CONTENTS

FMO KEY FIGURES

The figures and percentages mentioned throughout this annual report are the figures of the financing activities from FMO's own funds including the FOM facility. Where the FMO-managed Government funds are included, it is explicitly stated.

	2014	2013	2012	2011	2010
Total new commitments [1] (€xmln)	1,632	1,524	1,390	1,306	1,026
of which are Government funds [2]	177	144	160	165	81
Total committed portfolio	8,013	6,633	6,281	5,874	5,292
of which are Government funds	978	844	831	828	726
Net loans	3,860	2,981	2,817	2,585	2,269
Equity investments portfolio [3]	1,149	962	914	795	688
Shareholders' equity	2,138	1,963	1,815	1,665	1,514
Debt securities and debentures/notes	4,197	3,610	3,292	2,679	2,365
Total assets	7,088	6,184	5,564	5,059	4,305
Income					
Net interest income	169	155	154	147	133
Income from equity investments	72	43	89	46	52
Other income including services	19	56	28	45	40
Total income	**260**	**254**	**271**	**238**	**225**
Expenses					
Operating expenses	-62	-62	-57	-52	-50
Operating profit before value adjustments	**198**	**192**	**214**	**186**	**175**
Value adjustments					
• to loans and guarantees	-36	4	-23	-23	-18
• to equity investments	-15	-22	-23	-36	-11
Total value adjustments	**-51**	**-18**	**-46**	**-59**	**- 29**
Share in the results of associates	2	-5	4	-9	5
Profit before tax (including results from associates)	**149**	**169**	**172**	**118**	**151**
Taxes	-25	-36	-27	-25	-25
Net profit	**124**	**133**	**145**	**93**	**126**
Average number of full-time employees	362	342	306	283	270
Offset CO_2 emissions (tons) [4]	5,162	4,922	6,288	3,600	3,791

1) Total new commitments and Total committed portfolio concerns both investments for FMO's account and for Government funds managed by FMO
2) The Government funds include Massif, IDF, AEF and FOM OS
3) Including associates
4) Since 2012 we have been using a new offsetting methodology. Before 2012 we offset our CO2 emissions through the Climate Neutral Group. We now compensate for the largest share of our CO2 emissions – employee flight travel – directly through our KLM, our preferred carrier and the remaining CO2 emissions through the Climate Neutral Group.

FMO AT A GLANCE

For the last 45 years, FMO has been investing in the private sector in developing countries. FMO is the Dutch development bank. We operate primarily from our office in The Hague in The Netherlands and have a local office in Johannesburg, South Africa. Our committed investment portfolio, including funds we manage for the Dutch government, totals €8 billlion.

We have investments in more than 85 developing countries, offering our clients a variety of financial products, as well as expertise and access to our networks. Our investments are mainly focused in three key sectors: Financial Institutions, Energy and Agribusiness. Alongside partners, we also invest in the Infrastructure, Manufacturing, Services sectors.

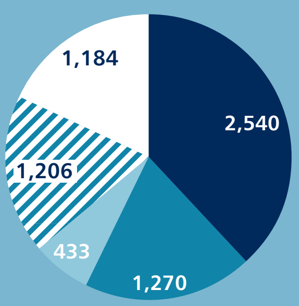
TOTAL NEW COMMITMENTS AND CATALYZED FUNDS (€XM LN)

	2013	2014
FMO new commitments	1,380	1,455
Government funds new commitments	144	177
Catalyzed funds	822	879

TOTAL COMMITTED PORTFOLIO BY SECTOR (€XMLN)

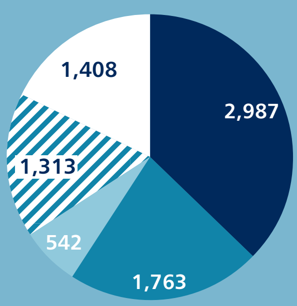
2013

Total: 6,633



2014

Total: 8,013



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

TOTAL COMMITTED PORTFOLIO BY REGION

NON SPECIFIC REGION

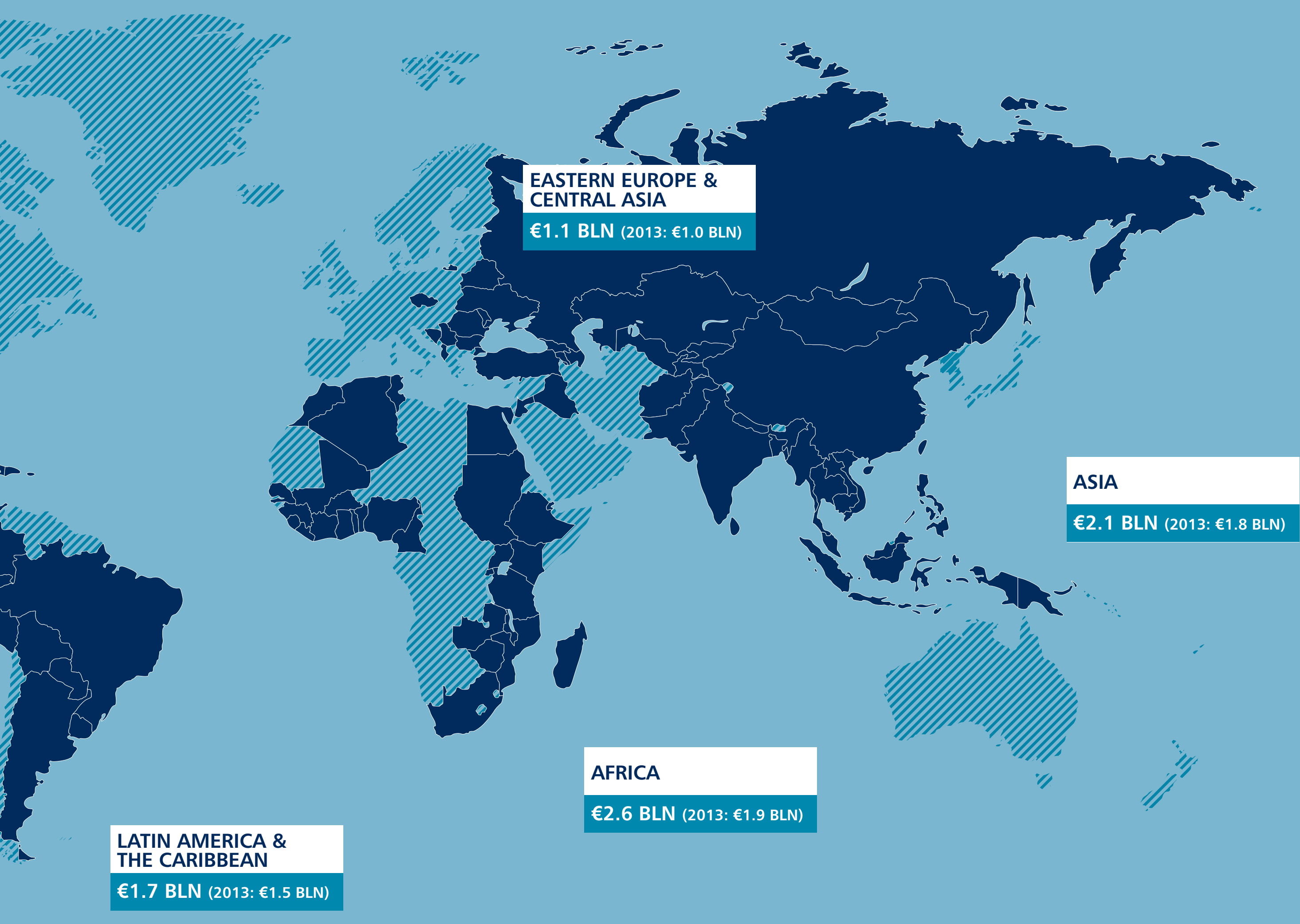
€0.5 BLN (2013: €0.4 BLN)

NET PROFIT €124 MLN

AVERAGE FULL-TIME EMPLOYEES (FTES) 362

RATINGS

→ FITCH RATINGS	AAA
→ STANDARD & POORS	AA+
→ SUSTAINALYTICS	85
→ OEKOM RESEARCH	B



REPORT OF THE MANAGEMENT BOARD

LETTER FROM THE CEO

Dear Stakeholder,

A year ago, I wrote here about the development of FMO's new strategy to become the leading impact investor in 2020 by doubling impact and halving footprint. Now we can look back on a year in which we made this audacious strategy concrete, and began implementing it in our organization.

Our strategy is all about enabling clients whose business strategies contribute to a sustainable world in 2050, when the world's population is expected to reach nine billion. With that in mind, I am proud of what we achieved in 2014. We set a new record for commitments while maintaining a good level of profitability. Not only were we successful in promoting investments by other investors in our clients, but we also increased investments in green projects and achieved our financial targets. Other highlights included obtaining a full banking license and holding a 'Future of Banking' conference for almost 400 clients and partners from all over the world.

