FMO

Finance for *Development*

Annual Report 2004

Investeren in ondernemerschap → motor voor groei - Investing in entrepreneurship → engine for growth - Girişimcilik yatırımı → büyümenin lokomotifi - L'investissement en entrepreneuriat → un moteur de croissance

الاستثمار في الأعمال الحرة ← محرك النمو

Investing in entrepreneurship

→ engine for growth - Inversión en iniciativa empresarial → motor de crecimiento - Investiţia în antreprenoriat → motor pentru dezvoltare

Inversión en iniciativa empresarial → motor de crecimiento - 创业投资→增长的引擎

Инвестиции в предпринимательскую деятельность → двигатель прогресса

FMO Annual Report 2004

Contents

2 FMO Annual Report 2004 Amounts in EUR million

FMO key figures - five years

	2000 *	2001 *	2002 *	2003 **	2004
Balance sheet					
Net loans	991	981	829	820	893
Net state-guaranteed loans	-	-	-	107	113
Equity investments portfolio	89	84	75	74	76
Portfolio of state-guaranteed equity investments	-	-	-	64	92
Shareholders' equity	592	633	675	732	804
Debt securities and debentures/notes	714	777	648	914	895
Total assets	1,402	1,528	1,458	1,887	2,025
FMO Finance committed portfolio	1,894	2,064	1,904	1,878	1,982
Profit and loss account					
Income					
Interest income	117	119	106	111	122
Interest expenses	-40	-42	-30	-27	-32
Interest	77	77	76	84	90
Income from equity investments	6	2	3	10	17
Other income including services	9	13	16	15	25
Total income	92	92	95	109	132
Expenses					
Operating expenses	21	25	31	33	37
Value adjustments					
• to loans and guarantees	48	49	46	41	34
• to equity investments	-2	20	8	6	7
Total expenses	67	94	85	81	78
Operating result before taxation	25	-2	10	28	54
Net profit	17	4	5	20	36
Ratios at end of year (percentages)					
Shareholders' equity / Total assets	42	41	46	39	40
Return on Shareholders' equity					
• Operating result before taxation	4.3	-0.3	1.4	3.9	6.7
• Net profit	2.8	0.7	0.7	2.7	4.4
Net profit / Total assets	1.2	0.3	0.3	1.0	1.8
Ratio of operating expenses / income	0.23	0.27	0.32	0.31	0.28
Value adjustments to loans / total loans	12	16	17	13	8
Value adjustments to equity investments / total equity investments	27	38	42	30	22
Average number of employees	142	164	192	196	197

** Excluding state-guaranteed loans*
*** Adjusted for comparative purposes*

FMO supports the development of the private sector in developing countries and emerging markets – not unilaterally in the form of grants, but as a partner, on an equal footing and in a businesslike manner. FMO provides loans and guarantees, takes equity participations in enterprises and funds the transfer of knowledge. It does so not for the short term, by means of emergency aid, but rather in a manner aimed at achieving a long-term, lasting impact. Investing in entrepreneurship means placing confidence in others, sharing know-how and taking risks in a socially responsible manner, while also respecting good governance, people and the environment. With this approach, FMO helps foster flourishing enterprises and a healthy financial sector in these countries: only with a strong private sector is a sustained rise in prosperity and living standards possible.

FMO in brief

Portfolio

With an investment portfolio of nearly EUR 2 billion and over 200 employees, FMO is one of the world's largest bilateral development banks. FMO is a solid financial institution with a triple-A rating from Standard & Poor's.

Public and private shareholders

FMO has been a successful example of public-private partnership for 35 years. The Dutch government holds 51 percent of the shares and Dutch banks 42 percent. The remaining 7 percent of the shares are held by employer associations and trade unions, as well as approximately 100 Dutch companies and individuals.

Organization

FMO's activities are carried out by two business units, FMO Finance and FMO Investment Promotion.

FMO Finance provides interest-bearing loans and risk capital to businesses and financial institutions in approximately 50 focus countries. It does so not just out of its own capital resources, but also with special funds provided by the Dutch government.

FMO Investment Promotion uses funding from the Ministry of Foreign Affairs to provide grants for activities that would otherwise lack commercial feasibility. A significant element of such support is technical assistance for transferring knowledge and expertise to developing countries. In addition, FMO Investment Promotion administers the ORET program for large-scale, hard-to-fund infrastructure projects.

For the purposes of adoption, we hereby present the 2004 annual report of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., including the annual accounts and the Management Report. The 2004 annual accounts have been audited by KPMG Accountants N.V. and signed by the Supervisory Board.

Report to shareholders

Dividend proposal

During the year under review, FMO recorded a profit of EUR 36 million. In accordance with Article 6(2) of the Agreement with the State of 16 November 1998, a sum of EUR 33.4 million has been added from the profit to the contractual reserve. The distributable element of the profit amounts to EUR 2.3 million. In line with the proposal of the Executive Board, the Supervisory Board proposes that a sum of (rounded-off) EUR 0.57 per share of EUR 22.69 par value or 2.5 percent as a cash dividend be placed at the disposal of the shareholders and that the remaining sum of EUR 2.0 million be added to other reserves.

Supervision

The Supervisory Board met with the Management Board on four occasions in 2004, and with the Audit Committee three times. On a number of occasions the Supervisory Board considered the progress of FMO's strategy and prospects for the medium term.

The Projects Committee met on 16 occasions to discuss financing proposals and policy matters not directly related to projects. The Projects Committee comprised six members in 2004.

The five-member Selection, Appointment and Remuneration Committee met on five occasions during the reporting year. On the basis of their specific areas of responsibility, they advised the Board concerning the appointment of a successor to R.M. Barth as Chief Executive Officer of the company. In addition, the committee discussed the remuneration and bonuses for the Executive Board.

If any major changes to the remuneration policy are proposed in the coming years, these will be submitted to the Annual General Meeting of Shareholders for approval. The remuneration package is discussed in detail in this chapter.

Meeting without the Board, the Supervisory Board discussed its own performance as well as that of the individual members of the Board, for example in relation to implementation of the Tabaksblat Code.

The desired profile, composition and competence of the Board were also discussed.

Finally, we are able to report with satisfaction that Standard & Poor's once again decided to retain its AAA rating for long-term FMO financing in 2004.

Management

Best practice provision II.1.1 refers to a four-year appointment period for the Executive Board members. This provision came into force for new Management Team members who joined the company after 1 January 2004. FMO intends to increase the size of the Executive Board to three in 2005.

Remuneration of the Executive Board

The Supervisory Board annually determines the remuneration of the Executive Board based on advice of the Selection, Appointment and Remuneration Committee. The remuneration policy is based on the ability to attract and retain capable Executive Board members with expertise in

Supervisory Board
From left to right:

Doekle Terpstra
Lodewijk de Waal [1,3]
Joop Hoekman [1,3]
Rens de Leur [1,2,3]
Dolf Collee [3]
Piet Bukman
Willy Angenent [1,2,3]
Sjef van Dooremalen [1,2]

Absent:
Cees Maas [2]
Wim Meijer [1]

1 Member of the Projects Committee
2 Member of the Audit Committee
3 Member of the Selection, Appointment and Remuneration Committee

international development finance. This policy is evaluated annually by the aforementioned Committee, and is aimed at creating an employment package in line with market practice. Every three years, external remuneration policy and practice experts assess the employment package based on the demands of the job. The last such assessment was conducted by the Hay group in Zeist in March 2004.

Apart from a fixed salary, remuneration includes performance-related pay, pension and other components.

The fixed salary

For the fixed salary component, the third quartile of the relevant remuneration market for managing directors in the Netherlands is used, based on the aforementioned system of job-grading, on which the Hay group reported in March 2004 on the basis of figures for 2003. The fixed salary of the Executive Board members remained unchanged in 2004 in relation to the fixed salary in 2003. The fixed salary component of the remuneration policy will be evaluated in 2005.

Performance-related pay

This remuneration component consists solely of short-term variable salary in the form of bonuses. Performance-related pay is laid down in a bonus system that came into force on 1 January 2003. Based on this system and the budget adopted, a number of quantitative targets are set each year for the levels of new production, value adjustments and operating expenses, and the profit made on value adjustments. Both an on-target score and an outperformance score have been established for all quantitative targets. A number of qualitative targets for individual Executive Board members are also formulated each year on the basis of the bonus system. These targets concern matters requiring additional attention in the year in question. Qualitative targets are determined annually by the Selection, Appointment and Remuneration Committee at the start of the year, and are evaluated at the start of the next year.

For Executive Board members, the total on-target score amounts to 12% and the outperformance score to 20% of the total fixed income. In the case of the Chief Executive Officer, these figures are 15% and 25% respectively.

Pension scheme

A final salary pension scheme has been set up for Executive Board members, who are required to retire at age 62. For the former Chief Executive Officer, a pre-pension scheme from age 62 was set up in 2004 under existing contractual agreements. The related funding costs for the period 2001-2004 are set out on page 83.

As a result of changes to the statutory regulations, consideration will be given to how the pension scheme for the Executive Board and other staff can be brought into line with the new developments in the pensions field.

Other pay components

Other pay components consist of largely standard terms of employment and reimbursements. These include a contribution towards the costs of a lease car, health insurance and mortgage interest.
A summary of the total remuneration paid to the individual Executive Board members is set out on page 83 of this Annual Report.

Corporate governance

During the year under review, the Supervisory Board and the Executive Board decided to adopt the Tabaksblat Code on corporate governance by means of an amendment to the Articles of Association and various regulations and by the introduction of certain new regulations. The size of the Supervisory Board is also being brought into line with that of the organization. It was further decided that the Projects Committee should no longer be concerned with the detailed analysis of individual projects but should be allowed to examine company policy and strategy in a more fundamental sense.

The legislation amending the two-tier board regulations in the Netherlands came into force on 1 October 2004 and was also implemented in the company's Articles of Association. Among other implications, this amendment means that the members of the Supervisory Board will in future be appointed by the General Meeting of Share-holders on the nomination of the Supervisory Board. A third of the members the Supervisory Board is required to nominate the individual recommended by the Works Council.

The above proposals, including the amendment of the Articles of Association, will be submitted for approval to the Annual General Meeting of Shareholders on 18 May 2005.

The foregoing is discussed in more detail in the chapter FMO Corporate Governance.

Personnel changes

L.J. de Waal and C.H.A. Collee retired by rotation at the Annual General Meeting of Shareholders on 11 May 2004.

In accordance with the provisions of the covenant of 14 May 2002, the FNV and CNV trade unions, in consultation with the Supervisory Board, agreed to the reappointment of De Waal to the Supervisory Board. In accordance with the same covenant, the holders of category 'B' shares agreed on 11 May 2004 to the reappointment of Collee as a member of the Supervisory Board. The General Meeting did not make use of its right to recommend another candidate or to object to the proposed reappointment. The Board reappointed De Waal and Collee as members of the Board at its meeting on 11 May 2004.

A detailed statement concerning the individual members of the Supervisory Board, including the year of first appointment, current terms of office and maximum period of membership, is provided on page 56/57 of this annual report. Board members Angenent, Hoekman, Bukman and De Leur met on four occasions with the Executive Board; Board members Maas, De Waal and Terpstra three times; Board members Meijer and Van Dooremalen twice; and Board member Collee once. In the Board's view, the independence criterion for the Supervisory Board has been fulfilled.

