	-	-
Total interest expense from financial instruments measured at FVPL	**-3,650**	**16,352**
Total interest expense	**58,094**	**84,849**

12 Net fee and commission income

	June 30, 2020	June 30, 2019
Prepayment fees and front - end fees	280	479
Administration fees	1,117	1,262
Other fees (e.g. arrangement, cancellation and waiver fees)	1,734	1,621
Total fee and commission income	**3,131**	**3,361**
Custodian fees and charges for the early repayment of debentures and notes	-350	-574
Guarantee fees related to unfunded risk participants	-3,347	-4,133
Total fee and commission expense	**-3,697**	**-4,707**
Net fee and commission income	**-566**	**-1,346**

13 Dividend income

	June 30, 2020	June 30, 2019
Dividend income direct investments	17,110	10,272
Dividend income fund investments	3,056	1,265
Total dividend income	**20,166**	**11,537**

14 Results from equity investments

	June 30, 2020	June 30, 2019
Results from equity investments:		
Unrealized results from capital results	-166,296	-5,851
Unrealized results from FX conversions - capital results	-522	-6,046
Unrealized results from FX conversions - cost price	-18,639	10,117
Net unrealized results	**-185,457**	**-1,780**
Results from sales, distributions:		
Realized results	-1,498	4,004
Release unrealized results	-2,526	-5,663
Net results from sales, distributions and write-offs	**-4,024**	**-1,659**
Total results from equity investments	**-189,481**	**-3,439**

15 Results from financial transactions

Results from financial transactions show a loss of EUR 32 million during first half of 2020. The loss is mainly driven by valuation of derivatives due to market volatility on the financial markets. The loss in fair values of loans reflects the effects of COVID - 19 outbreak.

	June 30, 2020	June 30, 2019
Result on valuation of hedged items	-92,383	-70,294
Result on valuation of hedging instruments	90,836	70,314
Result on hedge accounting	**-1,547**	**20**
Result on sale and valuation of derivatives not under hedge accounting	-25,254	-4,255
Result on sale and valuation of embedded derivatives related to asset portfolio	-1,959	1,444
Result on sale and valuation of loans at FVPL	-9,791	4,479
Result on financial instruments mandatory at FVPL	**-37,004**	**1,668**
Foreign exchange results	10,519	3,089
Other	-49	702
Total result from financial transactions	**-28,081**	**5,479**

16 Dividends

Due to economic uncertainties caused by the COVID - 19 pandemic, the European Central Bank (ECB) recommended financial institutions including banks not to pay out dividends for financial year 2019 and 2020 till October 2020. As a result, in the Annual General Meeting (AGM) of Shareholders in April 2020, the proposal for the appropriation of profit for the 2019 financial year was postponed at least till October 2020. The proposed amount of distributable amount of the net profit amounts to €2.7 million.

On July 28, 2020, the ECB published an update and extended the recommendation not to pay out dividends till January 1, 2020

17 Remuneration for services rendered

	June 30, 2020	June 30, 2019
Funds and programs managed on behalf of the State:		
- MASSIF	5,413	5,472
- Infrastructure Development Fund	4,750	3,971
- Access to Energy Fund	1,519	1,068
- FOM OS	100	100
- Capacity Development Program	-	-
Syndication fees, remuneration from directorships and others	3,439	3,916
Total remuneration for services rendered	**15,221**	**14,528**

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

18 Tax

Current income tax receivables amount to €48.3 million (December 31, 2019: €46.5 million).

The average weighted annual tax rate equals 7.9% (H1 2019: 13.5%) and is based on the domestic tax rate of 25% corrected for equity results for which participation exemption is applicable. The current income tax loss for the first half of 2020 amounted to a tax loss of € 23,829 million of which 1,989 can be settled with fiscal year 2019. The unused tax loss amounts to € 21,197 million and is recognized as deferred tax asset. For FMO's unused tax credits of 4,564 (H1 2019: 0) no deferred tax asset has been recognized.

		June 30, 2020	December 31, 2019
Profit/(loss) before taxation		-303,431	118,528
Income taxes at statutory rate of 25% (2019: 25%)		75,857	-29,632
Increase/decrease resulting from:			
-	Settlement with local withholding taxes	-	716
-	Non-taxable income (participation exemption facility)	-52,016	29,189
-	Tax adjustments to prior periods	-12	1,681
-	Other	-	-70
Total income tax		**23,829**	**1,884**
Effective income tax rate		7.9%	-1.6%

	June 30, 2020	December 31, 2019
Deferred tax assets		
Pension provision	3,717	3,095
Actuarial gains and losses on defined benefit plans	3,629	3,872
Operational leases	27	19
Unused tax losses	21,197	-
Total deferred tax assets	**28,570**	**6,986**
Deferred tax liabilities		
Fair value movements equity investments	-3,245	-5,638
Total deferred tax liabilities	**-3,245**	**-5,638**
Net balance	**25,325**	**1,348**

19 Events after the end of the reporting period

There has been no significant subsequent event between the balance sheet date and the date of approval of these accounts which would be reported by FMO.

20 Related parties

FMO considers the Dutch State, subsidiaries, associated companies, members of the the Executive Committee (ExCo) including the Management Board (MB) and Supervisory Board (SB) as related parties. As per January 1, 2020 FMO has created an ExCo, consisting of the three Management Board members and seven members of senior management to assist in daily management of FMO.

