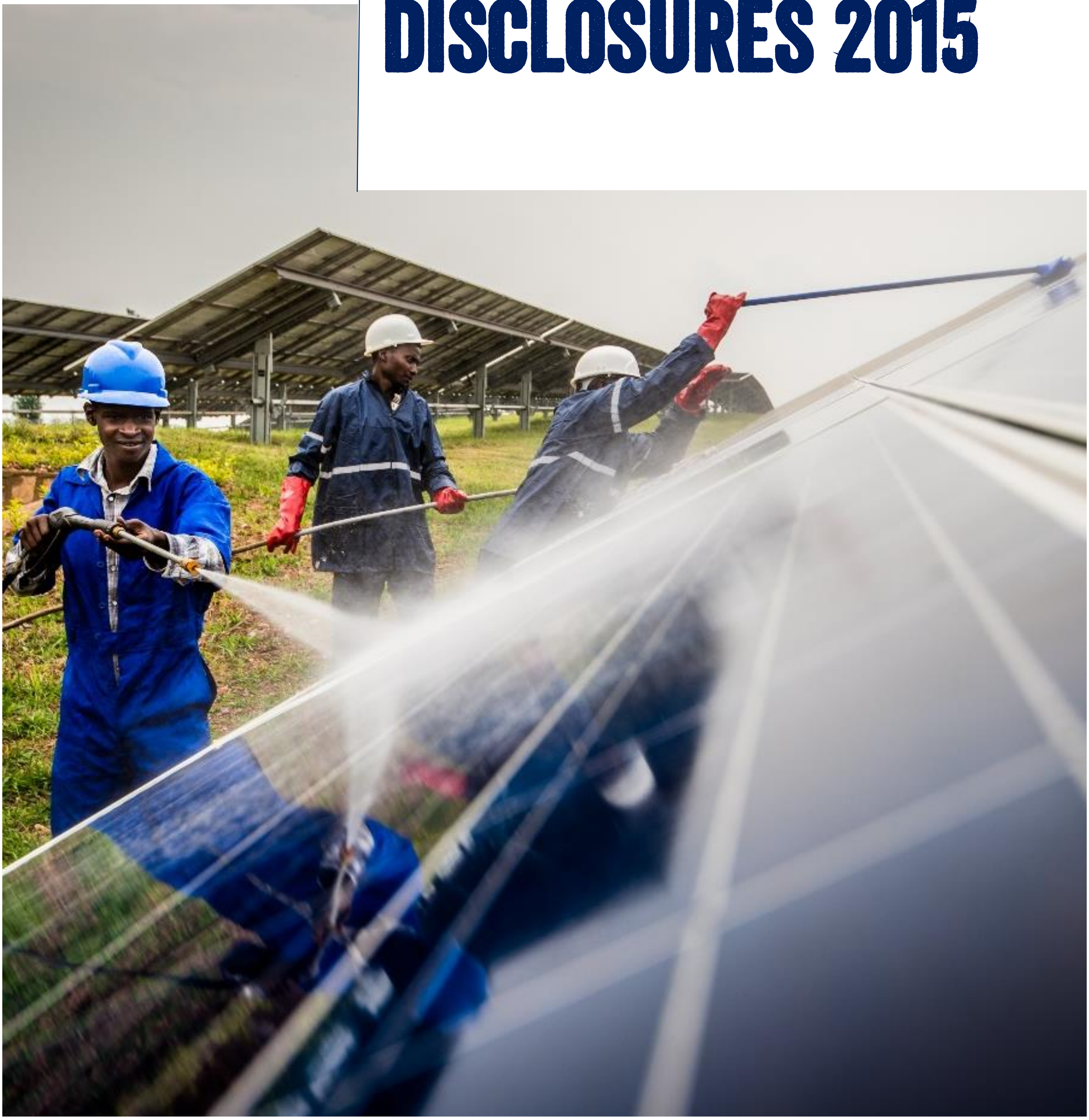
PILLAR 3 DISCLOSURES 2015



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1. INTRODUCTION

In December 2010, the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy framework known as 'Basel III'.
Basel III has been implemented in the EU through CRD IV consisting of the CRD IV Directive and the CRR which include a number of transitional provisions. The CRR entered into force on 1 January 2014, and has direct effect in the Netherlands. The CRD IV Directive was implemented in Dutch law as per 1 August 2014. There are three pillars of CRD IV to which FMO adheres:

Pillar 1: the minimum capital requirements for each category of risk: credit risk, market risk and operational risk

Pillar 2: internal processes for risk management and setting internal capital requirements: Supervisory Review and Evaluation Process (SREP) and Internal Capital Adequacy Assessment Process (ICAAP), outlier criterion and stress tests;

Pillar 3: publication of financial headline figure requirements: market discipline and transparency. This document fulfils the Pillar 3 disclosure requirements of the CRD IV regulation, including the EBA Final Draft Implementing Technical Standards on Disclosure for Own Funds.

This Pillar 3 disclosure document fulfils the Pillar 3 disclosure requirements of the CRD IV regulation, including the EBA Implementing Technical Standards on Disclosure for Own Funds, the Guidelines on disclosure of encumbered and unencumbered assets, the Guidelines on materiality, proprietary and confidentiality and on disclosure frequency, the Regulatory technical standards on disclosure of information related to the countercyclical capital buffer and the Implementing Technical Standards on disclosure for leverage ratio.

2. STRATEGY

FMO is a Dutch development bank. FMO believes that that entrepreneurship is key in creating sustainable economic growth and improving people's quality of life. FMO therefore finance businesses, projects and financial institutions in developing and emerging markets, with the aim of supporting sustainable private sector development. Our investments are focused in the sectors where our contribution can have the largest long-term impact: financial institutions; energy; and agribusiness, food & water. FMO's strategy is to become the leading impact Investor by doubling impact and by halving footprint towards 2020: the number of jobs supported should be doubled by 2020 while greenhouse gasses avoided should be half by 2020. We believe in a world in 2050 in which 9 billion people live well and within the means of the planet's resources. In pursuit of this vision, FMO's mission is to empower entrepreneurs to build this better world.

3. PILLAR 3 DISCLOSURE

Market discipline and transparency in the publication of solvency risks are important elements of the Basel III rules for Pillar 3. Central to these publications is information on the solvency and the risk profile of a bank, providing disclosures on such matters as its capital structure, capital adequacy, risk management and risk measurement in line with the objective of IFRS 7.

The objective of FMO's disclosure policies is to practice maximum transparency in a practicable manner.

FMO annual report shows most of the Pillar 3 disclosure items. Further information can be found in the Annex II and Annex III of this document.

4. INTERNAL PROCESS

For assessment of the appropriateness of its disclosures, the following departments or parties of FMO are involved:

- Finance & Control – prepares the financial reporting and reporting to DNB and related disclosures of Pillar 3

- Risk Management – prepares information following from its role of managing the risks associated with the banking operations and related Pillar 3 disclosures
- Corporate Secretary - prepares information of all other pillar 3 disclosure items, e.g. remuneration policy

FMO's financial statements and FINREP and COREP regulatory reports are audited by an external auditor, who provides an opinion regarding the financial statements and Finrep and Corep reports. The Internal Audit department has an independent verification and control function in support of the Managing Board, Supervisory Board and Audit and Risk Committee.