At an Extraordinary General Meeting of Share-holders held on 16 December 2004, note was taken of the proposed appointment of R.A. Arnold as Chief Executive Officer of the company to succeed R.M. Barth, who left the company as of 1 January 2005. The Supervisory Board appointed Arnold as Chief Executive Officer of the company as from 1 January 2005.

Under Barth's leadership, FMO saw a marked rise in standards over a period of five years with impressive results regarding development relevance and further professionalization of the organization. The Supervisory Board is indebted to Barth for his input and dedication and wishes Arnold every success in his new position.

The Board expresses its special appreciation for the expertise and major dedication with which FMO management and staff performed their activities in 2004.

The Board endorses the report of the management and the other information required by law. We propose that the General Meeting of Shareholders adopt the annual accounts 2004 and also discharge the Executive Board with respect to its management and the members of the Supervisory Board with respect to their supervision in the year 2004.

The Hague, 17 March 2005

Willy Angenent
Chairman of the Supervisory Board

FMO will annually set out the main elements of the corporate governance structure in the annual report, submitting any substantial change therein to the General Meeting of Shareholders for discussion. The main elements of the present corporate governance structure are presented in this section.

FMO Corporate Governance

Structure, policy and compliance

FMO is a company with a two-tier board within the meaning of Article 2:153 of the Netherlands Civil Code. The Act to amend the two-tier company board regime in the Netherlands came into force on 1 October 2004, and will also be implemented in the Articles of Association in 2005. Among other implications, this means that members of the Supervisory Board will in the future be appointed by the General Meeting of Shareholders at the nomination of the Supervisory Board. With respect to a third of the members of the Board, the Supervisory Board is required to nominate the individual recommended by the Works Council. The aforementioned Act also means that the financial statements will in the future be adopted by the General Meeting of Shareholders.

The Dutch corporate governance code, consisting of 21 principles and 113 best practice provisions, was published in December 2003. This code, commonly referred to as the Tabaksblat Code after its chairman, applies to listed companies from the financial year commencing on or after 1 January 2004 and has obtained statutory status from 1 January 2005.

Listed companies are consequently obliged to include a section in their annual reports indicating the way the company applies the corporate governance code. As indicated above, FMO is not a listed company. Nevertheless, the Supervisory Board and the Management Board decided as early as in 2004 to adopt the code and, like a listed company, to report on corporate governance in the annual report for 2004.

The Management Board and the Supervisory Board of FMO share the basic principle on which the code is based, namely that the company is a long-term partnership of various parties. These stakeholders are the groups and individuals who, directly or indirectly, influence or are influenced by the achievement of the company's objectives. These include employees, shareholders and other capital-providers, and clients, as well as the government and groups in civil society. The Management Board and the Supervisory Board have an integral responsibility for weighing these interests, generally aimed at the continuity of the company.

The Executive Board and the Supervisory Board indicated at the General Meeting of Shareholders held on 11 May 2004 that they would be implementing the Tabaksblat code, according to the principle, 'Apply where possible; explain where necessery.' During the course of the year under review, however, it became clear that the code could be applied in its entirety. For this reason it will be sufficient below to indicate which principles and best practice provisions of the Dutch corporate governance code bearing on the Executive Board and the Supervisory Board do not apply. This concerns the following provisions of the code:
Article II.2.1 - II.2.5. and II.2.14. These provisions relate to the granting of options to Executive Board members in order to acquire shares and the conditions under which these may be granted. No options are granted at FMO.
Article III.8.1 - III.8.4. These provisions concern the one-tier management structure and therefore do not apply to FMO.
Article IV.1.1. This provision concerns the appointment of members of the Executive Board and the Supervisory Board by means of a binding recommendation in the case of non-two-tier companies. This provision does not apply as FMO is a two-tier company.
Article IV.1.2. The voting rights on financing preference shares are based on the fair value of the capital contribution. FMO does not have financing preference shares and this provision does not therefore apply.
Article IV.1.7. The company determines the registration date for the exercise of voting and meeting rights. Since FMO has registered shares only and the identity of all shareholders is therefore known, there is no requirement for separate registration.
Article IV.2.1. - IV.2.8. These provisions concern the issuing of depositary receipts for shares. There is no such requirement at FMO, apart from which the Articles of Association lay down that the company is not permitted to cooperate in issuing depositary receipts for shares.
Article IV. 3.1. - IV.3.5. These provisions relate to analysts' meetings and presentations to institutional investors. These provisions are of no practical significance for FMO and do not therefore apply.
Article IV.3.9. The management provides a survey in the annual report of all the anti-takeover measures to prevent control from being relinquished. This provision does not apply to FMO.
Article IV.4.1. - IV.4.3. Institutional investors annually publish their policy with respect to the exercise of voting rights on shares in listed companies, report annually on the implementation of the aforementioned policy, and report at least once a quarter on the voting behavior at general meetings of shareholders. FMO could be designated as an institutional investor within the meaning of the code, but these provisions may be assumed to relate solely to Dutch listed companies and as such do not have any practical significance for FMO.

Compliance with and enforcement of the code

FMO will annually set out the main features of the corporate governance structure in its annual report and will submit any substantial changes therein to the General Meeting of Shareholders for discussion. Information on corporate governance, rules and regulations may be found on the FMO website (www.fmo.nl) under corporate governance. The main elements of the present corporate governance structure are discussed below.

Management Board

The Executive Board consists since 1 March 2005 of two directors as provided for under the Articles of Association, namely the Chief Executive Officer and the Chief Investment Officer, and one director not provided for under the Articles of Association, namely the Chief Risk & Finance Officer.

Supervisory Board

As at 31 December 2004 the Supervisory Board consisted of 10 members. Hitherto the members of the Board have been appointed by the Board itself. Under the aforementioned Act amending the two-tier board structure, members of the Supervisory Board will henceforth be appointed by the General Meeting of Shareholders at the nomination of the Supervisory Board, starting at the General Meeting of Shareholders to be held on 18 May 2005. As

noted above, the Supervisory Board is required to nominate the individual recommended by the Works Council with respect to a third of the members of the Board.
The size of the Supervisory Board will be brought into line with the size of the organization. A proposal for the appointment of a new Supervisory Board reduced to six members is to be submitted to the General Meeting of Shareholders to be held on 18 May 2005.

Profile of the Supervisory Board

The profile of the present Supervisory Board has been incorporated in the so-called Covenant of 14 May 2002. In line with the statutory provisions and the provisions in the Tabaksblat code, a new profile of the Supervisory Board that is to take office as from 18 May 2005 has been drawn up. Information on these profiles may be found on the FMO website under corporate governance.

Supervisory Board committees

In practice, FMO will have the following three committees: the Audit Committee, the Selection, Appointment and Remuneration Committee and the Projects Committee. From the viewpoint of good corporate governance, it has been decided that it is desirable for the Projects Committee no longer to be concerned with the detailed analysis and approval of individual projects, but to be given the space to examine company policy and strategy in greater depth. This committee will therefore be transformed into a Policy & Strategy Committee no later than 18 May 2005.
The role and competencies of these three committees have been laid down in detail in the revised regulations for these committees adopted as of 17 March 2005. These revised regulations have been placed on the FMO website under corporate governance.

Remuneration of the Supervisory Board

The General Meeting of Shareholders set the annual remuneration of the members of the Supervisory Board in 1997 at EUR 15,882 for the chairman, EUR 11,344 for the deputy chairman and EUR 9,075 for the members. The members of the Projects Committee each receive a supplementary annual payment of EUR 4,537.
The remuneration will be revised for the amended Supervisory Board as from 18 May 2005 and corresponding proposals will be submitted to the General Meeting of Shareholders to be held on 18 May 2005.

Transactions involving a conflict of interest

No transactions took place during the financial year within the meaning of the best practice provisions II.3.4, III.6.3 and III.6.4 in which there were conflicts of interest involving Executive Board members, Supervisory Board members or natural persons and/or legal entities holding at least 10 percent of the shares in the company.
Transaction between FMO and ABN AMRO Bank N.V. (holding more than 10 percent of the shares in the company) took place ‘at arms length’ in accordance with the usual term (Tabaksblat code III.6.4).

General Meeting of Shareholders

A General Meeting of Shareholders is held once a year. Other shareholders’ meetings may be held at the request of the Executive Board or the Supervisory Board. Shareholders representing at least a twentieth of the company’s issued capital may also convene a meeting.

Capital and shares

The authorized and issued capital of the company consists of category A shares and category B shares. Category A shares may solely be placed with the State of the Netherlands. Details on the composition of the authorized and issued capital may be found on page 78 of this report.

Dividend policy

A proposal for a revised dividend policy will be submitted to the General Meeting of Shareholders to be held on 18 May 2005.

Internal risk management and control systems

In accordance with best practice provision II.1.4, the Executive Board is required to declare that the internal risk management and control systems are adequate and effective. Although the Executive Board considers that these systems, as geared to FMO, are in place (see for example the chapter on Quality Control and Risk Management), FMO does not as yet have the relevant monitoring systems. The Executive Board has therefore taken measures to ensure that a management report as referred to in the Tabaksblat code can be drawn up for the financial year 2005. Developments at other (comparable) institutions will be monitored.FMO intends to introduce in 2005 a monitoring system based on a nationally or internationally developed set of standards under which it will be possible to issue an in-control statement within the meaning of the Tabaksblat code on corporate governance.

Management and organization

Management Team

R. Michael Barth* (1949)
From 1 January succeeded by
R. Arthur Arnold* (1946)
chief Executive officer
Nanno D. Kleiterp* (1953)
chief Investment officer
F. Wiegert Mulder (1964)
Off duty since 1 March 2005
chief Financial officer
Nico K.G. Pijl (1951)
chief Risk & Finance officer
Jan-Thijs Both (1961)
Human Resources

Managers

Corporate

Eric P. Kahle (1962)
Facility Management
Ben M. de Koning (1964)
Internal Audit
D. Boudewijn Rietveldt (1944)
From 1 January succeeded by (ad interim)
Ernst F. van Splunter (1963)
Corporate Affairs
Roeland van der Plaat (1963)
IT

Investment

Janos I. Bonta (1950)
Latin America & Caribbean
Emile H.J. Groot (1950)
Small & Micro Enterprices
George A.M. Meltzer (1954)
From 1 January succeeded by
Huub W.H.M. Cornelissen (1956)
Europe & Central Asia
Brigit L.J.M. van de Reyt (1968)
Private Equity
Wim J.M. Wienk (1953)
Asia & Syndications
Michèle M. Klaassen (1970)
Syndication-Productmanager
Joost M. Zuidberg (1964)
Africa
C.J. Jaap Wientjes (1956)
Investment Promotion
Erik van Dijk (1972)
Treasury

Risk Management & Finance

Huub W.H.M. Cornelissen (1956)
From 1 January succeeded by
George A.M. Meltzer (1954)
Investment & Mission Review
Frank J.M. Gosselink (1964)
Risicomanagement
Nico K.G. Pijl (1951)
(ad interim) *Legal Department*
H. Joan Mélis (1963)
Special Operations
Johan van Olffen (1975)
From 1 January succeeded by
Melchior de Bruijne (1974)
Finance & Control