All this was against an undeniably volatile external backdrop. Lower commodity prices, the Chinese slowdown, the Ukraine crisis, and US dollar strength were just some of the factors that created a challenging environment. But FMO is no stranger to volatile and uncertain conditions; ever since our founding in 1970, we have sought to push the boundaries by investing in higher-risk markets. A passion for a better world connects all our employees with our clients, who like us are eager to make a difference.

In order to indeed make a difference in our complex world, FMO needs a clear strategy and concrete targets. Last year we translated doubling impact and halving footprint into clear and specific targets: doubling jobs supported through the financing we provide and doubling avoided greenhouse gas emissions. Climate change is a worrying global trend, which the world's poorest are the least equipped to deal with. Sustainable development in emerging economies is therefore vital and we feel we have an important role to play as a development bank.

I am pleased that the Dutch development agenda continues to shift from aid to trade. One consequence of that is an increased political focus on private sector development that obliges us to be even more transparent and accountable for our development impact – which is challenging yet welcome. One of the ways we intend to contribute to this agenda is by promoting investments of Dutch companies in developing countries. We initiated efforts to this end in 2014, and intend to deliver new financing solutions for Dutch companies in 2015.

Our strategy is still evolving, and its development and gradual implementation will continue in years to come. So despite our progress in 2014, we must resist complacency and raise the bar, to continue on our road to 2020. Uncertainties such as geopolitical and social tensions, development of the oil price, financial market volatility which has repercussions for the stability of the dollar-euro exchange rate, are just some of the challenges that could make 2015 as volatile and uncertain as 2014.

I am confident our motivated and driven employees will rise to these challenges. My sincere thanks goes to them all, and to our clients, partners, investors, government counterparts and other stakeholders for their efforts and support in 2014. Working together, we empower entrepreneurs to build a better world.

Nanno Kleiterp
Chief Executive Officer

GLOBAL TRENDS

High economic growth in recent decades has led to a rising middle class in many developing countries. The supply of capital – especially private capital, which has become a much more prominent source of economic growth than public capital - in many emerging countries has increased in past years. Wealth creation in the emerging world is reflected in growing bank balances, vast increases in institutional investor portfolios and the creation of many sizeable wealth funds.

Although the number of extremely poor people has diminished over the past decade, income inequality and poverty have deepened and are endemic in many countries and cannot be solved by economic growth alone. Allocation of private capital is still skewed and does not reach many of the countries and regions that need it most. More inclusive forms of economic growth are needed.

The World Business Council for Sustainable Development estimates that in 2050, the world's population will have reached nine billion people who would need more than two planets to sustain them. We share the vision that the world needs to change the way it produces and consumes if these nine billion inhabitants are to live well and within the earth's limits.

According to the World Bank, worldwide, the poorest people will suffer most from the impact of climate change, such as changing weather patterns and possible price increases for food supplies. This means poverty reduction can no longer be seen in isolation from the need to move to more environmentally friendly forms of production and more responsible consumption patterns, aimed at reducing greenhouse gas emissions. Both politics and the private sector will need to play their role in this transformation process. Building new coalitions between business, governments and civil society is key to finding new solutions to these challenges.

The more central the role of business becomes for sustainable growth worldwide, the more companies' conduct will also be in the spotlight. Civil society is playing an increasingly prominent role, as a watchdog to ensure companies behave responsibly and take account of local social and environmental interests when they invest worldwide.

In the Dutch political environment, foreign policy is shifting its focus from an emphasis on aid to stimulating trade. The government has reduced traditional aid budgets in recent years, while making available capital to support Dutch companies investing in emerging countries. The creation of the Dutch Good Growth Fund is a case in point. FMO's business as a development bank has clearly gained in relevance in the Dutch political arena.

These are the important global trends that affect our business. They make our business both more interesting and more complex. Proactive stakeholder management is crucial. The roles of the Dutch government, private investors and civil society in particular are of key importance to us.

Our relationships with our core stakeholders are reflected in this annual report. FMO's ambition is to be fully accountable to our stakeholders about our achievements, the dilemmas we face and our own behaviour as a development bank and as an investor.

HOW WE REPORT

LEGAL ENTITY

This annual report covers Financierings Maatschappij voor Ontwikkelingslanden N.V. (FMO) and its four intermediate holding subsidiaries: Nuevo Banco Comercial Holding B.V., FMO Antillen N.V., Asia Participations B.V., and FMO Medu II Investment Trust. A small part of FMO's activities fall under Fonds Opkomende Markten (FOM) fund which is guaranteed by the Dutch government and falls under the Ministry of Economic Affairs.

FMO also manages funds for the Dutch government: MASSIF, Infrastructure Development Fund (IDF), Access to Energy Fund (AEF) and Fund Emerging Markets for Developing Countries (FOM-OS) of the Ministry of Foreign Affairs.

The figures and percentages mentioned throughout this annual report include the figures of the financing activities from FMO's own resources as well as the FMO managed government funds, unless explicitly stated.

REPORTING PERIOD AND POLICY

This is the annual report for the calendar year 2014, which has been prepared according to the legal requirements of section 2:391 of the Dutch civil code and Dutch legal guidelines for management board reports, RJ 400.

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

We strive for transparent reporting on our strategy, the dilemmas we face and how we are realizing our strategy. This report makes use of elements of the Integrated Reporting Framework of the International Integrated Reporting Council.

This annual report differs significantly in structure from previous years' reports. Central to this year's annual report is our strategy: making concrete what impact and footprint mean to us in practice and how we are managing the organization to achieve this strategy. We set this against the backdrop of the global trends and our business model, to illuminate the integrated story of how we create value.

Global Reporting Initiative

In 2013, the Global Reporting Initiative launched its fourth-generation sustainability reporting guidelines (G4). Specific financial sector guidelines were subsequently published in 2014. At FMO we have been focusing our efforts for the last two years on developing our Impact & Footprint Framework and its indicators, which will allow us to measure our progress on our strategy and steer the company accordingly. We have chosen to use some aspects of G4 to guide our 2014 annual report and are working towards adherence for the 2015 reporting year.

OUR STAKEHOLDERS

Our stakeholders are our employees, clients, partners, investors, the Dutch government, and others such as regulators, local communities and non governmental organisations. We have regular contact with our key stakeholders through a variety of board meetings, client conferences, stakeholder consultations and other meetings throughout the year. Besides, we also conduct client and employee satisfaction surveys to assess their satisfaction levels. And we support and partner with international and multi-party initiatives to strengthen sustainable development causes.

MATERIALITY

We conducted a materiality analysis during 2014, drawing up a complete list of topics, based on our interaction with stakeholders during the year. Our Management Board and directors then rated these topics in terms of their materiality to FMO. The reporting process for the 2014 annual report was guided by these material topics.

Use of case studies

The case studies included throughout the annual report offer insight into our activities in 2014 and are not necessarily representative of our entire portfolio or of new contracts. They do, however, exemplify projects located in our strategic sectors and regions, and highlight material activities and their inherent dilemmas.

DATA QUALITY

Data quality is very important as it is the basis for management reporting and steering. To ensure a high quality of data, we have implemented the four-eye-principle. Quality of financial aspects, but also information on development impact and footprint is reviewed by an independent team and the results are analysed following the closing of the books. Beyond that, as a third line of defense FMO's Internal Audit department considers data quality and the underlying processes as important audit areas.

ASSURANCE

We have asked KPMG to audit the annual accounts and provide a limited level of assurance on the Report of the Management Board section of this annual report. The scope of the assurance assignment on the Report of the Management Board is limited to the chapters 'FMO at a Glance' up to 'Performance on our strategy'. The assurance is conducted using the Dutch Standard on assurance engagements 3000.

HOW WE CREATE VALUE

OUR VISION

We believe in a world in 2050 where nine billion people can live well and within the boundaries of the planet. We believe that we have a role to play in achieving this vision, by striving to create sustainable development, together with our clients, investors and partners, and by showing that impact investing pays off.

OUR MISSION

In pursuit of this vision, our mission is to empower entrepreneurs to build a better world.

We focus on supporting ambitious entrepreneurs who care about social returns and protecting the environment alongside financial success, because we are convinced they can serve as engines of sustainable growth in their countries. We view our investment in these entrepreneurs – through financing and by sharing our knowledge and networks – as an investment in a better world.

OUR GOVERNANCE

FMO has a two-tier governance structure, composed of a Management Board and a Supervisory Board. The Management Board is responsible for developing and implementing our strategy and for ensuring compliance with relevant legislation and regulation. The Supervisory Board appoints the Management Board members and supervises the general course of affairs within FMO and in FMO's business. All members are available to the Management Board for strategic advice. They are able to provide advice on specific issues through two dedicated committees, one on audit and risk management, and the other on selection, appointment and remuneration.

We apply the Dutch Banking Code to the functioning and operation of the Management and Supervisory Boards. We also voluntarily adhere to most of the Dutch Corporate Governance Code for listed banks.

OUR BUSINESS MODEL

See model on opposite page.