5. FREQUENCY OF DISCLOSURE

FMO publishes the required Pillar 3 disclosures on an annual basis in conjunction with publication of the Annual Report

6. MEANS OF DISCLOSURE

FMO shall provide the disclosures on its website through its annual report, and through this Pillar 3 disclosure document. Annex 1 of this document includes the Pillar 3 disclosures in accordance with Part Eight of the CRR.

7. ANNEX I: PILLAR 3 DISCLOSURES IN ACCORDANCE WITH PART EIGHT TITLE II ARTICLES 435 - 451 OF THE CRR

7.1. Article 435.1 Risk management objectives and policies

Article	Item	Comment	Reference
a)	Strategies and processes	To be able to carry out its mission, it is essential for FMO to have an adequate risk management system in place to identify, measure, monitor and mitigate financial risks. FMO's key risk management departments and committees reflect the specific nature of the various risks in order to ensure that these are managed within limits set in a transparent and timely manner.	Annual Report, chapter Financial Risk Management page 93
b)	Structure and organisation	The Risk Management department is responsible for managing portfolio risks of the emerging market portfolio, treasury portfolio, and all related market risks. Additionally, Risk Management follows and implements regulatory developments and aims to increase awareness of the financial risks and the risk-return relationship.	Annual Report, chapter Financial Risk Management page 93
c)	Scope and nature of risk reporting and measurement systems	Risk reporting and measurement is focused on all relevant risks for FMO	Annual Report, chapter Financial Risk Management page 93
d)	Policies for hedging and mitigating Risk	FMO's risk appetite framework is reviewed at least once a year. Based on the advice of the Audit and Risk Committee (ARC), the Supervisory Board (SB) approves the risk appetite. Underlying risk policies are in place for all relevant risks, amongst others Investment Criteria for emerging market portfolio, concentration risk, liquidity risk, counterparty treasury risk, market risks etc. In addition, the ILAAP and ICAAP and Recovery Plan are prepared on a yearly base, as requested by DNB.	Annual Report, chapter Financial Risk Management page 94
e)	Declaration approved by the management body on the adequacy of risk management arrangements	This is described in the 'in control statement' in the Annual Report	Annual Report, in control statement page 58
f)	Concise risk statement approved by the management body on overall risk profile associated with the business strategy	Reference is made to the Annual Report, paragraph on risk profile and appetite.	Annual Report page 93

7.2. Article 435.2 Governance Arrangements

Article	Item	Comment	Reference
a)	Number of directorships held by Members of the Managing Board	The members of the Management Board (MB) comply with the rules regarding the maximum number of directorships, set by the Dutch Civil Code (DCC) as well as the Dutch Corporate Governance Code (DCGC), which FMO voluntarily applies. The Dutch Corporate Governance Code also requires that the members of the MB notify the SB regarding all important additional functions. The CEO held three external directorships while the CFO and CIO held 1 external directorship each in 2015.	Article 2:132 DCC BPB II.1.8. of the DCGC
b)	Recruitment policy for the selection of Members of the Managing Board and their actual knowledge, skills and expertise	The Selection, Appointment and Remuneration Committee initiates recruiting new MB members and advises the SB on amongst others a general profile for MB members, an individual profile and when a vacancy occurs, on long and short list of candidates and a preferred candidate. The Works Council is asked for an advice. The SB appoints the members of the MB. The Annual General Meeting is notified about the appointment. FMO is a 51% State participation. The Dutch State therefore applies the Appointment Policy State Participations to FMO.	Article 7, Articles of Association Article 30, Wet op de Ondernemingsraden Letter to Chairman SB + website State
c)	Policy on diversity	FMO strives for diversity of culture, age and gender at all levels. In the Diversity approach, FMO puts focus on gender, cultural and generations. It is FMO's goal to make fullest use of the benefits FMO's diversity brings. FMO strives a good balance of gender, nationalities and ages within the company. In 2015, 49% of people at FMO were women and 51% men. The network FMO Femmes FMO Femmes supports female colleagues in their career ambitions. Gender diversity is always discussed in appointment and succession decisions. Among FMO's staff, 28% have a non-Dutch cultural background and we have 32 different nationalities. Accepting diverse cultures starts with being aware of your own. It's crucial to create a climate where people of different backgrounds feel comfortable expressing their different opinions. Several formal and informal lunches are organised internally, where international staff can share their experiences and needs. FMO applies the aim with regard to diversity in the MB and SB set by Dutch law and the Dutch Corporate Governance Code. This aim is at least 30% female members and at least 30% male members. FMO's MB consists of 33,3% women and FMO's SB consists of 50% women and 50% men. There are currently two vacancies in the SB.	Article 2:166 DCC
d)	Set up of a separate risk committee	FMO has several risk committees which report to the MB and which judge various risks, which are of importance to FMO, amongst others: An Asset & Liability Committee (ALCO), a Compliance Committee (CC) and an Investment Committee (IC). FMO's Supervisory Board has a dedicated committee to advise the SB on risk issues: a combined Audit and Risk Committee (ARC).	Charters of ALCO, CC, IC.
e)	Description of the information flow on risk	The information flow on risk items to the MB works as follows: in the most important risk committees FMO's MB members either Chair the committee or are a member. For instance, the ALCO is chaired by the CRFO and the CC is chaired by the CEO and the CIO is a member of the latter committee. Furthermore, the MB receives the minutes of the most important risk committees and in some cases a verbal update takes place as well.	Charters of ALCO, CC, IC.

7.3. Article 436 Scope of Application

Article	Item	Comment	Reference
a)	The name of the institution to which the requirements of the CRR apply	FMO - Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	
b)	An outline of the differences in the basis of consolidation for accounting and prudential purposes with a brief description of the entities therein, (…)	There are no differences as FMO applies the same consolidation scope for accounting as well as for prudential reporting	Annual Report page 79 (Reference to Accounting policies)
c)	Any current of foreseen material or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	Not applicable	
d)	The aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation and the name or name of subsidiaries	Not applicable as FMO does not have subsidiaries which are out of consolidation scope	
e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9	Not applicable	

7.4. Article 437 Own Funds

Article	Item	Comment	Reference
a)	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	Reference is made to the table on the calculation of the capital ratio in Annual Report	Annual Report page 108
b)	A description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	FMO own funds consists of share capital which is mainly owned by Dutch public authorities and several Dutch banks and is part of Common Equity Tier 1 component of FMO. FMO does not have additional Tier 1 instruments. FMO does have Tier 2 instruments. Reference is made to Annex II	Annex II - Tier 2

c)	The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	FMO own funds consists of share capital which is mainly owned by Dutch State and a limited number of Dutch banks. These instruments are only placed privately with a limited number of investors. Therefore, the terms and conditions for these instruments are only made available to these parties on the basis of confidentiality. FMO does not have additional Tier 1 instruments. FMO does have Tier 2 instruments. Reference is made to our issuance programs page on our website: https://www.fmo.nl/page/1722	
d)	Separate disclosure of the nature and amounts of the following:		
	(i) each prudential filter applied pursuant to Articles 32 to 35;	FMO applies a prudential filter of 3.4 million as per Article 35. Reference is made to Annex II	Annex II
	(ii) each deduction made pursuant to Articles 36, 56 and 66;	According to articles 36, 56 and 66, deductions for subordinated loans and (in)direct holdings of financial entities, where the institutions does (not) have a significant investment in those entities, are applied on the calculation of total regulatory capital of FMO. Furthermore, 60% of unrealised gains and 40% of unrealised losses on available for sale bonds are deducted from CET-1 capital. Reference is made to Annex II information	Annex II
	(iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	The amount below the 10% threshold related to deduction for subordinated loans and (in) direct holdings of financial entities is not deducted from regulatory capital of FMO. Reference is made to Annex II. Total amount not deducted sums up to 395 million	Annex II

e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	Not applicable	
f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Not applicable for FMO as FMO does not deviate from CRR	