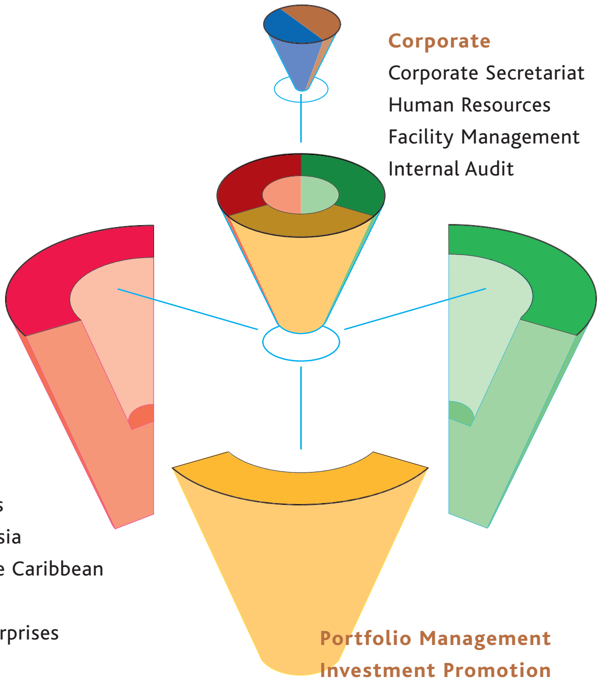
Work council

Yvonne J. Kurstjens-Bol (1968)
Chair
Martijn de Groot (1969)
Secretary
Rodolphe van den Berg (1947)
Gerrit-Jan H.E. Brunink (1965)
Steven S.A. Duyverman (1963)
Michèle M. Klaassen (1970)
Lidwien C.O.M. Schils (1965)

* *Member of the Executive Board*

Organization chart 2004

As at 31 December 2004



Corporate
Corporate Secretariat
Human Resources
Facility Management
Internal Audit

Financing & Private Equity/ FMO Finance
Africa
Asia & Syndications
Europe & Central Asia
Latin America & the Caribbean
Private Equity
Small & Micro Enterprises

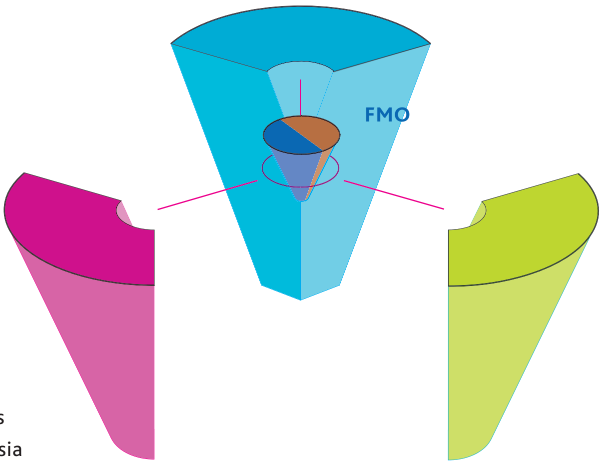
Financial Administration & IT
Treasury
Information Technology
Finance & Control

Portfolio Management Investment Promotion
Investment & Mission Review
Risk Management
Special Operations
Legal Department

Organization chart 2005

This organization chart is the result of a new division of tasks, effective 1 March 2005. A clear division between front-office and back-office activities is the basis for this.

Corporate
Corporate Affairs
Human Resources
Facility Management
Internal Audit
IT



Investment
Africa
Asia & Syndications
Europe & Central Asia
Latin America & the Caribbean
Private Equity
Small & Micro Enterprises
Investment Promotion
Treasury

Risk Management & Finance
Investment & Mission Review
Special Operations
Legal Department
Finance & Control
Risk Management

Inspiration

Motivation

Kerstin van der Ham (1972)

Secretary, Special Operations

'I've been working with FMO since July 1999. I began in the Europe and Central Asia department and, after some time in the IT department, I joined Special Operations, which deals with problem loans. Because we work in parts of the world where investment risk is high, problem loans come with the territory. Businesses can get into difficulties through faults that are not their own. Recessions, for example, can create difficulties. When this happens, my colleagues from Special Operations consult with local management to find suitable solutions. This assistance encourages businesses to become and remain healthy.'

Frank Gosselink (1964)
Manager, Risk Management

'Inspired by Jan Tinbergen, I studied econometrics at Rotterdam. In charge of FMO's risk management, I have the opportunity to work at top level within my area of expertise while demonstrating my commitment to development. FMO helps people in developing countries make money and use it as they see fit.

We offer all sorts of financial products – from straightforward to highly complex – depending on our customer's needs and risk profile, and we operate on the same economic principles used by any bank. Why do I like working for FMO? I would put the question differently: Why doesn't everyone want to work for FMO? To me, the career options at FMO are much more interesting than anywhere else.'

Angelica Ortiz de Haas (1970)
Investment Officer, Asia

'I enjoy working in a professional organization that makes a contribution towards a country's development. My previous work experience in Mexico gives me a good basis for working in the rapidly growing markets of Asia.
I've always wanted to make a difference in the world through my profession, and I enjoy the challenge of using financial structures to mobilize locally available money for our investment projects. Working at FMO also means that I'm constantly learning new things. The financial sectors and private firms work differently in each country, so coming up with the right solutions means being creative.'

Lodewijk de Waal (1950)

Supervisory Board member

'My interest in development goes back many years. I have always been involved with human rights and trade union rights. I certainly believe that a country's economy plays an important role in development, but the economy is not the full story: it is also a matter of making sure resources are fairly distributed. This is a role organizations such as trade unions must take on.
As a member of the FMO Supervisory Board, I particularly want to continue focusing on sustainability and social aspects. Introducing the scorecard, which measures the commercial, administrative, social and environmental aspects of development, has made it possible for FMO to demonstrate its added value in these areas.
I am all in favor that government schemes such as ORET, IFOM and IPTA are all handled by FMO. In administering these schemes, however, FMO must retain an independent position.'

FMO financing products

(See inside back cover for abbreviations)
FMO has a wide range of financing products and investment-promoting programs.

FMO Finance		FMO Investment Promotion
Tailor-made financing for FMO's account and risk	*Funds*	*Programs*
• Loans	• LDC Infrastructure Fund	• ORET
• Mezzanine financing	• IFOM	• IPTA
• Guarantees	• NIMF	• TAEM**
• Equity investments	• Small-scale Enterprise Fund*	
• Syndicated loans	• Seed Capital*	
	• Balkan Fund*	

** The funds aimed at financial sector development for micro-entrepreneurs and small-scale enterprises are to be amalgamated in 2005 into the new financial sector fund MASSIF.*

*** The TAEM scheme, administered by FMO on behalf of the Ministry of Economic Affairs, was terminated at the end of 2004.*

Management report

Management Board
From left to right:
Nico Pijl
Nanno Kleiterp
Arthur Arnold

FMO is interested in the work of artists from countries with which FMO does business. Some works of art are temporarily leased; others are bought, such as 'City Girl' (see above photo) by Nicolas Damas from the Ivory Coast.

2004 was the first year since the mid 1990s that FMO's area of operation was free of any severe recessions. A number of countries provided evidence of firm recovery. Economic growth in developing countries averaged more than 6 percent, the highest figure in 20 years. Particularly high growth rates were recorded in Asia, as well as in Eastern Europe and Latin America. The economy in Africa grew by 3 percent, a slight improvement on earlier years.

Introduction

The renewed increase in private capital flows to developing countries in 2004 – from USD 211 billion[1)] in 2003 to USD 279 billion – was particularly encouraging. Against these positive developments, however, is the unbalanced nature of these flows. In 2004 more than 50 percent of private capital found its way to Asia, most notably China. Eastern Europe followed at some distance, but Latin America and Africa benefited only to a limited extent from the increase in capital flow.

In many countries, micro-businesses and small and medium-sized enterprises, as well as successful, fast-growing businesses – known as second-tier enterprises, or those not forming part of a country's traditional top corporate tier – have little if any access to credit with which to fund further growth: Domestic banks and private investors regard the risks as excessive. For these categories of entrepreneurs, involvement of development banks such as FMO therefore remains vital.

Throughout the world there is a growing conviction that the private sector is the engine behind long-term development. In 2004 the United Nations Development Programme (UNDP) and the World Bank published reports about a healthy private sector's effects on poverty reduction. Both surveys emphasize the connection between a healthy financial sector, effective infrastructure, economic growth and poverty reduction. To this end, countries need to eliminate the often stifling administrative and legal regulations that restrict private sector growth.

FMO in 2004

The positive economic climate in its sphere of operations meant that 2004 was an exceptional year for FMO. Thanks to substantially higher income and substantially lower value adjustments, 2004 net profit amounted to EUR 36 million (2003: EUR 20 million). Consistent emphasis on intensive management and increasing the quality of the portfolio resulted in lower value adjustments on loans.

1) *Institute of International Finance*

Commitments FMO
(amounts in EUR millions)

	2003		2004
Finance	**458**	Own risk	**531**
	92	Funds	**74**
	550	Total Finance	**605**
Investment Promotion	**94**	Government programs	**84**
	644	**FMO total**	**689**

During the year under review, FMO granted a record number of new loans: 111 contracts were signed with a total value of more than EUR 605 million (2003: EUR 550 million). The majority of these financing arrangements related to Africa. Special funds provided by the Dutch government played an important and pioneering role.

Most of the loans were provided to the financial sector, with particular emphasis on encouraging domestic banks to provide services to local trade and industry. Considerable emphasis was also placed on international trade finance to encourage exports of goods by countries. Also notable was the increase in the number of loans for infrastructure projects. Once again, Africa headed the field in this area. With five new power projects, FMO made a modest contribution towards improving the reliability and availability of electricity on a continent where less than 10 percent of the population has access to electricity.

Of particular note is the fact that, for the first time in four years, FMO recorded a positive result on its participations. With the aid of a number of substantial syndicated loans, FMO was able to promote its role as a catalyst, especially in Latin America.

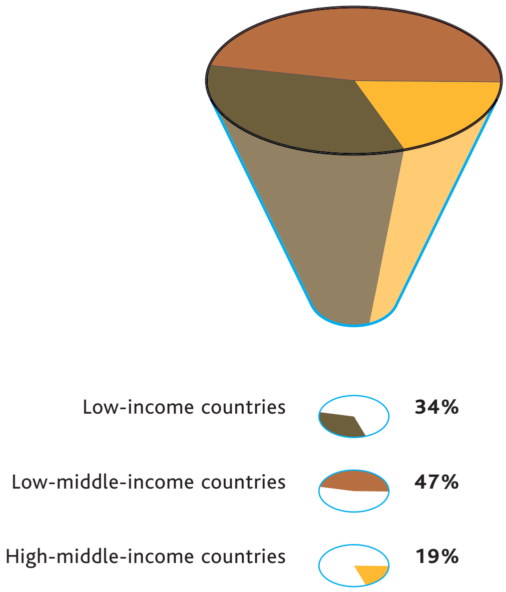
Partners

FMO's success is inextricably tied to the success of its partnerships with local, international and Dutch players. These intensive alliances mean that substantially more investment capital can be mobilized than FMO would be capable of doing alone. Additionally, these partnerships contributed towards cost efficiency and spreading of risks.