Our Inputs

Knowledge & skills

Many years of sustainable investing in emerging markets, combined with our focus on key sectors, has enabled us to build a strong knowledge base. We apply this knowledge to all our activities and actively share our expertise with our clients and partners. We employ specialized and diverse staff who not only have high qualifications and strong credentials, but also exemplify our corporate values: engaged, excellence, cooperation and making the difference. Encouraging our employees to perform to their full potential and develop their talents is key. We promote career development through ongoing training programs, as well as job rotation and secondments within and outside of FMO.

Networks & partnerships

Partnering with peers and other commercial parties is central to our approach to business. Our partners deliver valuable local knowledge about the many markets in which we operate, and co-finance transactions with us. Our local office in Johannesburg, South Africa, shared with our German counterpart, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), enables us to better serve African clients by pooling our skills locally. By partnering with various national and international associations we aim to set and improve industry standards and operational criteria that contribute to a fairer and more sustainable future. Our website includes the full list of our networks and partnerships, and the initiatives and organizations that we endorse: *www.fmo.nl/networks*.

Capital and Funding

We were founded by the Dutch government as a public-private partnership and 51% of our shares are held by the Dutch State. As part of the Dutch government's international development agenda, our mandate is to promote private sector development in developing countries. The Dutch government is also an important enabler of our business and our strategy – it guarantees our financial commitments and entrusts us with management of a number of government initiated funds that have strong synergies with our own strategy. When raising funding, the guarantee permits us to obtain funding via public markets and through private placements at costs close to those incurred by the Dutch State.

Compliance & risk management

By its nature, FMO's operations are in riskier countries than the average financial services provider. While risks are inherent to our operations, we manage them stringently. As a public-private development bank, our own governance, structure and reporting lines must be sound and transparent. Business integrity is central to our operations. Our investment criteria, exclusion list and anti-money laundering, anti-bribery and corruption procedures adhere to high

FMO BUSINESS MODEL

WWW.FMO.NL/STRATEGY

standards of business conduct and our mandate as a development bank. For all new and existing clients, we apply our 'Know Your Customer' policy, which is based on international and national anti-money laundering and terrorist financing regulation and laws. We perform due diligence on all clients which include checks such as verifying the Ultimate Beneficial Owners of the client we finance, identifying politically exposed persons and screening against international sanction lists. Visit our website to learn more about our policies and procedures: *www.fmo.nl/policies-procedures*.

Our In Control Framework ensures continuous measurement and monitoring of the drivers in our risk universe. The framework consists of three lines of defense. The first line of defense is business management's own processes and self assessments. In the second line, independent risk departments advise authorized committees or conduct 'second pair of eyes' checks. The third line of defense is the internal audit function, advising the Management and Supervisory Boards.

We assess credit, equity and environmental, social & governance (ESG) risks pertaining to private institutions in developing countries during the credit approval process. During the life of the investment, our clients are subject to periodic reviews, at least annually, with higher risk clients monitored more intensively.

We run ESG risks – which can also create reputational risks – in our portfolio. Rather than attempting to avoid such risks, we mitigate them through an in-depth assessment using the International Finance Corporation (IFC) Performance Standards, and if necessary, agree on an action plan with clients that ensures they attain compliance with local laws and international standards. If unexpected negative social or environmental impacts appear during the span of a project, we work with the client to ensure these negative impacts are mitigated and to re-establish compliance with international standards.

How we add value

Additionality

We only take on projects where we are additional to the market. We support investments that are expected to produce strong economic, social and environmental returns to society as a whole, but where the perceived risks are such that they attract insufficient commercial interest.

As a catalyst financier, we accept a relatively high share of the risk involved, giving other financiers the space and comfort to co-invest with us. Once they are willing to take over our investment role, we move on to other high-risk projects or countries.

Country focus

From the start, we have focused our operations on the developing world in those areas where we have the greatest possible impact in alleviating poverty. We make a distinction between low income countries (LICs), lower middle income countries (LMICs) and upper middle income countries (UMICs) using the World Bank list. We invest at least 70% of our own business in LICs and LMICs, making sure to invest at least 35% in the 55 poorest countries. We limit our portfolio in UMICs to 30%.

ESG knowledge building

Development finance also means investing in the knowledge and skills needed to make a business work. We support our clients in improving their management skills and technical expertise through our Capacity Development program. This supports our clients in areas such as risk management and best practices in environmental and social topics. It also addresses typical governance-related aspects such as weak boards of directors or undue influence in a family business.

To further facilitate knowledge transfer, both for our clients and at the broader level with peers and industry stakeholders, we organize events ranging from seminars to topical conferences and training sessions on ESG practices.

Our Activities

Financing and investing

Because developing countries are often considered high risk from an investment perspective, even the most promising businesses often do not have access to the financing needed to realize their potential. This is where we come on board, with a range of financial products including long-term project financing, private equity, loans, guarantees, capital market transactions, mezzanine and other tailor-made financing. We take an integrated approach to our financings and investments. That is, in selecting opportunities we consider the expected economic, social and environmental returns, as well as a match with our risk profile and contribution to our financial return.

Government fund management

Through the funds that we manage for the Dutch government – the MASSIF fund, Access to Energy fund (AEF), Infrastructure Development Fund (IDF) and the Fund Emerging Markets for Developing Countries (FOM-OS) – we invest often at an early stage in higher-risk projects, which often delivers substantial development impact.

Commercial fund management

We manage third party capital funds, which are invested alongside FMO's own transactions in emerging and developing markets. Through these funds, FMO Investment Mangement offers investors access to our expertise in responsible emerging market investing. We have a combined objective of investing for both financial returns and development impact.

Syndicated loans

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

Our Outcomes

Development impact

We actively seek out clients and projects that have high potential for positive impact in all spheres of development –beyond just economic growth. We define development impact as the combined effects of economic growth, social progress and environmental sustainability.

Our clients play a crucial role in helping us to achieve our impact aims. With our support they create jobs, manufacture products and deliver services in an environmentally sustainable and socially responsible way. This in turn provides income and boosts living standards, which generates lasting private sector development impact with due considerance for the environment.

Client satisfaction

Our direct clients are companies, financial institutions, private equity fund managers and infrastructure project developers. Client satisfaction is important to us, not only in our product offering, but also throughout the life of the investment. We provide our clients innovative products and services, and tailor our financial and non-financial services to their specific needs.

In addition to the financial services and products we provide, our clients also benefit from access to our knowledge and to our networks and partnerships. We support our clients by offering environmental and social management support and assistance with corporate governance.

Financial sustainability

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

COUNTRY: CHINA

DEALING WITH LABOR PRACTICES

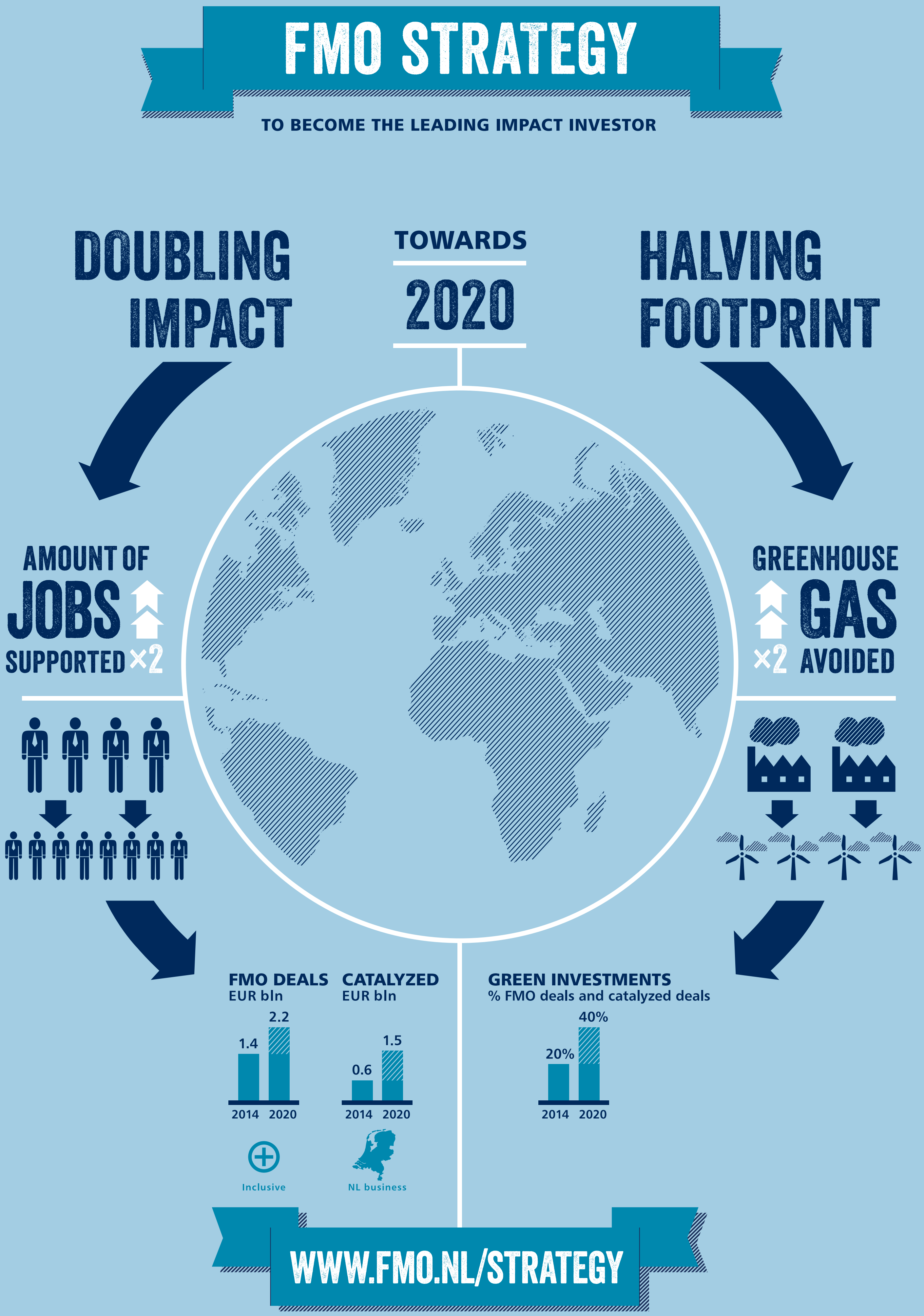
CLIENT:	Rompa Group
FUND:	FMO (through FOM facility)
SECTOR:	Infrastructure, Manufacturing, Services
INVESTED IN:	2013