7.5. Article 438 Capital requirements

Article	Item	Comment	Reference
a)	Approach to assessing the adequacy of the Bank's internal capital to support current and future activities	The annual internal assessment of capital adequacy, the Internal Capital Adequacy Assessment Process (ICAAP) is a key activity within capital management. Within the ICAAP, it is being assessed if the amount of capital is adequate to cover all material risks to which FMO is exposed. The ICAAP requires approval of the Supervisory Board.	Annual Report page 107
b)	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	Not applicable. The relevant competent authority has made no demand.	
c)	For institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112;	Reference is made to Annex III	Annex III Table 1

d)	Risk weighted exposure amounts in accordance with an internal rating based ("IRB") approach	Not applicable. FMO does not use the IRB approach.	
e)	Own funds requirements calculated in accordance with points (b) and (c) of Article 92(3);	Not applicable, FMO does not have a trading book. Except for currency risk, FMO does not have other market risk own funds requirements. Reference is made to Article 445 of this document	
f)	Own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	When calculating qualifying capital for operational risk, FMO uses the basic indicator approach. Under this approach, 15% of the relevant indicator is taken as a benchmark for the operational risk. The relevant indicator is the three-year average of the total of the annual net interest income and the annual net non-interest income at the end of the financial year. For FMO, the indicator is limited to the net interest income. The own funds requirement as per 2015 for operational risk is 31 million	Annex II and Annual Report page 108

7.6. Article 439 Exposures to Counterparty Credit Risk

Article	Item	Comment	Reference
a)	A discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	FMO maintains a high diversification of the portfolio to avoid concentration risk by spreading the portfolio across countries, sectors and individual counterparties. Limits are based on nominal values as well as on Economic Capital. Next to the emerging market portfolio, FMO holds a portfolio listed debt securities, which we refer to as our "Investment Portfolio" or "Treasury Portfolio". This Treasury Portfolio is held solely for the purpose of maintaining a liquidity buffer and cash management and has strict requirements on composition, tenor and quality. Overview of the credit risk can be found in the Annual Report. For derivatives on FMO's balance sheet, capital charge for Credit value adjustment (CVA) risk is calculated.	Annual Report page 94 - 101
b)	A discussion of policies for securing collateral and establishing credit reserves;	FMO enters only into derivative transactions with counterparties with a minimum rating of A-. There are limits set to minimize the total derivative exposure. FMO has entered into Credit Support Annexes (CSA) with almost all derivative counterparties.	
c)	A discussion of policies with respect to wrong-way risk exposures;	Not applicable	
d)	A discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	Not applicable. If FMO is downgraded by 3 notches, no extra collateral has to be posted.	

e)	Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	Reference is made to Annex III	Annex III Table 4
f)	Measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable;	According to the CRR, exposure value to calculate capital requirement on derivatives is based on the positive replacement value (market to market value) and the applicable add on based on notional amounts. As of 2014, the European-wide CRR introduces a capital charge for CVA risk for all derivatives excluding those with sovereigns, pension funds and non-financial counterparties. FMO applies a CVA charge on derivatives with institutions of 13 million as per 2015. This implies minimum impact on FMO's Tier 1 ratio	
g)	The notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure;	Not Applicable	
h)	The notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;	Not Applicable	
i)	The estimate of α if the institution has received the permission of the competent authorities to estimate α.	Not Applicable	

7.7. Article 440 Capital Buffers

Article	Item	Comment
a)	The geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;	Applicable as of 2016
b)	The amount of its institution specific countercyclical capital buffer.	Applicable as of 2016

7.8. Article 441 Indicators of global systemic importance

Not applicable as FMO is not identified as global systemically important institution

7.9. Article 442 Credit risk adjustments

Article	Item	Comment	Reference
a)	The definitions for accounting purposes of "past due" and "impaired";	Past due: amounts a client owes FMO and for which the due date has passed. Impaired: An equity investment is considered impaired if its carrying value exceeds recoverable amount by an amount considered significant or for a period considered prolonged. A loan is considered impaired if there is objective evidence that FMO will be unable to collect all amounts due according to the original contractual terms or the equivalent value.	
b)	A description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Reference to Annual Report + CVA charge	Annual Report page 83 - 84

c)	The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	Reference is made to Annex III	Annex III Table 1
d)	The geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate;	Reference is made to Annex III	Annex III Table 6
e)	The distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	Reference is made to Annex III	Annex III Table 7
f)	The residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate;	Reference is made to Annex III	Annex III Table 5
g)	By significant industry or counterparty type, the amount of:		
	(i) impaired exposures and past due exposures, provided separately;	Impaired amounts for corporates (loans) and items related to high risk (equity investments) are disclosed in tables of Annex III. Regarding past due amounts, breakdowns are disclosed for only corporate/institutions (loans). Equity investments and debt securities do not have past due amounts	Annex III Tables 8 - 12
	(ii) specific and general credit risk adjustments;	Reference is made to Annex III	Annex III Tables 8 - 12
	(iii) charges for specific and general credit risk adjustments during the reporting period;	Reference is made to Annex III	Annex III Tables 8 - 12
h)	The amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	Reference is made to Annex III	Annex III Tables 8 - 12
i)	The reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise:	Reference is made to Annex III	Annex III Tables 8 - 12
	(i) a description of the type of specific and general credit risk adjustments;		
	(ii) the opening balances;		
	(iii) the amounts taken against the credit risk adjustments during the reporting period;		
	(iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments;		
	(v) the closing balances.		