FMO extended administrative and practical cooperation with its German counterpart DEG in 2004. DEG is now involved in nearly 30 percent of FMO's financing transactions.

In the Netherlands, the government and a number of banks, including FMO, pooled their expertise under the name *Nederlands Samenwerkingsverband voor Financiële Sectorontwikkeling* (Netherlands Association for Financial Sector Exchange – NFX) with a view to stimulating the financial sector in developing countries, emerging markets and transition countries.

Portfolio FMO Finance by country income category
(volume)



At European level, the European bilateral development banks (EDFIs) and the European Investment Bank established the European Financing Partners (EFP). This financing facility is aimed at investments in large-scale infrastructure projects and credit facilities for local banks in Africa, the Caribbean and the Pacific.

Together with DEG and a number of local partners, FMO set up the Balkan Mezzanine Fund to strengthen the development of the financial sector in that region.

Together with local partners in investment funds, FMO promotes the building of local capacity. In Africa, it is working with a number of successful financial partners on the gradual expansion of a reliable and accessible bank network covering a growing number of countries.

Development value

Good financial results provide the foundation for FMO's primary objective – encouraging sustainable growth in developing countries at the economic, social and environmental levels. However difficult it may sometimes be to define development value, FMO consistently seeks to improve the measurability of its creation – the organization's *raison d'être*. To this end, in 2004 the aspects for measuring development value and FMO's role as a development financier were included in the improved scorecard. A start was also made on drawing up new guidelines for use in the approval of financing proposals.

These adjustments arise in part from recommendations made by Capgemini, which conducted an evaluation in 2004 of the Agreement between the State and FMO during the period 1999-2004. The evaluation revealed that the organization had professionalized greatly over the past five years. With an average growth rate of 5 percent a year, FMO developed during that period into a sustainable bank making an effective contribution towards the development of the private sector in developing countries.

At nearly EUR 500 million a year, FMO is one of the biggest Dutch private sector investors in the developing world. FMO's activities have also had a knock-on effect, with local and international private players investing a further four to five times in developing countries between 1999 and 2004.

FMO has given real meaning to the concept of development value. The external researchers have established a clear connection between development result and financing result. In addition, development has grown over the past five years, and the scorecard has made development more measurable in commercial, administrative, social and environmental terms.

Finally, Capgemini reports favorably on the internal and administrative organization, the periodic reporting to shareholders and the governance and the supervision of FMO.

According to ministers Zalm (Finance) and Van Ardenne (Development Cooperation), the evaluation confirms that FMO provides an effective channel for private sector development as a sustainable development bank – and so makes an effective contribution towards poverty reduction and the attainment of the Millennium targets.

Tsunami

On 26 December 2004 hundreds of thousands of people in Asia and East Africa lost their lives as a result of a tsunami. The disaster brought about huge personal and economic loss in large parts of FMO's area of operation. The role that FMO can play in reconstruction of the affected areas will become clearer over the course of 2005. The disaster was also a tragedy for FMO at a personal level: at the end of December it became clear that one of FMO's staff was among those missing. FMO management and staff did what they could, both directly and indirectly, to help trace her. At the time of going to press of this report FMO received notification that more than three months after being reported missing, her body was identified by the disaster identification team. FMO has lost a greatly valued and likeable colleague.

Prospects for 2005

Results for 2005 are hard to predict. Despite the further increase in private capital flows anticipated in 2005, a slight weakening of economic growth is foreshadowed in all regions. FMO operates in politically and economically fragile regions and countries that are vulnerable to terrorism and sensitive to sustained high oil prices, a further weakening of the dollar vis-à-vis the euro and interest rate hikes in the United States.

The implementation of the new International Financial Reporting Standards (IFRS) result in a different method of calculating value adjustments and an increase in the balance sheet total. FMO will continue down its chosen path: taking financial risks in order to promote entrepreneurship in developing countries. Further improvement of the quality of the portfolio and the expansion of active partnerships will remain vital considerations. Policy will be tightened in a number of respects. In the case of investments in the extractive industries, FMO will broadly fall in line with the World Bank's vision as far as environmental and social aspects are concerned. FMO intends to concentrate more heavily on development of the financial sector in smaller economies and the western Balkans, the Mekong Basin, Central America and West Africa, and on infrastructure financing. Special attention will be paid to financing second-tier firms, as referred to previously.

One of the policy priorities in 2005 and beyond will be to increase the development return. Development value considerations will be taken more closely into account in the selection of new financing arrangements. The introduction of specialized portfolio management within the regions will also be designed to enhance development value, for example by improvements in social and environmental policy and corporate governance.

The amalgamation of the Balkan, Seed Capital and Small-Scale Enterprise Fund to form MASSIF will be completed in 2005. In the case of the Development Related Export Transactions (ORET) program, financing possibilities have been expanded in close consultation with the Minister for Development Cooperation, while the criteria have been simplified. These adjustments will strengthen the synergies among the various financing instruments at FMO's disposal and will increase possibilities for generating development value.

FMO has once again concluded a successful year. In 2003, the first fruits of the operational and organizational improvements made in previous years were harvested; this applied even more in 2004. In addition, a number of special developments increased the result. FMO consequently increased net profit substantially, from EUR 20 million to EUR 36 million.

Financial results

Portfolio and production

The bulk of the financing portfolio is sensitive to fluctuations in the US dollar. Despite the fact that the US dollar fell by 9 percent against the euro, FMO managed to record an increase of EUR 109 million on the FMO Finance portfolio.

Disbursements made exceeded expectations and were more than sufficient to offset the dollar effect and the repayments. The portfolio of State-guaranteed government securities rose by EUR 33 million (19 percent).

At EUR 605 million, FMO finance's new commitments were well above the 2003 level of EUR 550 million. Investment Promotion's commitment level amounted in 2004 to EUR 84 million, slightly below the level of EUR 94 million in 2003.

Income and operating expenses

Total income amounted to EUR 132 million, compared with EUR 109 million in 2003. FMO did exceptionally well with respect to certain equity investments which it was able to sell to advantage or which offered high dividends. These results can, however, fluctuate sharply from year to year and are affected by currency exchange rate variations. Both interest income and interest charges were higher in 2004 than 2003, primarily because of the higher level of investments in the financing portfolio and in treasury. In anticipation of the switch to IFRS, FMO prematurely unwound a number of derivative positions, resulting in extraordinary income of EUR 4 million in 2004.

Operating expenses increased by 10 percent on 2003. The investments in IT projects and the costs of the switch to IFRS increased operating expenses, apart from which FMO recognized a supplementary pension charge. The present investment period is expected to be sustained in 2005, after which operating expenses are expected to grow more moderately.

Provisions

As a result of the consistent emphasis on intensive management and subsequent improvement in the quality of the portfolio, the necessary value adjustments continued on a downward path. FMO added a net EUR 41 million to value adjustments to loans, guarantees and equity investments 2004, compared with EUR 47 million in 2003. At the end of 2004, the total value adjustments as a percentage of the gross loan and equity investment portfolio amounted to 17.1 percent (2003: 20.5 percent).

Specific value adjustments on loans have been evolving favorably. A high proportion of the provisions formed at an earlier point, e.g. at a time of recession in FMO's area of operations, have been recouped by means of tighter management and successful collection of outstanding debts. Partly as a result, the 'infected' portfolio fell substantially from 25 percent at the end of 2003 to 17 percent at the end of 2004, while retaining adequate provision cover of around 61 percent. An initial survey conducted after the tsunami in Asia revealed little if any damage to FMO's investment projects.

The new value adjustment policy on loans became operational on 1 January and is now in line with IFRS. The Incurred But Not Reported (IBNR) provision relates to risks that are present but have not yet been identified in the non-infected portfolio. These risks are calculated on the basis of an advanced model and depend on such factors as country ratings, portfolio breakdowns, default risks and recovery rates. The marked rise in the non-infected portfolio as a result of a clear rejuvenation of the portfolio resulted in a net addition to the IBNR provision of EUR 37 million.

A sum of EUR 7 million was added to the reserve for value adjustments on equity investments, comparable to the level of EUR 6 million in 2003. The sustained depreciation of the dollar has reduced the market value and it is unclear whether or when the dollar will start recovering.

Dollar sensitivity

FMO operates in a dollar-related environment. Approximately 80 percent of all portfolio transactions consist of dollar-denominated loans. Since FMO itself reports in euros, this means that it must take account of the effects of fluctuations in the dollar. These exchange rate fluctuations affect the balance sheet and profit and loss account items reported by FMO, as well as the recorded production figures and portfolio positions. The effects on the net profit, however, are limited since the balance sheet and the majority of the profit and loss account is (naturally) hedged.

Funding

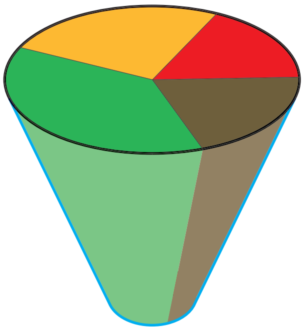
During the year under review, the European Medium Term Note (EMTN) program once again attracted funding on attractive terms, albeit with less emphasis on structured notes for Japanese investors. EMTN loans totaling EUR 323 million were issued, while a sum of EUR 303 million was redeemed on funding contracts. Apart from the structured notes, 'plain vanilla' funding contracts were also concluded in 2004, especially in USD and AUD.

The EMTN loans are predominately converted into variable-rate USD funding by means of interest currency swaps. In addition, derivatives are taken out in order to control the interest rate and currency risks. At the end of 2004 the nominal value of the outstanding derivatives was EUR 1.6 billion.

Balance sheet

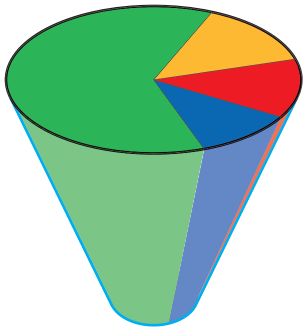
In anticipation of the introduction of IFRS as of 1 January 2005, the composition of the balance sheet changed somewhat during the year under review. As part of the interest rate risk management with respect to utilization of FMO's equity, a bond portfolio was built up, resulting in a shift from short-term liquid assets to interest-bearing securities of approximately EUR 316 million. The limited increase in the total assets of EUR 138 million came primarily from the growth of the portfolio of loans and equity investments in developing countries (EUR 109 million).

FMO Finance Portfolio
by sector
(outstanding and committed,
amounts in EUR millions)



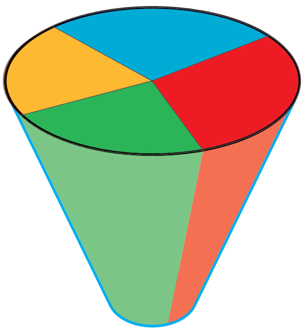
Financial sector	**754** (38%)
Infrastructure	**500** (25%)
Industry	**344** (17%)
Other	**384** (20%)
Total	**1,982**

FMO Finance Portfolio
per product
(outstanding and committed,
amounts in EUR millions)



Loans	**1,212** (62%)
Mezzanine	**286** (14%)
Equity investments	**258** (13%)
Guarantees	**226** (11%)
Totaal	**1,982**

FMO Finance Portfolio
by region
(outstanding and committed,
amounts in EUR millions)



Africa	**456** (23%)
Asia	**414** (21%)
Europe & Central Asia	**513** (26%)
Latin America & the Caribbean	**599** (30%)
Totaal	**1,982**

Development Fund

In 2004 the State of the Netherlands deposited EUR 37 million in the Development Fund, increasing the fund's assets to EUR 621 million. The income from FMO's equity, including the Development Fund, made an important contribution towards FMO's results. This income has been invested in the domestic and international capital markets and in the form of loans and equity investments in FMO's area of operations.