Supporting best practices in ESG aspects of our clients' businesses is integral to our investments, yet implementing these can present dilemmas. This was the case when we provided Dutch plastics company Rompa Group with financing to help boost productivity at its factory in Jiangmen, China.

Rompa designs, develops and produces plastic components for the packaging, domestic appliances and automotive industry, supplying these parts to leading companies such as Philips, Bosch and Apple. Some of these plastic components are produced in Chinese manufacturing plants where structural overtime is the norm. These factories often attract migrant workers, who want to work intensively for a few years before returning to their rural communities. While Rompa adheres to our ESG standards, in this particular case good labour practices, create a dilemma. Staff, restricted in working overtime on a structural basis, could leave and move to other factory jobs where they can work their desired long hours.

To get to the root of the problem, Rompa is conducting in-depth interviews with its 300 employees. They aim to learn more about their work motivation, offering them incentives and growth opportunities in order to get long-term commitment from their employees. Besides this, we encourage Rompa to seek structural changes to their production process such as seeking clients with longer delivery times.

Interestingly, China is undergoing rapid urbanization, and the current model of short-term migrant workers is likely to become a thing of the past. Until then, we will work closely with Rompa to create a working environment where both people and productivity flourish.


FMO STRATEGY
TO BECOME THE LEADING IMPACT INVESTOR
DOUBLING IMPACT
TOWARDS
2020
HALVING FOOTPRINT
AMOUNT OF JOBS SUPPORTED ×2
GREENHOUSE GAS AVOIDED ×2
FMO DEALS
EUR bln
1.4
2.2
2014
2020
CATALYZED
EUR bln
0.6
1.5
2014
2020
Inclusive
NL business
GREEN INVESTMENTS
% FMO deals and catalyzed deals
20%
40%
2014
2020
WWW.FMO.NL/STRATEGY

OUR STRATEGY

Our strategy to empower entrepreneurs to build a better world is **to become the leading impact investor by doubling impact and halving footprint by 2020**. We aim to double impact by investing in more companies that create jobs, whilst halving footprint by investing in more companies that reduce greenhouse gas (GHG) emissions compared to the baseline from the 2010-2012 production years.

In 2014 we further developed our strategy and defined impact as jobs and footprint as GHG avoided, developed a measurement tool, and established how we will steer to realize this strategy. Our strategy will lead to gradual change in the way we make investment decisions as we learn more from the interaction between our different strategic objectives.

DEFINING IMPACT AND FOOTPRINT

Being the first financial institution simultaneously targeting impact and footprint, we set out to develop our own framework: the impact & footprint framework. Our strategy can only be meaningful to our stakeholders if this framework or elements of this framework are relevant and material and comparable to frameworks used by our peers.

Hence our choices for jobs as impact indicator and GHG avoided as footprint indicator. We also sought to measure the indirect effects of our investments as the impact we want to create not only benefits our clients but also our clients' surroundings. That's why we trace the effects that our investments have throughout the local economy.

Companies create economic value for themselves and for their suppliers. This value is generally made up of profits, taxes, and wages, of which wages are the largest part. Therefore, other DFIs, such as IFC and CDC, also regard employment as the most relevant impact indicator as is, for example, illustrated in the Jobs study of IFC and the World Development Report 2013 of the World Bank.

As for footprint, this is a broad term that encompasses climate change, water, waste, land use and biodiversity. We have chosen to start our footprint ambition with greenhouse gases. Our aim is to double avoided GHG emissions, as GHG emissions are considered the leading factor in climate change.

We are aware that there are other dimensions to employment and greenhouse gas avoidance that are not directly captured by our definitions. As to employment, not only the number of jobs supported matter but also the quality of the jobs concerned. We safeguard this through the application of the IFC performance standards. We report annually on the investments that were reviewed during the year and publish the Equator Principles Report on our website. As to avoided greenhouse gas emissions, we realize that we don't capture the absolute level of emissions that our investments generate. From 2015 onwards, we therefore also report on absolute GHG emissions.

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

MEASURING IMPACT AND FOOTPRINT

During 2014 FMO's impact model was built. This is an input-output model which calculates how a capital investment in a country is expected to impact amongst others economic growth, wage sums and greenhouse gas emissions. These calculations are based on macroeconomic data of capital intensities, labor productivities and greenhouse gas intensities per country, sector and company size. Databases such as Global Trade Analysis Project (GTAP) database, World Bank Development Indicators Databank, National Statistics and IEA Energy statistics are underlying to the model. A detailed description of the FMO Impact Model can be found on our website: *www.fmo.nl/development-impact*.

This impact covers both direct effects (impact on FMO's direct client) and indirect effects (trickle-down effects on the economy as a whole). These trickle-down effects are of a backward nature (impact on the client's suppliers), forward nature (especially for infrastructure, impact on the consumers or users of the service) and induced nature (impact of spending of additional salaries). Through the model, the impact of the investment that can be directly attributed to FMO and the co-investors is calculated. For private equity investments, we double the attribution because we assume that equity leverages other debt financiers.

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

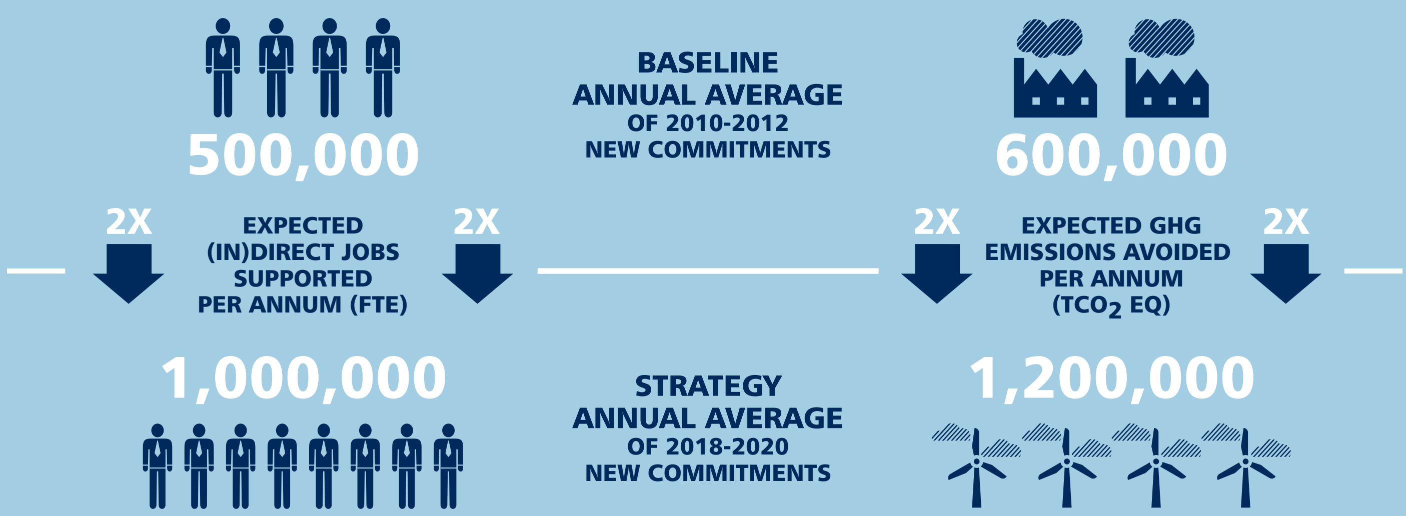
We calculate the avoided greenhouse gases of our clients. We only include the so-called green investments (see box on page 20). GHG avoidance is calculated using data sources verified by independent third parties such as Clean Development Mechanism documentation or estimates using the IFCs Carbon Emissions Estimator Tool.