7.10. Article 443 Unencumbered Assets

Item	Comment	Reference
EBA shall issue guidelines specifying the disclosure of unencumbered assets, taking into account Recommendation ESRB/2012/2 of the European Systemic Risk Board of 20 December 2012 on funding of credit institutions [31] and in particular Recommendation D - Market transparency on asset encumbrance, by 30 June 2014. Those guidelines shall be adopted in accordance with Article 16 of Regulation (EU) No 1093/2010.	All assets are unencumbered except cash collateral related to Credit Support Annex (CSA) agreements for derivatives. Reference is made to Annex II	Annex II - Encumbered assets
EBA shall develop draft regulatory technical standards to specify disclosure of the balance sheet value per exposure class broken down by asset quality and the total amount of the balance sheet value that is unencumbered, taking into account Recommendation ESRB/2012/2 and conditional on EBA considering in its report that such additional disclosure offers reliable and meaningful information.	All assets are unencumbered except cash collateral related to Credit Support Annex (CSA) agreements for derivatives. Reference is made to Annex II	Annex II - Encumbered assets
EBA shall submit those draft regulatory technical standards to the Commission by **1 January 2016**.	All assets are unencumbered except cash collateral related to Credit Support Annex (CSA) agreements for derivatives. Reference is made to Annex II	Annex II - Encumbered assets
Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010.	All assets are unencumbered except cash collateral related to Credit Support Annex (CSA) agreements for derivatives. Reference is made to Annex II	Annex II - Encumbered assets

7.11. Article 444 Use of ECAI's

Article	Item	Comment	Reference
a)	The names of the nominated ECAIs and ECAs and the reasons for any changes;	FMO uses the credit ratings of Moody's, Standard &Poor's (S&P). S&P is the primary rating agency of FMO	
b)	The exposure classes for which each ECAI or ECA is used;	FMO applies ECAI ratings for exposure class institutions (securities rating or client rating if available), corporates (based on country ratings) and covered bonds. Reference is made to Annex III Table 2	

c)	A description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	Article 120 and Article 121 are applied in order to determine risk weights for institutions. In case of corporates, a floor of 100% risk weight is applied in general. Furthermore, FMO uses country ratings to determine the appropriate quality step to assign the correct (higher) risk weight. In case the country rating of a counterparty, is not available, a 100% risk weight is assigned to these exposures conform Article 122. For Covered Bonds, FMO has ECAI ratings available according to Article 129 paragraph 4, which are used to determine the appropriate credit quality step and therefore the appropriate risk weight. For calculation of capital charge for CVA risk, ECAI ratings of derivatives counterparties are used according to article 384 paragraph 2	
d)	The association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;	FMO complies with the standard association published by EBA. The association is used to determine credit quality steps on basis of Moody's and S&P ratings and feed the systems in order to calculate credit risk capital requirements	
e)	The exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	Reference is made to Annex III	Annex III Table 2

7.12. Article 445 Exposures to Market Risk

Item	Comment	Reference
The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	FMO is exposed to currency risk as FMO offers loans in emerging market currencies, FMO's aim is to match the currency needs of local banks and corporates. For this purpose, emerging market currency loans are swapped to USD. Furthermore, the loans are funded in USD, leaving a limited open exposure to currency risk. The own funds requirement for market risk as per 2015 is 98 million	Annual Report page 102 and page 109 for capital requirement for currency risk

7.13. Article 446 Operational Risk

Item	Comment	Reference
Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	When calculating qualifying capital for operational risk, FMO uses the basic indicator approach. Under this approach, 15% of the relevant indicator is taken as a benchmark for the operational risk. The relevant indicator is the three-year average of the total of the annual net interest income and the annual net non-interest income at the end of the financial year. For FMO, the indicator is limited to the net interest income. The own funds requirement as per 2015 for operational risk is 31 million	Annual Report page 107

7.14. Article 447 Exposure to equities not included in the trading book

Article	Item	Comment	Reference
a)	The differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices;	Reference is made to the Annual Report	Annual Report page 84 - 85 (Equity investments and investments in associates) and page 124
b)	The balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value;	Reference is made to the Annual Report	Annual Report page 84 - 85 (Equity investments and investments in associates) and page 124
c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures;	Reference is made to the Annual Report	Annual Report page 84 - 85 (Equity investments and investments in associates) ;page 124; page 119 (Level 1 Equity Investments) and Annual report page 101 (equity risk paragraph)
d)	The cumulative realised gains or losses arising from sales and liquidations in the period; and	Reference is made to the Annual Report	Annual Report page 89 (P&L) and Annual Report page 132 (note 24)
e)	The total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in Common Equity Tier 1 capital.	Reference is made to the annual report. These amounts are used to calculate Common Equity Tier 1 capital. Available for sale reserve for equities is used to calculate own funds. As per December 2015, prudential filter of 3 million on revaluation gains and losses is applied during the calculation of Common Equity Tier 1, according to CRR. Reference is made to Annex II	Annual Report page 131 (Available for sale reserve) and Annex II - Own funds

7.15. Article 448 Exposure to interest rate risk on positions not included in the trading book

Article	Item	Comment	Reference
a)	The nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk;	Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly have an effect on the fair value of fixed interest balance sheet items. Interest rate risk is measured on a weekly basis and is reported to ALCO on a monthly base.	Annual Report page 103-105
b)	The variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	Reference is made to the annual report	Annual Report page 103-105

7.16. Article 449 Exposures to securitisation positions

Not Applicable as FMO does not hold any securitised notes

7.17. Article 450 Remuneration Policy

Article	Item	Comment	Reference
a)	Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	FMO's Supervisory Board has a dedicated (combined) Selection, Appointment and Remuneration Committee(SARC). The SARC meets 2-3 a year and more often if necessary. The SARC renders an advice regarding the Remuneration Policy for MB members to the Supervisory Board. The SB proposes the Remuneration Policy for MB members to the Annual General Meeting. Since FMO is a 51% State participation, the State requires a sound remuneration policy according to its standards. FMO's Works Council takes note of the proposal. The remuneration policy for other employees is determined by the Management Board. An external evaluator, e.g. Hays Group, advises on and evaluates FMO's remuneration policies. The remuneration of the Supervisory Board members is determined by the Annual General Meeting of Shareholders and complies with the Dutch Corporate Governance Code.	Articles of Association Standing Rule of the SB Standing Rules of the SARC DCGC
b)	Information on link between pay and performance;	This is based on: 1. job evaluation and 2. peer group analysis in related reference groups.	2015 Remuneration Policy Management Board (in Dutch only)
c)	The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	In 2015 a maximum fixed remuneration for the (new) CEO was applicable (EUR 275,000). The current CEO remained on his actual remuneration level based on (grandfathering) previous policies and legislation. As per 2016 for the new CEO a maximum fixed remuneration level of EUR 271,000 will be applicable.	
d)	The ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;	No variable remuneration is applicable, so not applicable	
e)	The information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	Not applicable	

f)	The main parameters and rationale for any variable component scheme and any other non-cash benefits;	Not applicable	
g)	Aggregate quantitative information on remuneration, broken down by business area;	Not applicable	
h)	Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:	Reference is made to 'Report Remuneration Policy and Practice regarding Identified Staff of FMO' on the website of FMO	
	(i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;	Reference is made Annual Report 2015 and 'Report Remuneration Policy and Practice regarding Identified Staff of FMO on the website of FMO	Annual Report page 66 and Annual Report page 136 - 137 (Related parties)
	(ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;	Not applicable	
	(iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions;	Not applicable	
	(iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;	Not applicable	
	(v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments;	Not applicable	
	(vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;	Not applicable	
i)	The number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Not applicable	
j)	Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	Reference is made to Annual Report of FMO with respect to the members of the Management Board and Supervisory Board	Annual Report page 136 - 137 (Related parties)