Inclusion of government funds in the annual accounts

Apart from financing activities for own account, FMO undertakes activities under government guarantee. These activities are designated as the funds and are concerned with specific objectives. The funds have grown in scale and have become increasingly integrated with the FMO organization and activities. As from 2004, the fund activities have therefore been included in the annual accounts. The comparative figures for 2003 have been adjusted correspondingly. The effect of the inclusion of these funds on FMO's equity and result is zero since these activities were funded out of borrowing in 2003 and 2004 and FMO has a contractual right to charge any losses arising from these activities to the State.

Where relevant, the annual accounts indicate the difference between loans and equity investment funded out of FMO's own resources and loans and equity investments financed out of funds provided to FMO.

International Financial Reporting Standards

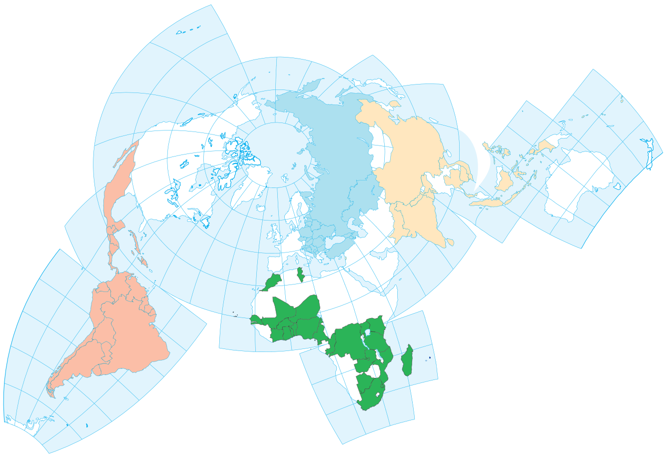
FMO will be reporting on the basis of the new International Financial Reporting Standards (IFRS) as from 1 January 2005. With this in mind a start was made as early as 2003 on surveying the differences between IFRS and the present reporting arrangements. FMO went to considerable lengths in 2004 to make the necessary changes to deal with these differences, so that the consequences for the organization, systems and risk management could be properly addressed.

The consequences of the IFRS transition concern necessary adjustments to our treasury systems, portfolio administration, pension calculations in accordance with IAS 19, fair value calculations of our equity investments portfolio and bringing our treasury and risk management instruments into line with the standards laid down in IAS 39 and IAS 32.

FMO commenced preparations at an early stage. In anticipation of the switch to IFRS, FMO developed a new value adjustment policy at the end of 2003, part of which is the Incurred But Not Reported Provision. The new policy was put into operation in 2004.

FMO Finance

FMO grew strongly in Africa. Key aspects of FMO's policy are local capital market development and infrastructure.



Africa

Portfolio
FMO Finance in Africa
(outstanding and committed, amounts in EUR millions)

Infrastructure 174 (38%)

Financial sector 113 (25%)

Industry 20 (4%)

Other 149 (33%)

Total 456 (100%)

The year 2004 was not marked by any undue macro-economic disturbances in the region and there was also relative political stability. One exception was Ivory Coast, where the situation deteriorated still further.

Government policy is providing support for further development of the private sector in a growing number of countries. Although the continent of Africa remains largely off the map as far as large international banks and investors are concerned, the economic climate is reasonably favorable. Falling interest rates have meant higher growth in South Africa. In various other countries, the growth rate is between 3 and 4 percent.

FMO consolidated its position in the focus areas of West, East and Southern Africa in the power, telecommunications and mining sectors. This consolidation applied in particular to the focus country of Nigeria and to corporate governance and social and environmental policy. The portfolio grew strongly. Both the number and the average size of transactions grew. Resources provided by the State have enabled FMO to open new horizons in the region. Income and disbursements were higher than expected, and risk costs were lower.

In the financial sector, strategic relations with large local partners such as the Guaranty Trust Bank, Access Bank and the Bank of Africa group have been expanded, and possibilities for joint marketing and product development are being explored. Development of more equal relationships reflects the success of FMO's investments over the years.

Portfolio development

FMO concluded 27 financing contracts with a total value of EUR 126 million in 2004. In the financial sector FMO played a pioneering role in setting up the European Financing Partners (EFP), in which various European development banks pool their capital, knowledge and experience with a view to making investments in the financial sector and infrastructure in Africa, the Caribbean and the Pacific. FMO is making a prominent

contribution with expertise in the social and environmental field.

Kingdom Zephyr, IFC and FMO are jointly investing in Micro Provident Botswana Ltd., a financial institution in Botswana concerned with consumer finance, to enable the company to expand into other countries in the region. FMO is also participating in two SME private equity funds. Together with a Tunisian partner, Tuninvest, FMO set up the AfricInvest Fund, in which the European Investment Bank and various African partners have also taken stakes. The fund provides risk-bearing capital to local SMEs. FMO's follow-up investment in the Ghanaian Fidelity Private Equity Fund Ltd. is aimed in particular at raising SME finance through local partners and offering equity products. In addition, FMO was closely involved with the formation of the Kingdom Zephyr investment fund, which is aimed at pan-African companies.

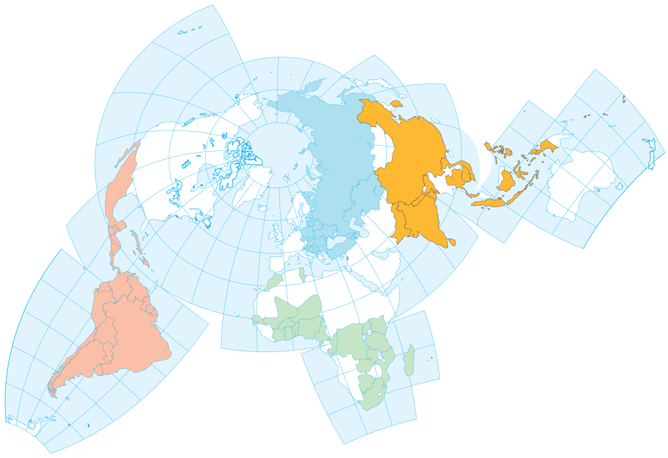
Financial sector development remains a key focus point in FMO's policy in Africa. FMO extended its participation in Bank of Africa Senegal and provided a guarantee on a local currency loan to Société Camerounaise de Crédit Automobile, a financial institution in Cameroon.

FMO also acted as co-financier of new power plants in Cameroon and Nigeria. Just 2.5 percent of the population of Cameroon has access to electricity. The new plant will mean a greater number of connections, increased reliability and reduced dependence on hydro-electric power. In providing the finance, FMO laid down supplementary requirements in the social and environmental fields. The new Nigerian gas-fired power plant will supply 8 percent of national electricity production. Seven commercial and development banks headed by FMO and AMB (a Fortis Bank subsidiary) were involved in the project. In a syndicate including DEG, FMO financed the Sasol project in Mozambique for gas extraction, processing and transport.

In Mtwara, Tanzania, FMO provided technical assistance for a small-scale gas development project under which a remote rural area lacking connections to the national grid will be provided with power.

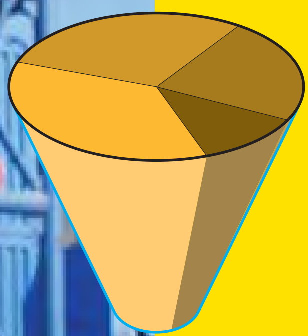
FMO is also involved in mining projects in Southern and East Africa. The Moma project deals with the operation of a titanium-dioxide mine in Mozambique and is creating direct, local employment and generating tax revenues for the government. Kasanshi mining operates a copper mine in a remote part of Zambia and, in addition to direct employment, is contributing to local economic activity and the development of a social infrastructure. In addition, FMO granted a loan and a guarantee to Africa's largest soda producer in Kenya, Magadi Soda Company. The company is not just economically important as an exporter, but also plays an important community-building and social role for the local population in the remote region.

Asia grew strongly in 2004, but the role of development banks such as FMO remains indispensable.



Asia

Portfolio
FMO Finance in Asia
(outstanding and committed, amounts in EUR millions)



Financial sector 149 (36%)

Industry 120 (29%)

Infrastructure 96 (23%)

Other 49 (12%)

Total 414 (100%)

For the most part, high growth rates were sustained in the region in 2004. China was the trendsetter. India, Indonesia and Thailand also grew vigorously. The Chinese government has now taken measures to prevent the economy from overheating, which will make it more difficult for Chinese entrepreneurs to obtain funding from local banks. The exception to these developments is the Philippines, where there was a substantial deterioration in the macro-economic situation. The policy of restoring order to public finances is not sufficient.

The positive outlook for the leading Asian countries is increasing the region's attractiveness for the international banking system, as reflected in a growth in willingness to invest on a large scale. In particular, banks are concentrating on large international corporations setting up in the region, the top tier of local trade and industry and infrastructure projects in China, India and Thailand. In addition, these countries are benefiting from many Western enterprises move to relocate production facilities to Asia.

Despite the economic growth, the contribution of development banks remains indispensable. The majority of people are still not benefiting from the increase in prosperity, while small and second-tier firms have little if any access to investment capital. Furthermore, the increasing links between Asian countries and the West mean that greater demands are being made on environmental and social conditions and corporate governance. By introducing best practices, development banks such as FMO are able to play an important role in these fields.

Portfolio development

FMO managed to improve the quality of its Asian portfolio markedly in 2004. A number of problematic loans were repaid, and risk costs turned out lower than in 2003. In total, FMO financed 21 projects worth EUR 103 million during the year under review.

FMO entered a partnership with Rabobank India Finance under which agreements were reached

on risk-sharing in joint projects. Apart from financial resources, FMO will also make a contribution with respect to corporate governance and environmental and social policy. The scope for similar cooperation with Rabobank Indonesia is being explored.

DEG acted as a partner for FMO in financing arrangements in China, India, Cambodia and Bangladesh. One of these projects involved an FMO loan of USD 15 million to a Chinese service provider in the oil industry, Titan Petrochemicals Group. The company was unable to raise the long-term credit it needed to sustain its growth from local and international banks. At the same time, agreements were reached with Titan about maintaining social and environmental standards and setting up an HIV/AIDS awareness program.

In anticipation of its flotation on the NASDAQ in 2005, the Chinese broadband network company Beijing Harbour Networks Ltd, which operates in the rapidly growing telecommunications sector, received a working capital loan of USD 10 million, and assistance in setting up a corporate governance improvement program. FMO provided EUR 2.3 million in risk capital out of its IFOM fund to a Sino-Dutch joint-venture, the fish processing company Starfish. A unique aspect of this financing arrangement was the specific structuring and the social improvement plan at Starfish, on which agreement was reached.