We calculate total GHG emissions connected to FMO's investment based on direct and indirect effects, i.e. increased production of FMO's client and its suppliers. Greenhouse gas emissions per unit of finance differs again per project. The higher the capital intensity of the project involved and the higher the share of fossil fuels in the country's energy mix, the higher the level of emissions.

As of 2015, we will start measuring impact and footprint at the level of annual new commitments, being commitments for our own account, through the government funds as well as funds we catalyzed for third parties, since that is how we can steer the organization most effectively.

Baseline

Our ambition is to double the amount of jobs as well as the avoided GHG emissions generated between the baseline period (2010-2012)



COUNTRY: GHANA

FIRST INDEPENDENT POWER PROJECT FUELS GROWTH IN GHANA

CLIENT:	Cenpower
SECTOR:	Energy
FUND:	FMO
FMO CATALYZED DFIS:	US$163 million senior debt and fuel finance
OF WHICH FMO FINANCED:	US$44 million senior debt and fuel finance, US$13 million equity

Ghana's economy is growing quickly, yet consistent high demand for power coupled with a limited supply has led to a serious energy deficit. With the establishment of Cenpower Generation Company Limited, a 340 MW power plant and Ghana's first independent power project (IPP), about 15% more power will be added to the country's electricity grid when the plant is constructed.

The combined cycle gas turbine plant uses a combination of gas and steam turbines to produce up to 50% more electricity than traditional single cycle plants. The technology is considered state-of-the-art cleanest fossil fuelled, and a cost competitive source of energy, enabling the plant to supply reliable and affordable base-load energy.

As an independent power plant, Cenpower will source its own fuel releasing the government from its supply role. During the initial years light crude oil will be imported from Nigeria. It is expected that after initial operating years the plant will switch to, gas – a cleaner, more energy-efficient and affordable energy source.

Ghanaian founding ownership backed by international experienced sponsors, one of which our longstanding partner African Finance Corporation, and strengthened by international investors were key for us to finance Cenpower. The total project size in 2014 will be US$891 million, consisting of a US$240 million equity tranche and US$651 million debt tranche.

Of the debt facility, South African commercial parties will provide export credit and secured long term senior financing and a consortium of European and South African DFIs provide senior and long term fuel finance. We financed the project directly with US$44 million, invested an additional US$13 million in equity through government fund Access to Energy Fund and were the mandated lead arranger for the European and South Africa DFI tranche, catalyzing five DFIs for an additional US$163 million in financing. The Export Credit Insurance Corporation backed up the commercial tranche, on similar terms as the senior DFI finance was arranged by South Africa's Rand Merchant Bank.

This project has been in the making by the founding local sponsors since 2005. In 2014, Cenpower won the Africa Power Deal of the year from the London based PFI Awards (Project Finance International), recognizing amongst others, the high African based commitment of sponsors, lenders, and contractors, and this land-mark project's importance to the Ghanaian economy.

and the endline period (2018-2020). This baseline period was chosen as it precedes our strategy which commenced in 2013. In order to take the year on year volatility into account, the annual jobs supported and GHG emissions avoided are averaged over a three year period.

It is too early to draw definitive conclusions about which types of investments generate more or less development impact. Drawing these conclusions would require gaining more experience in interpreting the results. In addition, we perform ex-post evaluation studies in order to verify the model's expected outcomes over time.

That said, the first indications are that many of FMO's strategic focus areas generate strong development impact. This is particularly true of our focus on the poorest (often least capital intensive) countries, on the financial institutions, energy and agribusiness sectors and on focus on financing micro, small and medium enterprises where job creation tends to be largest. Over time we intend to present more specific development impact results for different countries and sectors. For now we limit ourselves to presenting the overall baseline which has been calculated using the FMO impact model.

STEERING THE ORGANIZATION

These strategic changes do not imply a major overhaul to our business model; they will be made gradually. Maintaining an average return on shareholders' equity of 6.2% is a precondition to our impact and footprint ambitions. Should it become necessary, we will adjust the path towards 2020 in order to maintain strong profitability. As we defined our strategic ambitions, we also clarified how to get there.

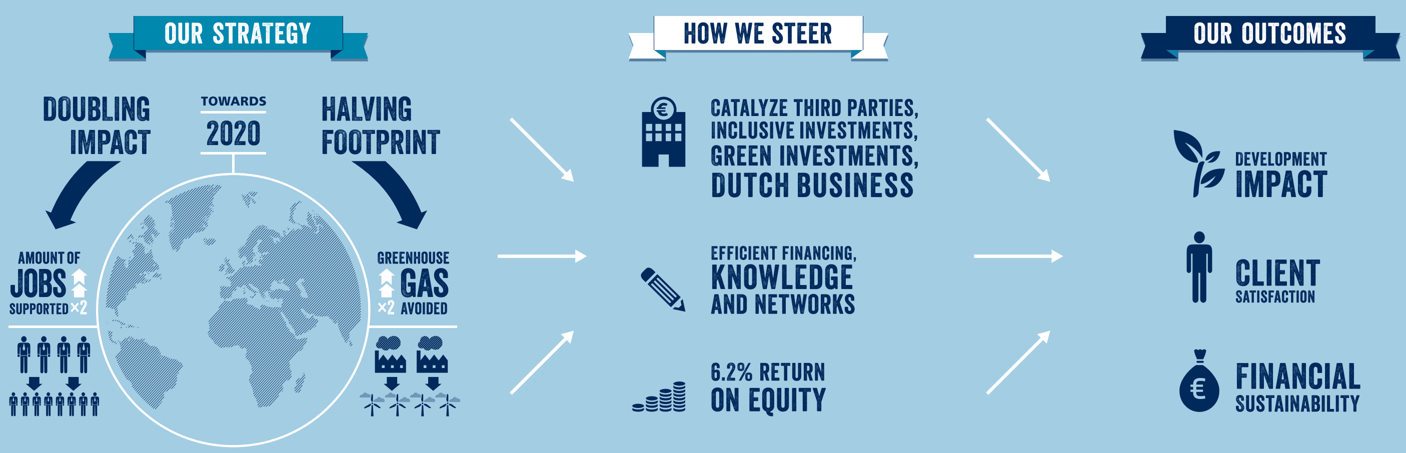
1. Impact per transaction

We aim to optimize our development impact by continuation of our country focus on lower income countries and by a lasting focus on the financial institutions, energy and agribusiness sectors that deliver strong impact for economies as a whole.

In addition, we aim to create broad access and foster inclusion of the poor. These so called inclusive investments, meant to stimulate growth and employment at the Base of the Pyramid, are often innovative in nature, and require new solutions and distribution mechanisms. We will gain more experience with inclusive deals and will develop and pilot a fitting approach to offering inclusive forms of financing.

2. Green investments

We intend to halve our footprint – stimulating greenhouse gas avoidance – by increasing the number of green investments. This specifically refers to projects which either avoid GHG emissions or



which help economies and people adapt to the effects of climate change. It also covers projects that target better use of scarce resources and aim to reduce the use of clean water, improve waste and land management or protect biodiversity. We will also increasingly select clients who directly contribute to a green economy.

3. Catalyzing

In order to reach both our impact and footprint ambitions, we will need to leverage our own financing with investment catalyzed from third party financiers. We aim to do this by leading more loan syndications and scaling up our commercial fund management activities.

As of 2015, we will measure the total number of direct and indirect jobs supported and the total tons of greenhouse gases avoided that can be allocated to our green and catalyzed financings.

Sector focus

We focus our investment activities in the Financial Institutions, Agribusiness and Energy sectors and through the recently renamed Infrastructure, Manufacturing and Services (IMS) (used to be Diverse Sectors) we source transactions with partners. A sizeable part of our investments is done through debt and equity funds. Although not treated as a separate sector, the funds without a specific sector or subsector have been stated separately as Multi-Sector Fund Investments. Through these funds, the focus will be on SMEs as these have significant impact on alleviating poverty through job creation.

While each sector team will contribute in its own way to the doubling of (in)direct jobs and GHG avoidance ambitions by 2020, efforts to catalyze third parties in our transactions will be of particular focus in the Financial Institutions and Energy sector teams.

Prior to 2014, our green ambition was primarily focused on financing renewable energy projects. While this will remain a focus – the Energy sector is expected to be the main contributor to halving the footprint – we will also increasingly source energy-efficient transactions through our fund investments and private equity operations and IMS business as well as provide green credit lines via Financial Institutions.

Catalyzed investments are:
- syndicated loans where FMO is mandated lead arranger (MLA);
- parallel loans where FMO is formally in the lead;
- funds from third parties committed to clients through FMO-sponsored debt and equity fund initiatives;
- funded and unfunded risk sharing agreements with third parties;
- underwritten loans sold to third parties.