7.18. Article 451 Leverage

Article	Item	Comment	Reference
a)	The leverage ratio and how the institution applies Article 499(2) and (3);	FMO applies leverage ratio according to Article 429 which states that "institutions shall calculate the leverage ratio as simple arithmetic mean of the monthly leverage ratios over a quarter". Reference is made to Annex II for details of leverage ratio as per 31 December 2015	Annex II - Leverage Ratio
b)	A breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Reference is made to Annex II	Annex II - Leverage Ratio
c)	Where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);	Not Applicable	
d)	A description of the processes used to manage the risk of excessive leverage;	FMO exceeds the minimum target of 3% as applicable from 2018 onwards with enough cushion (leverage ratio >20%). FMO's leverage is correlated to the regulatory capital ratios. By monitoring the capital ratios, leverage ratio is managed simultaneously.	
e)	A description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	FMO's leverage ratio changed to 22.6 % in 2015 from 22.8% in 2014. There were no material factors having an impact on the leverage ratio	

7.19. Article 452 Use of the IRB Approach to credit risk

Not Applicable as FMO does not use the IRB Approach for prudential reporting

7.20. Article 453 Use of Credit Risk mitigation techniques

Article	Item	Comment	Reference
a)	The policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting;	Main types of collateral taken by FMO are real estate, business assets and mainly financial instruments i.e. guarantees and collateral between derivative counterparties. For prudential reporting, guarantees received and financial collateral are only used for credit risk mitigation as other collateral in emerging markets is not used for credit risk mitigation but to support FMO's position in renegotiation of loans.	Annual Report page 96- 98
b)	The policies and processes for collateral valuation and management;	Reference is made to Annual Report	Annual Report page 96 - Collateral, loans past due and value adjustments
c)	A description of the main types of collateral taken by the institution;	Main types of collateral taken by FMO are real estate, business assets and mainly financial instruments i.e. guarantees and collateral between derivative counterparties. For prudential reporting, guarantees received and financial collateral are only used for credit risk mitigation as other collateral in emerging markets is not used for credit risk mitigation but to support FMO's position in renegotiation of loans.	
d)	The main types of guarantor and credit derivative counterparty and their creditworthiness;	Main types of guarantees received are from institutions, which are assigned a rating of at least AA- Another part of guarantees are received from sovereigns (rating: AAA). Financial collateral received related to derivatives, from institutions in form of cash.	

e)	Information about market or credit risk concentrations within the credit mitigation taken;	FMO has a highly diversified portfolio over countries, sectors and borrowers. For guarantees included in prudential reporting, FMO is diversified between cash and high rated guarantors with a rating of at least AA+.	
f)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by **eligible financial collateral, and other eligible collateral;**	Not Applicable	
g)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by **guarantees or credit derivatives.** For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	Reference is made to Annex III	Annex III Table 13

7.21. Article 454 Use of the Advanced Measurement Approaches to operational risk

Not applicable for FMO

7.22. Article 455 Use of Internal Market Risk Models

Not applicable for FMO

8. ANNEX II: ADDITIONAL PILLAR 3 INFORMATION

Annex II of this document contains selected Pillar 3 information in addition to the Pillar 3 information published in the Annual Report 2015 of FMO. This report is presented in euros (EUR), which is FMO's presentation currency, rounded to the nearest thousands (unless otherwise stated).

Annex II contains the following disclosures:

1. Capital instruments' main features
2. Own funds
3. Asset encumbrance
4. Leverage Ratio

The figures presented in this document have been neither audited nor reviewed by our external auditor.

8.1. Capital instrument's main features

Capital instruments' main features

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013

Capital instruments' main features template ([1])	Tier 2 (As on 31 December 2015)
Issuer	FMO - Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1117279379
Governing law(s) of the instrument	The Capital Securities are governed by, and construed in accordance with the laws of the Netherlands
Regulatory treatment	
Transitional CRR rules	Tier 2
Post-transitional CRR rules	Tier 2
Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated
Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 175 million
Nominal amount of instrument	EUR 175 million
Issue price	99.28 per cent of the Aggregate Nominal Amount
Redemption price	Redemption at par
Accounting classification	Liability - amortised cost
Original date of issuance	08/12/2015
Perpetual or dated	Dated
Original maturity date	08/12/2020
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates, and redemption amount	08 December 2020, full amount redemption
Subsequent call dates, if applicable	First call date or extend for another 5 years
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	1.5 percent
Existence of a dividend stopper	No

Capital instruments' main features template ([1])	Tier 2 (As on 31 December 2015)
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger (s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	No
If write-down, write-down trigger (s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated debt
Non-compliant transitioned features	No
If yes, specify non-compliant features	N/A

([1]) 'N/A' inserted if the question is not applicable

8.2. Own Funds

	(in thousands)	*31 December 2015* *Amount at Disclosure Date*	*31 December 2015* *Amount Subject to Preregulation (EU) treatment or prescribed residual amount of regulation (EU)*
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	*38,348*	
	of which: instrument type 1	*38,348*	
	of which: instrument type 2	*0*	
	of which: instrument type 3	*0*	
2	Retained earnings	*121,981*	
3	Accumulated other comprehensive income (and any other reserves)	*2,297,013*	
3a	Funds for general banking risk	*0*	
4	Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from CET1	*0*	
	Public sector capital injections grandfathered until 1 January 2018	*0*	
5	Minority interests	*1,115*	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	*0*	
6	**Common Equity Tier 1 (CET 1) capital before regulatory adjustments**	*2,458,457*	
CET1 capital: regulatory adjustments			
7	Additional value adjustments (-)	*-3,385*	
8	Intangible assets (net of related tax liability) (-)	*0*	
9	Empty set in the EU	*0*	
10	deferred tax assets that rely on future profitability excluding those arising from temporary differences	*0*	
11	Fair value reserves related to gains or losses on cash flow hedges	*0*	
12	Negative amounts resulting from the calculation of expected loss amounts	*0*	
13	Any increase in equity that results from securitised assets (-)	*0*	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*0*	
15	Defined-benefit pension fund assets (negative amount)	*0*	
16	Direct and indirect holding by an institution of own CET1 instruments (-)	*0*	
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	*0*	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	*-124,982*	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	*0*	
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	*0*	
20b	*of which: qualifying holdings outside the financial sector (-)*	*0*	
20c	*of which: securitisation positions (-)*	*0*	
20d	*of which: free deliveries (-)*	*0*	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related eligible tax liabilities)	*0*	
22	Amount exceeding the 15% threshold	*0*	
23	*Of which: direct and indirect holding by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	*0*	
24	Empty set in the EU	*0*	
25	*of which: deferred tax assets arising from temporary differences*	*0*	
25a	Losses for the current financial year (-)	*0*	