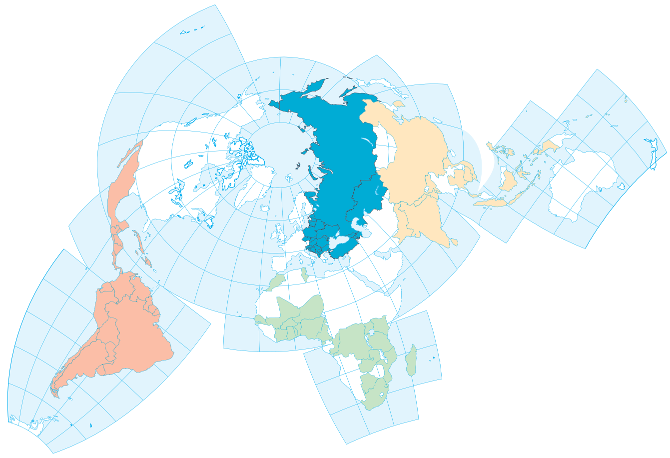
In India, the pharmaceutical manufacturer Dishman Pharmaceuticals and Chemicals was able to expand its production facilities with the aid of a joint loan provided by Rabobank India, DEG and FMO, whereby FMO accepted special responsibility for supervising the improvement of social and environmental policy at Dishman. FMO also provided a USD 12 million loan to Rain Calcining for expansion of its production facility and export activities. This Indian company produces CPC, an important raw material for aluminum production.

FMO strengthened its position in the financial sector in Bangladesh with loans to five local banks. Thanks to a guarantee facility of USD 8.8 million, four private banks were able to step up activities in import financing. In addition, FMO provided a mortgage loan of EUR 2.5 million and an export loan of USD 3.75 million to Dutch-Bangla Bank Limited. In the Mekong Basin, loans were provided to banks in Cambodia and Vietnam.

In China, FMO entered into two equity participations. These enabled Asia Food, a company in the agricultural industry, and Asimco Technologies Ltd, a manufacturer of automobile components, to achieve further growth. The successful sale of the equity participation in New China Life – one of the top five life insurance companies in China – is noteworthy. FMO also sees interesting sales opportunities in 2005. FMO’s selective participation policy and close collaboration with clients means that Chinese companies are now visibly better placed to raise risk capital in the domestic and international markets. In India, FMO took an equity participation of EUR 2 million in two leasing companies owned by Shriram.

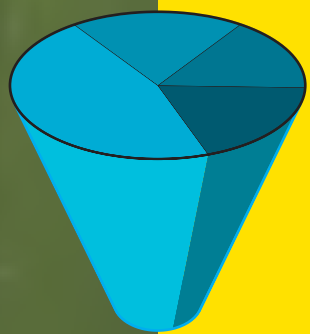
In November 2004, FMO organized a successful seminar in Hong Kong for Chinese and Dutch business associates, with special attention to corporate governance. In Bangladesh, India and Vietnam, FMO successfully organized environmental management and balance sheet management courses for financial institutions.

FMO financed mainly local banks, enabling them to improve their services to SMEs. Thanks to the IFOM scheme, many Dutch companies also invested heavily in the region.



Europe & Central Asia

Portfolio
FMO Finance in Europe & Central Asia
(outstanding and committed, amounts in EUR millions)



Financial sector 234 (46%)

Industry 99 (19%)

Infrastructure 81 (16%)

Other 100 (19%)

Total 513 (100%)

The year 2004 was a historic one for the region. On 1 May, 10 countries – mainly East European – acceded to the European Union (EU). Bulgaria and Romania are in line for membership in 2007 and the EU door was opened further for Turkey. The EU was responsible for dynamic change in the region in many areas. In countries such as Georgia and the Ukraine, new presidents who owed their election to their clear orientations towards the West took office. Croatia, Serbia Montenegro, Bosnia Herzegovina and Macedonia made clear that they aspired to EU membership and embarked on political, economic and social reforms.

Turkey, Romania and Russia recorded particularly strong economic growth of more than 6 percent. Russia benefited from the rising price of oil, but its marked dependence on oil exports and the internal political situation leave the country vulnerable.

In Eastern Europe, consumer markets are developing rapidly. There is considerable demand for a wide range of products and services, such as mobile telephony, lease financing and mortgages. Requirements for the organization of banking markets imposed by EU membership mean that the latter are rapidly being reformed, while state enterprises are being privatized. Such developments are making these markets more attractive for commercial banks.

The impact of all these developments on FMO's activities in the region remains to be seen. In any event, FMO is concentrating more heavily on second-tier firms and entrepreneurs in the small, medium-sized and micro segment, which still have limited access to borrowed capital. In addition, attention is being paid to corporate governance and social and environmental policy.

Portfolio development

The regional portfolio grew in 2004 by 17 percent to EUR 363 million. In 2004, FMO financed 40 projects with a total value of EUR 208 million. FMO concentrated via equity investments in various funds on second-tier firms and on SMEs.

The Balkan Accession Fund was established by FMO, DEG and a number of local partners to encourage development of young firms in Balkan countries through mezzanine loans. The Advent equity fund, in which FMO took a further holding, concentrates on somewhat larger unlisted companies in Eastern European countries. The fund's regional diversification makes it possible to invest in countries with a relatively high political and exchange rate risk. FMO plays an important role in the investment policy as a member of the advisory committee. FMO also entered various co-financing arrangements in 2004 with the funds in which it has invested.

In the financial sector, FMO strengthened the TBIH Financial Services Group, for example by providing a USD 5 million mezzanine loan. This financial service-provider, with branches in Bulgaria, Romania, Slovakia and Serbia, has specialized in pensions and insurance. Through its assistance, FMO is helping the sector remodel along Western lines.

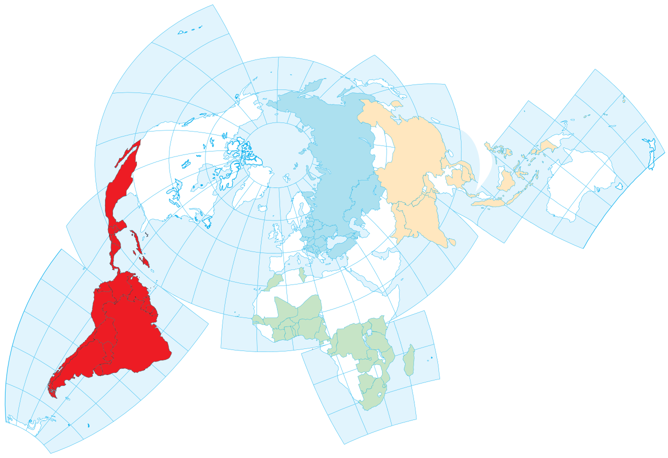
The ProCredit Bank branch in Macedonia, in which FMO has a stake, was highly successful in its first year of operation. It is virtually the only bank in the country that gives access to micro and small businesses, and it now has more than 15,000 account holders. Nearly 4,000 loans totaling EUR 17.6 million were provided in 2004. ProCredit Bank will be able to expand its services with the aid of loans from FMO and other partners. Technical Assistance grants received from FMO and the EBRD make it possible to invest in the transfer of knowledge, improvement of corporate governance and new procedures and standards.

FMO similarly provided loans to banks in Romania and Russia. In Romania, where 95 percent of the businesses fall into the micro, small and medium-sized category, loans could be provided to approximately 4,000 entrepreneurs. One of Russia's fastest growing banks, ZAO International Moscow Bank, will concentrate on SME and housing finance, leasing and insurance. In Georgia, FMO extended a EUR 5 million guarantee to Bank of Georgia for trade finance and provided support towards setting up an environmental management system and social plan.

In the infrastructure sector, FMO provided loans to Bulgarian Telecom and JSC Kazakhtelecom, operators in the privatized telecom markets in Bulgaria and Kazakhstan. A notable feature was the joint FMO/IFC/DEG financing arrangement that will allow the Turkish gasoline and oil distribution company Opet Petrolcülük to build a new terminal and 500 filling stations. This expansion will boost employment in north-west Turkey and improve safety and the environment. By providing risk-bearing capital, FMO also enabled the Dutch transport company Rynart Group to expand in central Europe and strengthen its leading position there.

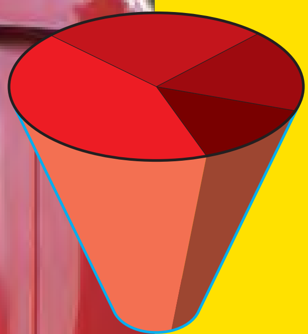
Under the IFOM fund, commitments were made for 10 projects in Eastern Europe with a total value of EUR 11 million. These projects are mainly construction or expansion projects for production facilities that create new employment and facilitate investments in improved working and environmental conditions.

Latin American countries achieved a high rate of economic growth in 2004. FMO's growth came mainly from syndicated loans.



Latin America & the Caribbean

Portfolio
FMO Finance in Latin America & the Caribbean
(outstanding and committed, amounts in EUR millions)



Financial sector 259 (43%)

Infrastructure 149 (25%)

Industry 106 (18%)

Other 85 (14%)

Total 599 (100%)

The economic recovery that got under way in 2003 continued strongly in 2004. Economic growth amounted to just under 5 percent, due in part to the increasing international demand for raw materials and agricultural commodities. The balance of trade improved and it proved possible to cut down the level of foreign debt. The improvement in the economic situation saw an upturn in domestic consumption, and foreign investment picked up again. International banks displayed a greater willingness to provide long-term loans.

Brazil, Argentina and Mexico saw particularly sharp growth in exports to the United States and Asia. The recovery in Argentina was notable, although the country's debt burden continues to weigh on the budget. Exports benefited from the weakness of the Argentinean peso due to the recession in 2001 and 2002. There were signs of greater political stability in Colombia and Venezuela. Bolivia enjoyed greater economic stability but remained politically troubled. It was notable that the Bolivian small-scale banks performed better than the major banks, to the benefit of local trade and industry.

The situation in the financial markets remained difficult. Smaller firms in Argentina and Brazil continued to suffer from a shortage of export finance in 2004. FMO helped strengthen the export position, taxable earnings and employment in the export sector in 2004 through a number of loans. The banking industry in Central America is gradually becoming stronger as a result of improved supervision and regulation. Good progress was made in Honduras and Nicaragua with IMF restructuring programs, with a subsequent reduction in the debt burden. Exports to the United States will increase further thanks to the concrete progress being made with the CAFTA (US Central America Free Trade Agreement).

Portfolio development

FMO's portfolio growth stagnated on account of the weaker dollar and high repayments of short-term loans that had been provided during and in

the wake of the 2002 recession. In 2004, FMO contracted 23 new projects with a total value of EUR 169 million, together with a successful financial restructuring of the prominent Argentinean bank Banco de Galicia.