An investment is defined as "green":
- if the activity contributes to the mitigation of climate change by reducing or avoiding greenhouse gas (GHG) emissions from the atmosphere or the protection and / or enhancement of the GHG sinks and reservoirs that absorb GHG. FMO follows the Multilateral Development Bank (MDB) approach in identifying climate mitigating finance: *www.ebrd.com/downloads/news/mdb-climate-finance-2013.pdf;*
- if the activity contributes to climate change adaptation by reducing vulnerability of human or natural systems to the impacts of climate change and climate related risks, by maintaining or increasing adaptive capacity and resilience. FMO follows the MDB approach in identifying adaptive climate change finance: *www.ebrd.com/downloads/news/mdb-climate-finance-2013.pdf*;
- If the activity is related to sustainable development with a clear positive impact on the environment but not yet easily quantifiable (special climate, water, waste, land use, biodiversity).

Dutch business

The developments in the Dutch political environment give us good opportunity to reach Dutch companies interested in investing in developing countries.

We will capitalize on our expertise with Dutch corporate clients through the FOM facility that finances Dutch Small and Medium-sized Enterprises (SMEs) willing to become active in developing countries but that have no access to financing. Part of our strategy is to create new products for Dutch companies keen to do business in overseas markets.

These products are both aimed at Dutch companies investing in emerging markets as well Dutch companies exporting to emerging markets. To centralize efforts aimed at strengthening our position in the Netherlands, we set up the NL Business department and have started activities in 2015.

Dilemmas

Our chosen strategy is not without dilemmas and will come with tradeoffs. To foster economic growth and the creation of good-quality jobs, the activities we finance will also increase absolute GHG emissions. And certain green investments may create fewer jobs compared to 'brown' investments due to higher efficiency. Investments in low income countries generate more jobs but opportunities for green investments are more ample in upper middle income countries. That is why we will not base our investment decisions on a deal specific level but rather on a cumulative and subportfolio level.

FINANCIAL INSTITUTIONS

- Focus on SMEs
- Develop a green product that is attractive to clients and FMO
- Look for MFI+ models to serve the unbanked

ENERGY

- Focus on renewable energy & energy efficiency
- With priority to create access to energy in lesser developed economies
- Innovate with development facility, rural electrification, off grid solar

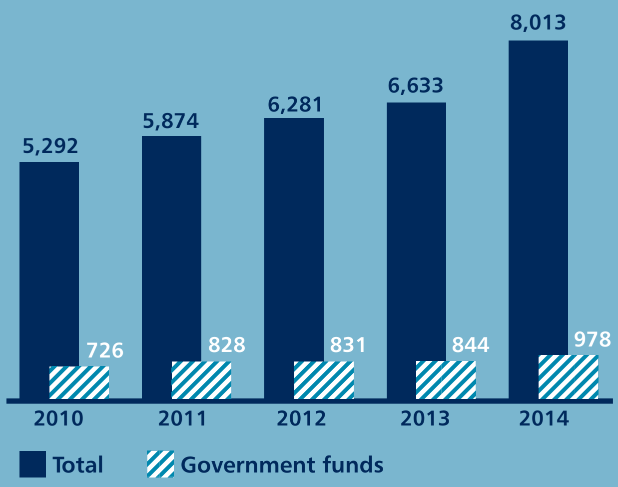
AGRIBUSINESS

- Finance full value chain
- Pursue green opportunities with focus on water related to agriculture
- Include smallholders in value chain

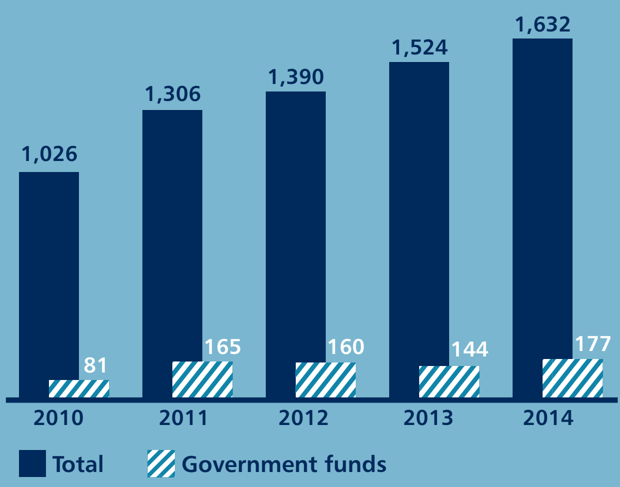
INFRASTRUCTURE, MANUFACTURING, SERVICES

- Efficient deal sourcing with partners
- Financing energy efficiency in transport and logistics sectors
- Do more business with Dutch companies

TOTAL COMMITTED PORTFOLIO (€XMLN)



TOTAL NEW COMMITMENTS (€XMLN)



CATALYZED FUNDS (€XMLN)

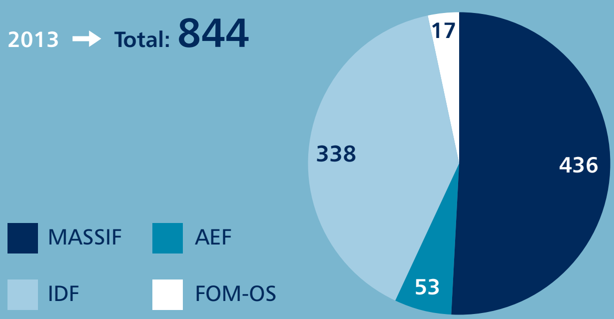
GREEN INVESTMENTS 2014 IN € AND IN %

€530 million

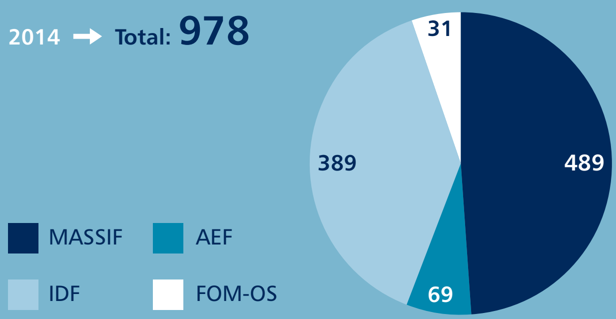
21% of total new commitments

COMMITTED PORTFOLIO BY GOVERNMENT FUND (€XMLN)

2013 → Total: **844**



2014 → Total: **978**



TOTAL FMO FTE'S

2013: **352** 2014: **366**

FMO'S FOOTPRINT (TONS CO_2)

2013: **4,922** 2014: **5,162**

PERFORMANCE ON OUR STRATEGY

FMO IN 2014

The global economic and geopolitical environment was volatile in 2014. The Ukraine crisis, lower commodity prices, the Ebola outbreak in West Africa, and US dollar strength were important factors that contributed to a challenging business and market climate.

Despite these circumstances, we managed to grow our business while remaining profitable. We met our target of contracting a total of €1.6 billion new commitments for our own account and for the government funds we manage. Our net profit of €124 million, although lower than the 2013 net profit of €133 million, shows our underlying business performed well with higher results from our equity investment portfolio and higher interest income from our loan and guarantee portfolio. The non-performing loans increased from 5.8% in 2013 to 6.8% in 2014. The increase was mainly the result of loans that were newly provisioned for.

Last year saw further divergence between the economic growth paths of the US and the eurozone. Due to favorable growth rates and expected interest rate increases in the US, the dollar appreciated by 12% versus the euro during 2014. As most of the financing we provide is in US dollars, this had a substantial impact on our balance sheet and profit & loss account. Regulatory changes that took effect in 2014 also affected us and our regulatory capital (BIS ratio) declined from 27.7% to 21.3% - still within our risk appetite.

We exceeded our target for catalyzing third parties into our transactions, mobilizing €879 million. We hit our new green investments target and invested 21% of all new commitments in green projects.

Our country focus led to more than 85% of FMO commitments being in low-income countries and lower middle-income countries - far exceeding our 70% objective.

Last March we received a full banking license from the Dutch Central Bank (DNB) as laid out in article 2:11 and 2:12 of the Dutch Financial Supervision Act. The full banking license enables us to further enhance our access to international capital markets and safeguard our entry to the facilities of the European Central Bank.

We intensified our dialogue with the Dutch finance and foreign affairs ministries and Dutch parties about how Dutch companies can be supported in doing business in developing countries.

As an important stepping stone in strengthening our accountability for development impact, we gave concrete form to our doubling impact and halving footprint ambitions in 2014. From 2015, we will measure and report on impact and footprint through the FMO impact model, and use this model to determine the operational targets. The independent complaints mechanism, which was created together with DEG and is another important element in our accountability, received one complaint in 2014. We have begun the follow up process.

As always, our clients were indispensable in helping us realize our ambitions. As well as interacting with them on deal-specific matters, we held numerous smaller and larger events and conferences, workshops and trainings last year. All this formed part of our efforts to provide relevant services and products to our clients.