	(in thousands)	*Amount at Disclosure Date*	*Amount Subject to Preregulation (EU) treatment or prescribed residual amount of regulation (EU)*
25b	Foreseeable tax charges relating to CET1 items (-)	*0*	
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	*0*	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	*0*	
	Of which: …. Filter for unrealised losses	*1,377*	
	Of which: …. Filter for unrealised loss on exposures to central governments classified in the "available for sale" category in the EU endorsed IAS 39.	*0*	
	Of which: …. Filter for unrealised gains	*-4,667*	
	Of which: …. Filter for unrealised gains on exposures to central governments classified in the "available for sale" category in the EU endorsed IAS 39.	*0*	
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR	*0*	
	Of Which: …	*0*	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)	*-6,959*	
28	**Total regulatory adjustments to CET1**	*- 138,616*	
29	**CET1 capital**	*2,319,841*	
Additional Tier 1 (AT1) capital: instruments		*0*	
30	Capital instruments and the related share premium accounts	*0*	
31	*of which: classified as equity*	*0*	
32	*of which: classified as liabilities*	*0*	
33	Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from AT1	*0*	
	Public sector capital injections grandfathered until 1 January 2018	*0*	
34	Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	*0*	
35	*of which: instruments issued by subsidiaries subject to phase out*	*0*	
36	**AT 1 capital before regulatory adjustments**	*0*	
AT1 capital: regulatory adjustments			
37	Direct and indirect holding by an institution of own AT1 instruments (-)	*0*	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	*0*	
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	*0*	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	*0*	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	*0*	
41a	Residual amounts deducted from AT1 capital with regard to deduction from CET1 capital during the transitional period pursuant to art. 472 of Reg. (EU) No 575/2013	*0*	
	Of which: intangibles	*0*	
	Of which: shortfall of provisions to expected losses	*0*	
41b	Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to art. 475 of Reg. (EU) No 575/2013	*0*	
	Of which items to be detailed line by line, e.g. reciprocal cross holding in T2 instruments, direct holding of non-significant investments in the capital of other financial sector entities, etc.	*0*	
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre CRR	*0*	
	Of which: … possible filter for unrealised losses	*0*	
	Of which: … possible filter for unrealised gains	*0*	

	(in thousands)	*Amount at Disclosure Date*	*Amount Subject to Preregulation (EU) treatment or prescribed residual amount of regulation (EU)*
	Of which: …		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (-)	*0*	
43	**Total regulatory adjustments to AT1 capital**	*0*	
44	**AT1 capital**	*0*	
45	**Tier 1 capital (T1= CET1 + AT1)**	*2,319,841*	
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	*175,000*	
47	Amount of qualifying items referred to in art 484 (3) and the related share premium account subject to phase out from T2	*0*	
	Public sector capital injections grandfathered until 1 January 2018	*0*	
48	Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties (excluding row 5 and 34)	*0*	
49	*of which: instruments issued by subsidiaries subject to phase out*	*0*	
50	Credit risk adjustments	*0*	
51	**T2 capital before regulatory adjustments**	*175,000*	
T2 capital: regulatory adjustments			
52	Direct and indirect holding by an institution of own T2 instruments and subordinated loans (-)	*0*	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	*0*	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	*-105,783*	
54a	Of which new holdings not subject to transitional arrangements	*0*	
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	*0*	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	*0*	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	*0*	
56a	Residual amounts deducted from T2 capital with regard to deduction from CET1 capital during the transitional period pursuant to art. 472 of Reg. (EU) No 575/2013	*0*	
	Of which: shortfall of provisions to expected losses	*0*	
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to art. 475 of Reg. (EU) No 575/2013	*0*	
	Of which items to be detailed line by line, e.g. reciprocal cross holding in T2 instruments, direct holding of non-significant investments in the capital of other financial sector entities, etc.	*0*	
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	*0*	
	Of which: … possible filter for unrealised losses	*0*	
	Of which: … possible filter for unrealised gains	*0*	
	Of which: …	*0*	
57	**Total regulatory adjustments to T2 capital**	*-105,783*	
58	**Tier 2 capital**	*69,217*	
59	**Total capital (TC = T1 + T2)**	*2,389,058*	
59a	RWA in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	*0*	
	Of which: … items not deducted from CET1	*0*	
	Of which: … items not deducted from AT1 items	*0*	
	Of which: … items not deducted from T2 items	*0*	
60	**Total risk weighted assets**	*10,139,280*	

	(in thousands)	*Amount at Disclosure Date*	*Amount Subject to Preregulation (EU) treatment or prescribed residual amount of regulation (EU)*
Capital ratios and buffers			
61	CET1 (as a % of total risk exposure amount)	*22.88%*	
62	T1 (as a % of total risk exposure amount)	*22.88%*	
63	TC (as a % of total risk exposure amount)	*23.56%*	
64	Institution specific buffer requirement	*0*	
65	*of which: capital conservation buffer requirement*	*0*	
66	*of which: countercyclical buffer requirement*	*0*	
67	*of which: systemic buffer requirement*	*0*	
67a	*of which: G-SII or O-SII buffer*	*0*	
68	CET1 available to meet buffers (as a % of risk exposure amount)	*22.88%*	
69	[non relevant EU regulation]	*0*	
70	[non relevant EU regulation]	*0*	
71	[non relevant EU regulation]	*0*	
Amounts below the thresholds for deduction			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	*245,178*	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	*150,005*	
74	Empty set in the EU	*0*	
75	deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	*0*	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach	*0*	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	*0*	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach	*0*	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	*0*	
Capital instruments subject to phase-out arrangements (1 Jan 2014 - 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	*0*	
81	Amount excluded from CET1 due to cap	*0*	
82	Current cap on AT1 instruments subject to phase out arrangements	*0*	
83	Amount excluded from AT1 due to cap	*0*	
84	Current cap on T2 instruments subject to phase out arrangements	*0*	
85	Amount excluded from T2 due to cap	*0*	

8.3. Asset Encumbrance

Encumbered assets

31 December 2015

(in thousands)	*Carrying amount of encumbered assets*	*Fair value of encumbered assets*	*Carrying amount of unencumbered assets*	*Fair value of unencumbered assets*
Assets of the reporting institution	137,807		8,272,546	
Loans on demand	*0*		*457,618*	
Equity instruments	*0*	*0*	*1,500,599*	*1,500,599*
Debt securities	*0*	*0*	*1,567,439*	*1,562,482*
Loans and advances other than loans on demand	*0*		*4,452,943*	
Other assets	*137,807*		*293,948*	

Collateral received and own debt securities issued

31 December 2015

(in thousands)	*Fair value of encumbered collateral received or own debt securities issued*	*Unencumbered*	
		Fair value of collateral received or own debt securities issued available for encumbrance	*Nominal amount of collateral received or own debt securities issued not available for encumbrance*
Collateral received by the reporting institution	137,807	0	0
Loans on demand	*0*	*0*	*0*
Equity instruments	*0*	*0*	*0*
Debt securities	*0*	*0*	*0*
Loans and advances other than loans on demand	*0*	*0*	*0*
Other collateral received	*137,807*	*0*	*0*
Own debt securities issued other than own covered bonds or ABSs	0	0	0

Source of encumbrance

(in thousands)	*Matching liabilities, contingent liabilities or securities lent*	*Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered*
		31 December 2015
Carrying amount of selected financial liabilities	137,015	137,807
Derivatives	*137,015*	*0*
Deposits	*0*	*0*
Debt securities issued	*0*	*0*
Other sources of encumbrance	0	137,807

Encumbered assets

Encumbered assets are those that are pledged or other assets which are restricted to secure, credit-enhance or collateralise a transaction.

The Pillar 3 Asset Encumbrance disclosure is based on the regulatory scope.

The following activities conducted by FMO give rise to encumbered assets:

Derivatives: collateral agreements (ISDA/CSA contracts) encumbered assets to secure derivative positions.