FMO's partnership with DEG developed further. Five joint transactions were contracted in the region for a total of EUR 90 million. FMO's position in syndicates was also strengthened in 2004. The Argentinean oil and gas producer Tecpetrol S.A. was granted a syndicated loan for export financing of USD 170 million. Of this amount, FMO provided USD 34 million, the biggest FMO loan ever. Also succesful was the syndicated loan arranged by ABN AMRO, Fortis Bank and FMO to the Argentinean oilseed and cereals processing company Nidera S.A. for expansion of export activities. Co-Arrangers were Rabobank, KBC Bank and Standard Chartered Bank. Smaller in scale was a syndicate in the Brazilian agricultural sector to Imcopa International. Two syndicated guarantees were also provided in the Mexican industrial sector to Copamex and Xignux, respectively. Thanks to the guarantees provided by FMO and ABN AMRO, these companies were able to raise long-term finance in local currency in the domestic capital market.

Another notable capital market transaction was the extra tranche of long-term bonds placed internationally by Banco de Crédito del Perú by means of a subordinated FMO participation of USD 25 million in a securitization structure of international payments (MT100s). In March, FMO organized a well-attended seminar in Peru on capital market development during the IADB annual conference.

Seven export loans in Argentina, Brazil, Mexico and Peru helped generate foreign currency earnings in these countries. In total, IADB and FMO provided USD 30 million to Latin American Export Finance Fund Ltd. for trade finance for medium-sized enterprises in various South American countries. The FMO USD 6.5 million loan to the private development bank Latin American Agribusiness Development Corporation is being used to support a number of small agro (industrial) projects. In Peru, Grupo Sindicato Pesquero del Perú S.A. – the world's biggest fish meal producer – was granted a loan of USD 14 million. Of this amount, USD 4 million was a mezzanine transaction. In the case of most transactions FMO encourages improvements in corporate governance and social and environmental policy.

To improve extension of credit to smaller entrepreneurs, FMO provided loans to financial institutions in Nicaragua, Honduras and Bolivia. It also concluded loans for housing finance. A loan of USD 5 million was provided to the Nicaraguan bank Bancentro to expand mortgage products for private individuals. Previously contracted transactions were effected in Mexico.

In the energy sector, FMO was involved in financing three Mexican hydro-electric plants, and also persuaded Canadian and Mexican financial partners to take part. With a long-term loan of USD 15 million from Citibank, CABEI, DEG, FMO and domestic banks, a power plant is being built in Honduras to replace expensive emergency facilities. The Cleantech Private Equity Fund L.P. Investment Fund has assets of more than USD 20 million and supports clean energy projects in various Latin American countries. With USD 3.7 million, FMO is one of the bigger investors in this fund.

The prospects for 2005 in Africa, Asia, Europe & Central Asia and Latin America & the Caribbean are as Follows.

Prospects for 2005

In Africa, Asia and Europe & Central Asia, FMO's prospects for 2005 are favorable. Despite the continuing growth, the Latin America & Caribbean (LAC) region remains vulnerable. Rising interest rates, a weaker dollar and lower commodity prices could threaten the fragile economic recovery. Poverty, inadequate job creation, corruption and poor governance remain risk factors for political stability, although the increase in investment and regional and international trade is encouraging. The intensive cooperation with local partners in recent years is expected to result in an increase in 2005 in the number of financing arrangements in which FMO plays a significant role.

In the financial sector, the expansion of services to micro, small and medium-sized enterprises remains the focus. In Africa, FMO is concentrating more specifically on banking groups in the Francophone West African region which, thanks in part to FMO's support, are evolving into important regional players. FMO expects to see the first results in 2005 from housing finance activities in Africa, whereby FMO supports the development of affordable housing with long-term finance and guarantees.

In other regions, the focus is on areas in which FMO can contribute significantly towards institutional strengthening. Interesting possibilities are afforded by the Western Balkans with small economies such as Serbia Montenegro and Moldavia, the Mekong countries in Asia, the Central American countries and the Andes region.

Countries with good liquidity positions, such as the largest economies in Asia, Europe and Latin America, provide opportunities for second-tier enterprises, particularly by means of local currency finance. In Latin America, this source can be used in particular to promote exports.

In Africa, FMO expects to consolidate its position in large infrastructure projects in the energy sector. The LDC Infrastructure fund enables FMO to accept higher risks and to play a pioneering role in encouraging investment in these sectors. The infrastructure and especially the energy sector is also an important area of concentration in Central America and the Andes region. FMO also concentrates in this region on the transport infrastructure and the oil and gas sector. In Europe & Central Asia, the position in the telecom sector will be expanded.

Specific support is provided in all the regions for corporate governance, the environment and social policy.

FMO-Investment Promotion (IP) is concerned with financing technical assistance and managing FMO's relations with its partners in the Netherlands and Western Europe. IP also administers the ORET program. FMO finances these activities out of various funds provided by the Ministries of Economic Affairs and Foreign Affairs.

FMO Investment Promotion

Technical assistance is an important element of FMO's activities. Few other comparable development banks are able to match FMO in this area. FMO finances technical assistance when it comes to the transfer of knowledge and expertise, for instance in the investment and financing preparation phase. In developing countries and emerging markets, entrepreneurial activities all too often suffer from inadequate knowledge and expertise in various areas.

Developments

In 2004, FMO provided approximately EUR 8.5 million in technical assistance to some 80 companies and financial institutions. The Technical Assistance Emerging Markets (TAEM) scheme administered by FMO on behalf of the Ministry of Economic Affairs came to an end in 2004. After a temporary closure in 2003, the Investment Promotion and Technical Assistance (IPTA) program was reopened in 2004 for a selected number of countries and sectors. Although demand picked up again, the available resources were not fully utilized. A total of approximately EUR 2.3 million was committed to some 33 projects. A sum of EUR 3.2 million was paid out under current contracts. Approximately EUR 1.5 million has been disbursed for technical assistance in the financial sector, especially in Africa. The remaining amount supported private enterprises in the textiles, food, energy, fisheries, flower cultivation and building industries.

2004 was also the first year technical assistance was financed out of the LDC Infrastructure Fund. More than EUR 1.5 million was spent in the form of due diligence studies and structurings to support the preparation, advising and structuring of an ultimate Leased Developed Countries infrastructure fund loan. The LDC Infrastructure Fund has been provided by the Ministry of Foreign Affairs and is intended to help finance infrastructure projects in the private sector in the least developed countries. Grants are possible for the investments that are not commercially feasible but nevertheless essential.

In 2004 the Financial Institutions Program (FIP) was set up, under which banks and other financial institutions in the FMO portfolio are advised and given funding to build capacity in environmental and social policy. One of the first initiatives was the organization of sustainability courses on locations in Senegal and Bangladesh. A sum of EUR 120,000 was paid out under the FIP.

ORET

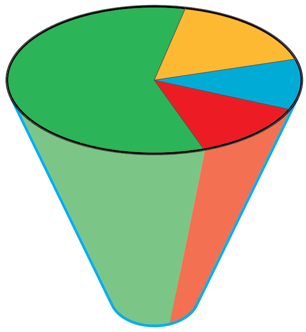
The Development Related Export Transactions (ORET) program helps developing countries import capital goods and services of vital importance for their development. Under this scheme, Dutch companies receive grants to help support them export capital goods and services.

ORET is administered by NIO, a wholly-owned subsidiary of FMO, and supports large-scale and expensive investments in power, hydraulic engineering and social infrastructure. In 2004, FMO concluded an agreement with the Economic Information Service (EVD), which administers the Economic Cooperation Projects Program (PESP), since the studies financed by PESP often provide underpinning for an ORET application. The aim is to improve the quality of the studies, thereby increasing the turnaround time of ORET applications.

In 2004, FMO received 27 applications for ORET, compared with 36 in 2003. A total sum of EUR 75.3 million was contracted (EUR 86.8 million in 2003). In 2004, ORET disbursed approximately EUR 83 million, 9 percent more than in 2003.

The revision of the ORET scheme was conducted in 2004, which came into force at the start of 2005. The results indicate that many companies have held back applications in anticipation of the more favorable terms and conditions, thereby explaining the decline in applications noted above. FMO expects that the revised scheme will be more in line with market requirements and that the upward trend will resume. The number of applications from China and Ghana and from the health sector was particularly notable. Few applications were received from Central and South America. From Eastern Europe, three applications were received for the first time for Albania. In Asia, as in preceding years, positive decisions were reached with respect to China, Indonesia and Vietnam.

Activities FMO Investment Promotion in 2004
(new commitments, amounts in EUR millions)



Africa	50	(59%)
Asia	14	(17%)
Europe & Central Asia	9	(11%)
Latin America & the Caribbean	11	(13%)
Total	**84**	

Apart from ORET, NIO has a loan portfolio of approximately EUR 1.5 billion which it manages on behalf of the State. NIO is also responsible for the financial administration of bilateral development projects (EUR 145 million in outstanding commitments).

Prospects for 2005

In cooperation with the Ministry of Foreign Affairs, FMO is eager to further streamline its financing of Technical Assistance. Emphasis will be placed on providing technical assistance as a tailor-made financing product and by way of supplement to investments in FMO's focus countries and sectors. FMO also wishes to more intensively use existing networks when a client is unable to finance the transfer of knowledge itself.

The renewed ORET program also came into force in early 2005. FMO expects that it will be able to respond more effectively to the demand for infrastructure project financing in developing countries. The policy with respect to the other NIO activities remains unchanged: consolidate and, where possible, scale down.

Credit, country and market risks are inherent in FMO's investment-promotion and financing activities. The developments in FMO's financial products and services and monitoring the risk profile of the FMO portfolio call for a particularly careful weighing of these risks.

Quality control and Risk management

The Portfolio Management Directorate directs the processes for monitoring and improving the quality of the portfolio. It assesses the risks inherent in the acceptance of products and services and monitors the risk profile of the portfolio as a whole.
The responsible departments are IMR and RM. The most important risk management tools are: the scorecard, the portfolio evaluations, the country risk analyses, the Treasury Risk Monitor and the recommendations and decisions of the relevant committees.

Scorecards

FMO uses a scorecard in order to assess financing transactions. On the basis of a consistent methodology, the scorecard provides an impression of the quality of the financing: the financial, environmental, and social risks of a financing transaction, the economic, ecological and social development value of a financing transaction, the additional character of the financing transaction in the capital market, and the added value of FMO in the transaction. In addition, FMO uses this scorecard in credit revisions and in order to determine any necessary specific value adjustments.

Credit risk and development value

Upon entering into and revising financing transactions, IMR (Investment & Mission Review) advises the Investment Committee and the Credit Revision Committee, while also monitoring the associated processes and procedures. The recommendation covers all aspects of the scorecard described above.

An important element of the risk is formed by the principles of corporate governance. In order to identify these risks more clearly, all members of staff in the financial departments were trained in the course of 2004 in assessing and improving corporate governance among clients.

Portfolio evaluation

FMO monitors and evaluates the development effects of its financing transactions. The relevant parts of the scorecard are analyzed each year in respect of the entire portfolio. This provides a greater understanding of changes in the economic, environmental and social development contribution of financed enterprises and projects, both for the portfolio as a whole and per region, sector and fund. In addition, the transactions approved in 1999 were evaluated in 2004. This in-depth evaluation makes it possible for FMO to analyze ways of improving the development value and to learn from the experience gained with projects. In 2002, 2003 and 2004 a total of some 130 projects were evaluated, thereby providing a sound basis for policy analysis and setting up a lessons learned database. This will be used in the selection and structuring of new investments.