THIS TABLE SHOWS HOW WE PERFORMED ON OUR KEY TARGETS IN 2014

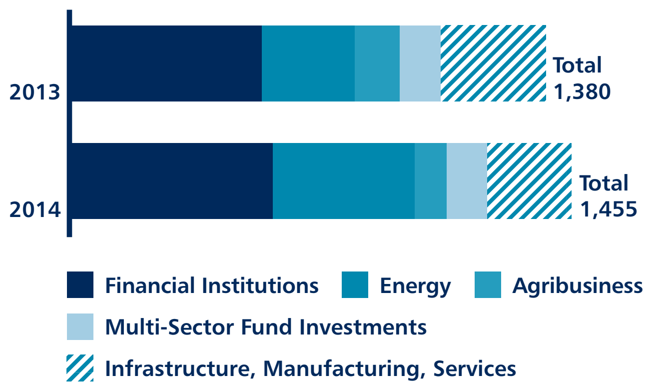
Our strategy		Targets	Performance
Development impact	Total new contracts FMO and government funds	€1.6 billion	€1.6 billion
	Additionally catalyzed from third parties	€800 million	€879 million
	Green investments of the total	20%	21%
	New contracts FMO in low and lower middle income countries	70%	86%
	ESG action items due implementend	85%	79%
Financial Sustainability	FMO Net 5 year average return on shareholders equity	6.0%	7.2%
	FMO Cost to income	25%	24%

DEVELOPMENT IMPACT

Total new commitments increased by 7% from €1.524 billion to €1.632 billion in 2014 of which €1.455 billion (2013: €1.380 billion) came from FMO's own balance sheet. New FMO commitments in the Energy sector were higher in 2014 especially since we financed several power plants in Africa. These ranged from the hydropower plant in Zambia to more traditional forms of energy production – gas turbine, gas combined cycle power – in Senegal and Ivory Coast adding significant additional power to the electricity grid so as to increase access to energy.

From the FMO balance sheet, we made new commitments totaling €1.2 billion in LICs and LMICs in 2014. This brings the share of the FMO portfolio concentrated in LICs and LMICs at 78% (2013: 77%).

NEW COMMITMENTS FMO PER SECTOR (€XMLN)



GOVERNMENT FUNDS

New commitments through the government funds increased from €144 million in 2013 to €177 million in 2014 leading to a total committed portfolio for the government funds of €978 million (2013: €844 million).

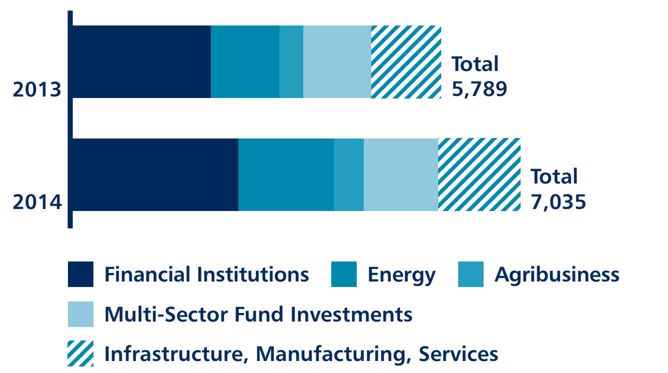
MASSIF has a globally diversified portfolio of microfinance institutions, SME focused banks and other financial intermediairies in the field of financial inclusion and SME lending. In 2014 transactions in the MASSIF funds included amongst others an unpredecented Lao Kip local currency loan to a Lao bank, the first investment fund in Ethiopia, and an equity stake in a new microfinance institution in Myanmar.

Through the IDF and AEF funds, focusing on infrastructure projects in low income countries and on access to energy services, respectively, we financed for example an LPG project in Bangladesh for domestic use. Given the country's lack of natural gas, this project will give consumers cooking alternatives to charcoal and kerosene with health and environmental benefits. We also invested in a private equity fund seeking to provide equity to renewable energy preconstruction projects in Sub-Sahara Africa with exception of South Africa, and provided finance for a solar power plant to Rwanda, one of the world's least electrified countries.

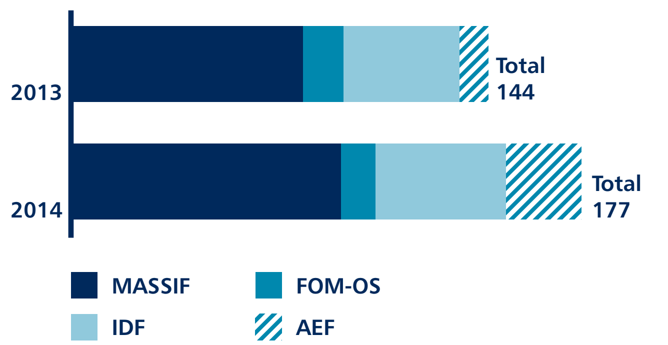
ESG ACTION ITEMS

We agree on ESG action plans with our clients as part of mitigating ESG risks in our portfolio. In these action plans, criteria that have

COMMITTED PORTFOLIO FMO PER SECTOR (€XMLN)



NEW COMMITMENTS GOVERNMENT FUNDS (€XMLN)



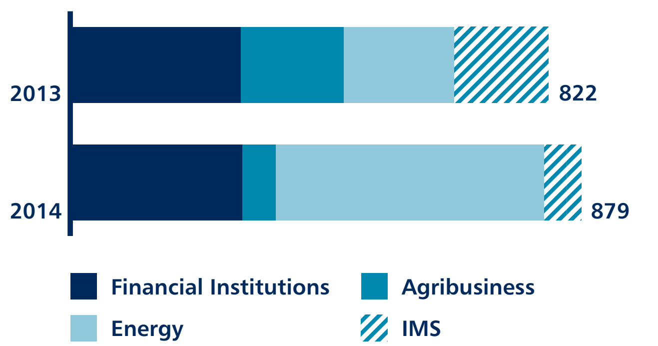
to be met are identified and action items that have to be fulfilled within an agreed time are formulated. In 2014, we supported our clients in achieving 79% of the actions items that were due in the year. This was below our company wide target of 85% due to the high complexity of several large investments.

With the completion of 79% of the ESG action items due in 2014, our clients were able to achieve higher ESG standards throughout their activities. For example, in the Agribusiness sector, water consumption plans that address water-stress related issues have been established. Another action item completed by a Tanzanian client was hiring a community engagement manager who will align the company's priorities and activities with those of the local community. And several clients implemented a grievance mechanism in order to give their employees a stronger voice.

CATALYZING FUNDS

Catalyzing third-party funds is key to achieving our 2020 strategy. We catalyzed €879 million from third-party investors in 2014, surpassing our target of €800 million. Although the number of syndicated loans increased especially in the Energy sector, catalyzing funds was especially challenging in the Agribusiness sector, as important markets such as Ukraine and Argentina dealt with political and economical crises. With the money we catalyzed in 2014, we contributed for instance to the provision of a more stable supply to the electricity grid in Nigeria where daily activities and overall economic growth are hampered by pressing shortages in electricity supply. We also financed a large financial institution in

CATALYZING FUNDS (€XMLN)



COUNTRY: NEPAL

FIRST INTERNATIONAL PRIVATE EQUITY FUND FOR NEPAL

CLIENT:	Dolma Impact Fund
FUND:	MASSIF
SECTOR:	Infrastructure, Manufacturing, Services
AMOUNT INVESTED:	US$8 mln

In post-conflict Nepal, rebuilding the country is an ongoing process. When the 2006 peace accord ended the country's civil war, many entrepreneurs were left without sufficient access to finance. As anchor investor in the first international private equity fund for Nepal, FMO is contributing to the country's economic recovery by providing capital, through Dolma, to boost local companies to meet growing consumer demand and provide much-needed sustainable employment.

The fund achieved a first close in fundraising of US$21 million in 2014, with investors such as Finnfund and the Austrian Development Bank OeEB, as well as from private investors. We invested US $8 million in Dolma through the government fund MASSIF, which targets first-time fund managers in post-conflict markets such as Nepal, where both the risks and the potential impact are high.

The Dolma Impact Fund will provide growth capital to SMEs in Nepal's underserved energy, finance, healthcare and agriculture sectors. Being a first time fund manager, Dolma also receives capacity development, with our investment officers working closely with the fund manager to help strengthen their knowledge of both ESG risk management and private equity. The first investments are being prepared for early 2015.

As well as boosting access to finance for entrepreneurs and creating jobs, the fund has the potential to encourage additional investors into Nepal by showing that such development finance can go hand in hand with viable returns. Innovative deals often create challenges – in this case because Nepal lacks an established regulatory framework for processing international private equity funds. FMO and Dolma have asked the local government to enact a smoother investment approval process, which could ultimately boost efficiency, ease bureaucracy and pave the way for future impact investors in Nepal.