8.4. Leverage Ratio

	(in thousands)	*Amount on 31 December 2015*
Summary reconciliation of accounting assets and leverage ratio exposures		*Applicable Amounts*
1	Total assets as per published financial statements	*8,421,896*
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	*0*
3	*Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013*	*0*
4	*Adjustments for derivative financial instruments*	*199,027*
5	Adjustments for securities financing transactions	*0*
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	*1,920,006*
7	Other adjustments	-
8	**Leverage ratio exposure**	*10,540,929*
Leverage ratio common disclosure		*CRR leverage ratio exposures*
On-balance sheet exposure (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	*8,302,678*
2	Asset amounts deducted in determining Tier 1 capital	*-131,941*
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	*8,170,737*
Derivative exposures		
4	Replacement cost associated with derivative transactions	*251,159*
5	Add-on amounts for PFE associated with derivative transactions	*199,027*
EU-5a	Exposure determined under Original Exposure Method	
6	*empty set in the EU*	
7	*empty set in the EU*	
8	*empty set in the EU*	
9	*empty set in the EU*	
10	*empty set in the EU*	
11	**Total derivative exposures (sum of lines 4 to 5a)**	*450,186*
Securities financing transactions exposures		
12	*empty set in the EU*	
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	*0*
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	*0*
13	*empty set in the EU*	
14	*empty set in the EU*	
15	*empty set in the EU*	
16	**Total securities financing transaction exposures**	*0*
Off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	*1,967,287*
18	Adjustments for conversion to credit equivalent amounts	*-47,281*
19	**Total off-balance sheet exposures (sum of lines 17 to 18)**	*1,920,006*
Capital and Total Exposures		
20	**Tier 1 capital**	**2,319,841**
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	*0*
21	**Total Exposures (sum of lines 3, 11, 16, 19 and 21a)**	*10,540,929*

	(in thousands)	***Amount on 31 December 2015***
Leverage Ratios		
22	**End of quarter leverage ratio**	*22.42%*
EU-22a	**Leverage ratio (average of the monthly leverage ratios over the quarter)**	*22.60%*
Choice on transitional arrangements for the definition of the capital measure		
EU-23	Choice on transitional arrangements for the definition of the capital measure	*Transitional*
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	*0*
Split-up of on balance sheet exposure (excluding derivatives and SFTs)		*CRR leverage ratio exposures*
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	*8,170,737*
EU-2	Trading book exposures	*0*
EU-3	Banking book exposures, of which:	*8,170,737*
EU-4	Covered bonds	*21,653*
EU-5	Exposures treated as sovereigns	*1,214,761*
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	*0*
EU-7	Institutions	*1,254,110*
EU-8	Secured by mortgages of immovable properties	*0*
EU-9	Retail exposures	*0*
EU-10	Corporate	*3,896,873*
EU-11	Exposures in default	*153,680*
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	*1,629,660*
Qualitative disclosures		
1	**Description of the processes used to manage the risk of excessive leverage**	Reference Pillar 3 disclosure Leverage Ratio
2	**Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers**	Reference Pillar 3 disclosure Leverage Ratio

9. ANNEX III: PILLAR 3 DISCLOSURES – TABLES AND FIGURES

Annex III of this document contains Pillar 3 information in addition to the Pillar 3 report in order to elaborate on some Pillar 3 articles regarding FMO's business figures for December 2015. This report is presented in euros (EUR), which is FMO's presentation currency, rounded to the nearest thousands (unless otherwise stated).

The Pillar 3 disclosure requirements prescribe that a credit institution classifies its assets into a number of standard exposure classes. For a credit institution using the standardized approach, these exposures are defined in the CRR as follows:

1. Central Government and Central Banks
2. Multilateral Development Banks
3. Public Sector entities
4. Corporates
5. Institutions
6. Covered bonds
7. Items associated with high risk
8. Other assets

The classification above implies that Pillar 3 classification is not based on the classification of assets as in the Annual Report. Apart from the classification of assets, numbers as reported in the Risk Management Chapter and Annual Report could also differ from the numbers reported in this section

This document contains information regarding following subjects:

1. Capital requirements
2. Counterparty Credit Risk and ECAI assessments
3. Credit risk
4. Credit risk mitigation

The figures presented in this document have been neither audited nor reviewed by our external auditor.

9.1. Capital Requirements

This part of the Annex III elaborates on the Capital Requirements, article 438 of Pillar 3 disclosures

TABLE 1: Exposure value before credit mitigation and before credit risk adjustments, risk weighted assets, Capital Requirement (in EUR thousands) per exposure class as of 31 December 2015

Exposure class	Exposure value *	Risk weighted assets	Capital Requirement
Central Governments and Central Banks	724,733	0	0
Multilateral Development banks	305,762	0	0
International organisations	46,064	0	0
Public Sector Entities	138,202	0	0
Corporates	5,126,565	4,517,849	361,428
Institutions	1,810,572	783,349	62,668
Covered Bonds	21,654	2,165	173
Items associated with particularly high risk	2,233,865	2,777,687	222,215
Exposures in default	353,897	144,527	11,562
Other items	129,062	129,062	10,325
Total	**10,890,376**	**8,354,640**	**668,371**

**** The exposure value consists of on balance and off balance amounts***

9.2. Counterparty Credit Risk

This part of the Annex III elaborates on the Counterparty Credit Risk chapter of Pillar 3 disclosures

TABLE 2: Exposure value before credit mitigation (in EUR thousands) per ECAI rating range as of 31 December 2015

ECAI rating range / Exposure class	Corporates	Institutions included derivatives	Covered bonds
AAA to AA-	0	420,240	21,654
A+ to A -	0	629,908	0
BBB+ to BBB -	0	556,396	0
BB+ to BB-	1,037,517	53,300	0
B+ to B-	1,969,560	22,101	0
CCC+ or less	891,163	0	0
Total	**3,898,240**	**1,681,945**	**21,654**

TABLE 3: Exposure value before credit mitigation, risk weighted assets, capital requirement (in EUR thousands) for derivatives as of December 2015

	Exposure value	Risk weighted assets	Capital requirement
Derivatives	450,022	208,099	16,648

As described in the Pillar 3 report, the exposure value for derivatives is based on positive based value and applicable add-on

TABLE 4: Exposure value derivatives split (in EUR thousands) as of 31 December 2015

Gross fair value	250,995
Collateral received	-76,015
Net fair value	**174,980**

9.3. Credit Risk

This part of Annex III elaborates on the Credit Risk chapter of Pillar 3 disclosures

TABLE 5: Exposure value before credit mitigation and before credit risk adjustments per maturity bucket (in EUR thousands) as of 31 December 2015

Exposure class/Maturity Bucket	< =3 months	3 - 12 months	1-5 years	> 5 years	Not Allocated	Total
Central Government and Central Banks	352,959	122,297	176,941	72,536	0	**724,733**
Multilateral Development banks	170,264	47,833	27,240	60,425	0	**305,762**
International organisations	0	20,321	25,743	0	0	**46,064**
Public Sector Entities	73,641	27,573	11,493	25,494	0	**138,202**
Corporates	92,120	182,688	2,011,240	2,840,517	0	**5,126,565**
Institutions	566,759	436,610	528,140	279,063	0	**1,810,572**
Covered Bonds	0	0	21,654	0	0	**21,654**
Items associated with particularly high risk	0	0	0	0	2,233,865	**2,233,865**
Other items	0	0	0	0	129,062	**129,062**
						0
Total	**1,255,743**	**837,322**	**2,802,451**	**3,278,035**	**2,362,927**	**10,536,479**