In July, reflecting on the first period at FMO, the ExCo concluded that it has not been successful in effectively connecting with the broader leadership group in the organization, and announced its intention to discontinue the ExCo per August 1, 2020. A new governance structure is expected to be finalized before the end of this year. In the interim, decision-making will remain with the Management Board.

During the Annual General Meeting (AGM) on April 23, 2020 ,three new members of the Supervisory Board were appointed to replace Pier Vellinga and Alexandra Schaapveld, who both stepped down after the AGM as their term as SB members ended and to fill the vacancy following Farah Karimi's departure in light of her new position as a member of the Dutch Senate in 2019. The three new Supervisory Board members are: Dugald Agble, Reintje van Haeringen and Marjolein Demmers.

Thessa Menssen and Dirk Jan van den Berg, both current members of the Supervisory Board, were reappointed for a second term of 4 years. Dirk Jan van den Berg will take on the Chair duties ad interim until a permanent Chairperson has been elected.

On June 11, 2020, Peter van Mierlo announced that he would step down as FMO's CEO. The Supervisory Board has asked him to stay on for another three months in an advisory role to the Management Board.

In the first half of 2020 no loans or investments were transferred from the State Funds to FMO.

Review report

To: The shareholders and supervisory board of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Our conclusion

We have reviewed the condensed consolidated interim account included in interim report of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) based in The Hague for the period from 1 January 2020 to 30 June 2020.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim account of FMO N.V. for the period from 1 January 2020 to 30 June 2020, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim account comprises:

- The condensed consolidated statement balance sheet as at 30 June 2020.
- The following condensed consolidated statements for the period from 1 January 2020 to 30 June 2020: the statements of profit and loss, other comprehensive income, changes in shareholder's equity and cash flows.
- The consolidated notes, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit" (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed interim financial information section of our report.

We are independent of FMO in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter relating to uncertainty about Corona

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The impact may continue to evolve, giving rise to complexity and inherent uncertainty. FMO N.V. is confronted with this uncertainty as well. The condensed consolidated interim account and our review report thereon reflect the conditions at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the disclosure about Estimates and assumptions in section 2.6 and note Risk developments in section 3. We draw attention to these disclosures. Our conclusion is not modified in respect of this matter.

Responsibilities of management and the supervisory board for the condensed consolidated interim account

Management is responsible for the preparation and presentation of the condensed consolidated interim account in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing FMO their financial reporting process.

Our responsibilities for the review of the condensed consolidated interim account

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- Updating our understanding of FMO and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within FMO
- Applying analytical procedures with respect to information included in the condensed interim financial information
- Obtaining assurance evidence that the condensed consolidated interim account agrees with, or reconciles to, FMO's underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed interim financial information
- Considering whether the condensed consolidated interim account has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 20 August 2020

Ernst & Young Accountants LLP

Signed by J.G. Kolsters

LIST OF ABBREVIATIONS

AC	Amortized cost
AEF	Access to Energy Fund
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
BoP	Base of the Pyramid
BP	Building Prospects
CBTF	Corona Business Task Force
CD	Capacity Development Program
CCB	Capital Conservation Buffer
CET-1	Comment Equity Tier 1
CFM	Climate Fund Managers
CIO	Climate Investor One
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DA	Development Accelerator
DCF	Discounted Cash Flow
DFCD	Dutch Fund for Climate and Development
DFI	Development Finance Institution
DNB	De Nederlandse Bank (Dutch Central Bank)
E&S	Environmental and Social
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EC	European Commission
ECL	Expected Credit Loss
EDFI	European Development Finance Institution
EM	Emerging Market
ESG	Environmental, Social and Governance
EU	European Union
FEC	Financial & Economic Crime
FOM	Faciliteit Opkomende Markten
FOM - OS	Fund Emerging Markets for Developing Countries
FMO IM	FMO Investment Management
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GDP	Gross Domestic Product
IAS	International Accounting Standards
IASB	International Accounting and Standards Board
IBOR	Interbank Offered Rates
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IMF	International Monetary Fund
IPC	Irrevocable payment commitment
IRC	Investment Risk Committee
JIM	Joint Impact Model
KPI	Key performance indicator
KYC	Know Your Customer

LDC	Least Developed Country
LFTF	Liquidity and Financial Task Force
MDB	Multilateral Development Bank
MSME	Micro, Small and Medium Enterprises
NPL	Non performing loans
OCI	Other comprehensive income
PDF	Partnership Development Fund
PE	Private equity
PP&E	Property Plant and Equipment
P2G	Pillar 2 Guidance
RI	Reduced Inequalities
RFR	Risk Free Interest - Rate
SDG	Sustainable Development Goal
SIRA	Systemic Integrity Risk Assessment
SME	Small and Medium-sized Enterprises
SRB	Single Resolution Board
SRF	Single Resolution Fund

ADDITIONAL INFORMATION

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COLOPHON

Copy

FMO N.V.

Design

Studio Duel

Production

F19 Digital First reporting

REPORTING SCOPE

This interim report covers activities that took place or had effect on the first six months of 2020

FMO publishes its integrated annual report in March. This report is audited by the external auditor. Please read the 2019 auditor’s report for detailed information on the scope and result of their work. Previous reports are available on reporting.fmo.nl or via annualreport.fmo.nl