Market risk and portfolio risk
Risk Management is concerned with the market risk and portfolio risk in general. Greater insight into these risks is provided by means of analysis and periodic reports.

Treasury Regulations
In 2004 Risk Management drew up an important document for risk management and control, based on the necessary solvency. The capital requirement is determined by means of market-based methods. In September 2004 the Treasury Regulations were approved by the Supervisory Board. This emphasizes the accommodating role for raising funding and the proportional nature of the investments made by the Treasury. The solvency in relation to Treasury activities is limited to 15 percent of equity capital.

Treasury Risk Monitor
The Treasury Risk Monitor was introduced in 2004. This monthly report provides the ALCO with insight into currency, interest-rate and liquidity risks. It also includes a market-based determination of the necessary solvency for the Treasury activities (including derivatives).

Country limits and exposure
The system for limiting country risks was evaluated and modified as necessary in 2004. Depending on the rating of the country in question and the product risk, a weighting is applied so as to build up a balanced portfolio. In 2004 the weighted exposure of the non-infected portfolio per country became used as one of the basic determinants of the IBNR (formerly general value adjustment) reserve.

Structured products
The assessment of more complicated financing structures well before a proposal is submitted to the IC is an important step towards increasing effectiveness and efficiency within FMO, for which reason the cooperation between Risk Management and the Financing & Participations Directorate was stepped up during the year under review. In 2005 the focus will switch even more to the interaction with the Financing & Participations Directorate, resulting in a regional Risk Monitor.

International Financial Reporting Standards (IFRS)
Risk Management set aside considerable capacity for IFRS during the year, since fair value accounting is based on risk as perceived in the markets. A strategic partner has been found for this purpose in Cardano Risk Management. The value adjustment policy, the (embedded) derivatives in the financing transactions, the equity investments and the structured funding have been the subject of particular scrutiny in relation to IFRS.

After a period of strong growth and the implementation of a number of strategic choices, the organization entered into a more stable phase in 2004. Many of the changes and improvement measures from the past have payed off. In addition FMO took further steps during the year under review to ensure that the organization will be able to achieve its ambitions in the future.

Organizational developments

The number of employees fell slightly between 2003 and 2004. As at 31 December 2004 FMO had 204 employees (193 FTE), 3.8 percent fewer than at the end of 2003 (212 employees, 199 FTE). Staff turnover increased in 2004 to over 12 percent (2003: 7.1 percent). As in previous years, FMO devoted particular attention to improving and clarifying internal operating processes and activities. Where necessary, FMO further professionalized the knowledge and skills of its employees. FMO's Social Annual Report for the period 2002 and 2003 was published in 2004. The report on 2004 and 2005 will appear in 2006.

Development

A number of departments prepared or implemented organizational transformations in 2004. In part these changes related to modified working practices, for example in relation to the structuring and management of financing arrangements within the IT department. In part they were also due to the outsourcing or termination of activities, such as Facility Services. In addition, the organization devoted considerable energy to the preparations for the new International Financial Reporting Standards (IFRS), which came into force on 1 January 2005.

IT remained the object of undiminished and close attention in 2004. A number of large IT projects in which staff from various disciplines cooperated closely with one another were completed during the year under review. This large-scale process is likely to be largely completed in 2005. The most important new tools for the further improvement of the information provision will then also be available.

Works Council

The Management once again conducted regular and constructive consultations with the Works Council in 2004. In four formal consultative meetings and also in other ways, consideration was given to such topics as the organization's strategy and the corporate policy pursued, actual and proposed organizational changes, and the content of the conditions of employment package, including the remuneration policy and pensions. The Works Council made regular use of its right to submit formal advisory opinions and of its right of assent. Apart from the formal consultations, informal consultations were also regularly held.

Staff development

FMO encourages the development of knowledge and skills among its employees, as required for the successful performance of their duties. FMO supports individual employees in putting this into practice, with the support and guidance of managers, sometimes in the form of training and sometimes on the basis of reflection on the practical experience gained. The cooperation with colleagues and external national and international partners also contributes in practice towards maintaining and enhancing the level of professional knowledge. FMO has invested heavily in recent years in improving the knowledge and quality of its staff. Partly as a result, the quality (and complexity) of new financing arrangements have increased still further. FMO will continue to devote targeted attention in 2005 to enlarging the necessary professional knowledge and improving the skills required to attain our challenging objectives.

Culture

An import element in FMO's organizational culture is the sense of commitment – towards colleagues, customers and in our area of operation. FMO also attaches considerable value towards taking and also giving personal responsibility. In addition, the FMO culture is heavily determined by learning, discovery of new possibilities, and development of new initiatives with colleagues, partners and customers – in brief, elements that are consistent with a professional, result-led organization with an open and informal corporate culture such as FMO's.

Supervisory Board

W.C.J. Angenent, RA, *Chairman*
(1940 – Wageningen)

Position
Former Chairman of the Board of Management of Laurus N.V.
Nationality
Dutch
Appointed
2002
Current term
Until 2006
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
- Vedior N.V.
- Altera Vastgoed B.V.
- Hermans Holding B.V.

Subsidiary positions
–

J.B. Hoekman, *Dep. SB Chairman*
(1931 – Groningen)

Position
Former Dutch ambassador in London, Director General of International Cooperation, Ministry of Foreign Affairs
Nationality
Dutch
Appointed
1994
Current term
Until 2006
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
–
Subsidiary positions
–

L.J. de Waal, *SB member*
(1950 – Rotterdam)

Position
Chairman of the FNV
Nationality
Dutch
Appointed
1996
Current term
Until 2008
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
–
Subsidiary positions
- Vice Chairman of Social and Economic Council (SER)
- Employee Chairman of the Labor Foundation
- Member of Central Committee for Statistics
- Member of Bank Council
- Member of Supervisory Board of Delft University of Technology
- Member of Advisory Council of the Association of Dutch Healthcare Insurers
- Member of the ICFTU Steering Group
- Member of the ETUC Executive Committee

C. Maas, *SB member*
(1947 – Middelburg)

Position
Vice Chairman of Executive Board of ING Groep N.V., ING Bank and also Chief Financial Officer
Nationality
Dutch
Appointed
1997
Current term
Until 2005
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
- Chairman of ING Belgium Executive Board
- Chairman of ING Germany Supervisory Board
- Member of Parcom Supervisory Board
- Member of Board of Directors and Member of Executive Committee of Institute of International Finance (IIF)

Subsidiary positions
- Member of Trilateral Commission (Treasurer)
- Member of Capital Markets Consultative Group (CMCG/IMF)
- Member of Rembrandt Association Advisory Council
- Member of Indonesia Postgraduate Medical Courses Association Board
- Chairman of Friends of Cardiology in the Netherlands Foundation
- Chairman of Economic League for Economic Cooperation (ELEC), Netherlands Department
- Chairman of Board of Governors of the Rotterdam Philharmonic Orchestra

L.C.F.A.J.S. de Leur, *SB member*
(1939 – Zwolle)

Position
Former Director of Export Credit Insurance and Investment Guarantees, Ministry of Finance
Nationality
Dutch
Appointed
1997
Current term
Until 2005
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
- Central Organization for Radioactive Waste

Subsidiary positions
- Member of Advisory Committee on Emerging Markets Exports Credit Insurance

J.J.C.M. of Dooremalen
(1944 – Tilburg)

Position
CEO IHC Holland Merwede B.V.
Nationality
Dutch
Appointed
1997
Current term
Until 2005
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
–
Subsidiary positions
- Member of State Committee for Export, Import and Investment Guarantees (Ministry of Finance)
- Member of Bureau Veritas General Council
- Member of Lloyd’s Register Technical Committee
- Member of Dutch Shipbuilding Industry Association Executive Committee
- Member of Community of European Shipbuilders Association (CESA)

W. Meijer
(1939 – Slochteren)

Position
Former Chairman of Rabobank Nederland Executive Board
Nationality
Dutch
Appointed
1998
Current term
Until 2006
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
- Chairman of NV Nuon Supervisory Board
- Chairman of NV Nederlandse Spoorwegen Supervisory Board
- Chairman of Novamedia Supervisory Board
- Member of TBI Holdings Supervisory Board
- Member of NOVEM BV Supervisory Board
- Member of FMO Supervisory Board

Subsidiary positions
- Chairman of various committees, including the Twente Innovation Platform (2004-2005)
- Chairman of P.O. Supervisory Council
- Chairman of Mines Council
- Chairman of LOI Quality Promotion Council
- Chairman of Trimbos Institute Supervisory Council
- Member of Kröller-Müller Museum Board of Trustees
- Member of Stichting Vangnet HBO Board of Trustees

P. Bukman
(1934 – Delft)

Position
Former President of the House of Representatives
Former Minister of Agriculture
Former Minister for Development Cooperation
Chairman of the Vereniging Personele Samenwerking Ontwikkelingslanden (Association for Personal Service Overseas)
Former Chairman of Developing Countries Personnel Cooperation Association

Nationality
Dutch
Appointed
1998
Current term
Until 2006
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
–
Subsidiary positions
- Vice Chairman of International Food and Agricultural Trade Policy Council
- Chairman of Glass Horticulture and Environment Covenant
- Chairman of Atlantic Committee
- Chairman of CDA International Affairs Committee
- Chairman of NCDO Political Consultative Forum
- Member of European People's Party Political Bureau
- Member of South Holland Horticulture Task Force

C.H.A. Collee
(1952 – Amsterdam)

Position
Member of ABN AMRO Bank N.V. Managing Board
Nationality
Dutch
Appointed
2001
Current term
Until 2008
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
- Chairman of ABN AMRO Bouwfonds Nederlandse Gemeenten N.V. Supervisory Board
- Member of Delta Lloyd ABN AMRO Verzekeringen Holding BV Supervisory Board
- Vice Chairman of Capitalia Gruppo Bancario (Italy) Board of Directors
- Member of K & H Bank Hungary Board of Directors
- Chairman of Kobalt Media Services BV Supervisory Board
- Member of SVM PACT Supervisory Board

Subsidiary positions
- Chairman of Netherlands Bankers' Association (NVB)
- Member of VNO-NCW Executive Board
- Member of University of Twente Advisory Council
- Member of Bank Council

D. Terpstra
(1956 – Witmarsum)

Position
Chairman CNV Trade Union
Nationality
Dutch
Appointed
2001
Current term
Until 2007
Maximum term of office
Since 17 March 2005:
12 years including re-appointments
Supervisory Board memberships
- Chairman of SBI Training & Advies Supervisory Board
- Member of AXENT Supervisory Board

Subsidiary positions
- Member of Social and Economic Council (SER) Executive Board
- Member of SER Council
- Member (Treasurer) of STAR Board (Labor Foundation)
- Member of SBI Training & Advies Board
- Chairman of Windesheim Supervisory Council
- Member of Nederlandsche Bank Council
- Member of Christelijke Pers Managing Board
- Member of Chair in Christian Social Thinking Board of Governors
- Member of Christian Social Congress Board
- Member of Foundation for Socially Responsible Entrepreneurship (Stimo) Board of Governors SME Netherlands
- Member of European Trade Union Confederation (ETUC) Executive Committee
- Member of World Confederation of Labor (WCL) Board