* *Exposures in default are excluded in table 5*

TABLE 6: Exposure value before credit mitigation and before credit risk adjustments per geographical region (in EUR thousands) as of December 2015

Region/Exposure class	Central Government and Central Banks	Multilateral Development banks	International organisations	Public Sector Entities	Corporates	Institutions	Covered bond	Items associated with particularly high risk	Exposures in Default	Other items	Total
Africa	0	0	0	0	1,518,887	101,633	0	718,245	40,639	0	**2,379,403**
Asia	46,026	119,636	0	0	1,111,161	232,137	0	834,089	168,442	0	**2,511,490**
Europe & Central Asia	678,707	165,866	46,064	138,202	974,244	1,416,007	21,654	339,919	69,802	129,062	**3,979,527**
Latin America & The Caribbean	0	0	0	0	1,487,279	10,884	0	329,427	75,015	0	**1,902,604**
West America	0	20,260	0	0	34,994	49,912	0	12,186	0	0	**117,352**
Total	**724,733**	**305,762**	**46,064**	**138,202**	**5,126,565**	**1,810,572**	**21,654**	**2,233,865**	**353,897**	**129,062**	**10,890,376**

TABLE 7: Exposure value before credit mitigation and before credit risk adjustments per strategy sector (in EUR thousands) as of 31 December 2015

Strategy Sector/Exposure Class	Corporates	Items associated with particularly high risk	Exposures in Default	Total
Agri, Food and Water	516,693	100,129	18,229	635,052
Energy	1,419,568	348,282	52,852	1,820,703
Financial Institutions	2,107,925	500,900	5,637	2,614,462
Multi-Sector Fund Investment	87,124	1,112,407	0	1,199,531
Infrastructure, Manufacturing and other services	995,255	172,147	277,179	1,444,581
Total	**5,126,565**	**2,233,865**	**353,897**	**7,714,328**

TABLE 8: Past due amounts which are not impaired (in EUR thousands) per geographical region - only for Corporates (loan portfolio) as of 31 December 2015

Past due bucket/Region	Africa	Europe & Central Asia	Latin America & The Caribbean	Total
<= 30 days	4,191	0	7,582	**11,773**
> 30 days <= 60 days	0	0	0	**0**
> 60 days <= 90 days	0	0	0	**0**
> 90 days <= 180days	0	0	0	**0**
> 180 days <= 1year	0	0	0	**0**
> 1year	0	1,547	0	**1,547**

TABLE 9: Past due amounts which are not impaired (in EUR thousands) per strategy sector - only for Corporates (loan portfolio) as of 31 December 2015

Past due bucket/Strategy Sector	Agri, Food and Water	Infrastructure, Manufacturing and other services	Total
<= 30 days	11,773	0	**11,773**
> 30 days <= 60 days	0	0	**0**
> 60 days <= 90 days	0	0	**0**
> 90 days <= 180days	0	0	**0**
> 180 days <= 1year	0	0	**0**
> 1year	0	1,547	**1,547**

TABLE 10: Impairments (in EUR thousands)
Group specific value adjustments (in EUR thousands) and impaired exposures (in EUR thousands) per geographical region - only for Corporates /Institutions (loans) and Items associated with particularly high risk (Equity Investments) as of 31 December 2015

Region/Type amount	Impairment corporates/institutions	Group specific value adjustments	Impairment on high risk items	Total exposure value impaired corporates/institutions	Total exposure value impaired high risk items
Africa	21,338	47,466	36,031	35,953	119,532
Asia	100,984	29,683	32,931	168,442	113,718
Europe & Central Asia	50,601	35,425	26,925	71,276	105,530
Latin America & The Caribbean	25,463	57,855	12,468	75,015	22,818
West America	0	931	8,264	0	16,291
Total	**198,386**	**171,359**	**116,619**	**350,685**	**377,889**

TABLE 11: Impairments (in EUR thousands)
Group specific value adjustments (in EUR thousands) and impaired exposures (in EUR thousands) per strategy sector - only for Corporates/Institutions and Items associated with particularly high risk (Equity Investments) as of 31 December 2015

Region/Type amount	Impairment loans	Group specific value adjustments	Impairment equity	Total on balance exposure value impaired assets	Total exposure value impaired high risk items
Agri, Food and Water	9,329	31,832	2,508	15,324	18,758
Energy	14,308	29,878	13,459	52,852	57,874
Financial Institutions	2,892	77,758	19,638	5,637	44,239
Infrastructure, Manufacturing and other services	171,857	30,284	15,800	276,872	22,641
Multi-Sector Fund Investment	0	1,607	65,213	0	234,376
Sovereigns or Central Banks	0	0		0	0
Total	**198,386**	**171,359**	**116,619**	**350,685**	**377,889**

TABLE 12: Impairments (in EUR thousands)
Group specific value adjustments (in EUR thousands) reconciliation for corporates/institutions as of 31 December 2015

	Opening balance 2015	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Other adjustments	Closing balance 2016
Specific allowances for financial assets, individually estimated (impairments)	**180,654**	**56,019**	**-23,195**	**-29,610**	**14,517**	**198,386**
Institutions	20,351	270	-365	-18,217	999	2,892
Corporates	160,449	55,749	-22,830	-11,393	13,518	195,493
Group specific value adjustments (Incurred but not reported losses on financial assets)	**178,678**	**0**	**-24,399**	**0**	**17,080**	**171,359**
Loans and advances	178,678	0	-24,399	0	17,080	171,359

9.4. Credit Risk Mitigation

This part of the Annex III elaborates on Credit Risk Mitigation, article 453 of Pillar 3 disclosures

TABLE 13: Amounts (in thousands) related to credit risk mitigation: type collateral per guarantor type as of 31 December 2015

Type collateral/Guarantor type	Sovereigns	Corporates	Institutions
Guarantees Received	47,628	34,245	171,118
Financial collateral	0	0	1,736
Collateral received related to derivatives	0	0	76,015
Total	**47,628**	**34,245**	**248,869**

10. APPENDIX

List of Abbreviations

ALCO	Asset and liability Committee
ARC	Audit and Risk Committee
CC	Compliance Committee
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CRD	Capital Regulatory Directive
CRFO	Chief Risk and Financial Officer
CRR	Capital Regulatory Requirement
CSA	Credit Support Annex
CVA	Credit Value Adjustment
DCC	Dutch Civil Code
DGCG	Dutch Corporate Governance Code
DNB	De Nederlandse Bank
EBA	European Banking Authority
EU	European Union
IC	Investment Committee
ILAAP	Internal Liquidity Adequacy Assessment Process
ICAAP	Internal Capital Adequacy Assessment Process
MB	Management Board
S&P	Standard and Poor's
SARC	Selection, Appointment and Remuneration Committee
SB	Supervisory Board