COUNTRY: PARAGUAY

DRAWING COMMERCIAL INVESTMENT INTO PARAGUAY'S BIGGEST SME LENDER

CLIENT:	Banco Continental
FUND:	FMO
SECTOR:	Financial Institutions
TOTAL AMOUNT FINANCED:	US$64 million
OF WHICH FMO FINANCED:	US$17 million

Last year FMO co-arranged with Bladex and participated in a US$64 million syndicated loan to Banco Continental, being one of the first in Paraguay to sign a syndicated loan agreement with foreign commercial banks. Banco Continental is one of Paraguay's largest banks and this syndicated loan will be used to organically expand the bank's loan portfolio through continued financing to SMEs and corporates. Besides co-arranger Bladex, a supranational bank established to promote trade finance in the Latin American and Caribbean countries, seven Central American commercial banks also participated in this syndicated loan bringing a new source of long term funding to the country's financial system.

Paraguay's economic growth is driven by its large agricultural sector, and is associated with a number of environmental and social issues, such as monoculture and deforestation. This poses dilemmas for foreign investors that invest in the country's economy. Banks in Paraguay are conscious of this fact and have organized themselves in a platform called Mesa de Finanzas Sostensibles, a roundtable initiated three years ago by FMO and its Paraguayan clients in which the banks agree on minimum levels of environmental and social risk management in their loan portfolios. This roundtable is also used as a platform through which to engage with various parts of government and producer associations on ESG issues.

We have a long standing relation with Banco Continental. The bank has implemented an E&S risk management system in its credit risk policies, employs an environmental risk management team and cooperates with FMO in the development of an E&S sector guide.

FMO co-arranging this transaction and developments in the banking sector on ESG issues have given others the confidence to invest in Paraguay.

Bangladesh that will target small and medium sized entrepreneurs in rural and suburban parts of the country, where the supply of banking services is still limited. Another syndicated transaction will make it possible for a telecom provider to expand its activities in Africa and generate more mobile connections.

COMMERCIAL FUND MANAGEMENT

We achieved a second close in fundraising for the ACTIAM-FMO SME Finance Fund. The first close of this fund was in 2013 where we partnered with ACTIAM, the former SNS Impact Investing, and combined our expertise of sustainable fund management and investment management, respectively. With the second close in 2014 and two new institutional investors, a total of six investors have committed to this fund of €100 million. This fund directly contributes to our catalyzing strategy, in which we aim to mobilize investors to invest alongside us in emerging and developing markets. We believe that the success of this fund and an increasing appetite for broader emerging markets exposure will pave the way for more funds focused on impact investing in the future.

Fundraising activities for the FMO Africa Fund, a private equity platform focused on capturing high-growth opportunities in Africa, suffered a setback with the withdrawal of our largest US prospect, making a first close in 2014 not feasible. We did, however, receive a significant in-principle commitment by one of our existing Dutch investors, warranting a further fundraising effort in 2015.

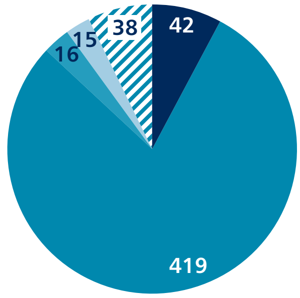
To support fund management activities, we implemented a new system for administration of funds that we will be managing for third parties. We also started to prepare for a Markets in Financial Instruments Directive (MiFID) license application, which we aim to submit in 2015.

GREEN

2014 was the first year that we explicitly started targeting on green investments (see box on page 20 for definition). We made progress in positioning ourselves in the green market in 2014. The majority of these new commitments were for renewable energy projects. The remainder was made up of energy efficiency projects and green credit lines via financial institutions while in the Infrastructure, Manufacturing, Services sector we financed for example sustainable transport projects.

We contributed to the increase of renewable energy generated by the largest wind farm in Sub-Saharan Africa. We also invested in a hydroelectric plant in Nepal that will provide electricity to help to alleviate the current power shortages. On a smaller scale, green investments were used for generating energy from waste in the Agribusiness sector and purchasing water efficient coffee processing equipment.

GREEN INVESTMENTS (€XMLN)



ACTIAM-FMO SME FINANCE FUND

FUND CLOSED:	in 2013/second close in 2014
FUND SIZE:	€100 million
ASSETS SOURCED:	€50.8 million

This fund provides debt funding to financial institutions in developing and emerging economies globally which focus on SMEs and aims to improve access to finance for SMEs by channeling investment capital from institutional investors to this market segment.

Small and medium sized enterprises in many developing economies struggle with insufficient access to credit. 70% of SMEs in these markets are under-served, with a resulting global funding gap of more than US$700 billion. The aim of this fund is to provide financial institutions with funding specifically to reach out to their SME clients, thereby reaching thousands of entrepreneurs with much needed access to finance.

Twenty loans to the amount of €50.8 million have been disbursed to financial institutions in 13 countries per the end of 2014. In each loan disbursed from the fund, FMO co-invests at least 50%. The aim is for it to be fully invested by the end of 2015. Besides offering investors a market-based financial return – this fund has a targeted gross financial return of EURIBOR +4-7% – the fund enables them to make a positive impact in emerging markets. Impact indicators – such as number of SMEs reached by the investee, and the investee's improvement in environmental and social (E&S) risk management or corporate governance – are reviewed on an annual basis. To gain a more in depth assessment of the impact generated, FMO and ACTIAM also conducted case studies of specific SMEs in 2014.

COUNTRY: TURKEY

BOOSTING ENERGY EFFICIENCY THROUGH FIBABANKA 'GREEN LINE'

CLIENT:	Fibabanka
FUND:	FMO
SECTOR:	Financial Institutions
AMOUNT INVESTED:	€25 million

This green line to Fibabanka is one of the first examples of where we directly financed our banking clients with a "greenline". Together with the Green for Growth Fund we provided a €40 million loan to Fibabanka. This fast-growing Turkish bank has many tourism clients such as hotels, restaurants and affiliated businesses who are looking for financing to increase their energy efficiency, which will help them to improve profitability.

Fibabanka will use this financing to grow their own energy efficiency lending business. Besides loan financing, we also provided capacity development which the bank will use to strengthen this new line of business. Important elements are to train loan officers, implement an online tool with which Fibabanka's prospective clients can apply for financing and to use these funds to conduct energy audits of bigger potential projects.

This transaction was one of FMO's first 'green lines', financing of renewable energy and energy efficiency projects by financial institutions. FMO's greenline strategy has been to first invest in green funds such as Green for Growth fund, parties that have the expertise and second to co-invest alongside these funds directly into local financial institutions willing to lend on to their clients.

REGION: AFRICA (REGIONAL)

REACHING SMALLHOLDER COFFEE FARMERS IN EAST AFRICA

CLIENT:	Sucafina
FUND:	IDF
SECTOR:	Agribusiness
AMOUNT INVESTED:	US$10 million

Financing for small scale farming is in demand in East Africa, where family farms form the bulk of the region's coffee production. Smallholder farms are an important focus of FMO's Agribusiness sector. Investments in them have a big impact – they promote financial inclusion, directly improve farmers´ livelihoods and boost long-term access to affordable food.

For these reasons Sucafina presented an attractive investment opportunity. This company specializes in the whole supply chain of the coffee: from sourcing to primary processing, exporting and merchanting of coffee. We invested US$10 million in 2014 through our Infrastructure Development Fund, to help Sucafina grow its premium and specialty coffee business. Value-added coffees, such as fully washed Robustas or high quality gourmet Arabicas, fetch premium prices, which also means better prices for farmers' beans.

Sucafina will use the financing facility to build up the needed infrastructure from washing stations, drying mills, boxing stations to warehouses nearby the farmers. These are usually situated in rural areas, far away from the main trading cities and habors. It's an innovative deal; financing in the agribusiness is usually for working capital, and long term financing for infrastructure is rare because of the high risks involved. However, due to the geographical spread of Sucafina's activities, its presence in various phases of the value chain, and its long history in the coffee segment, we believe these are sufficiently mitigated.

Sucafina's farmer support program, Sucastainability, also reinforces FMO's goal of inclusive, sustainable investing. At the washing stations, farmers receive hands-on training in good agricultural practices, where they can test pruning and fertilizing methods on test plots. The program also educates farmers on the importance of diversifying their farms to include food crops, promoting self sufficiency in the event of potential disruption on the coffee market. This all results in higher yields, better quality beans and ultimately improved income and a better future for their families.

INCLUSIVE

Finding transactions that foster inclusion of the poor, promoting access to finance, energy and food is important to our strategy. We have begun piloting with innovative inclusive projects with the aim to further define what inclusive investments entails. In 2014, we cooperated with the Dutch NGO Initiatief Duurzame Handel (IDH) on a project for Peruvian client Macchu Pichu, a family-owned cocoa buyer and chocolate producer that wishes to improve the lives of small cocoa producers. Together with IDH, FMO is providing finance and technical assistance for better and more sustainable production methods.

In the Agribusiness sector, we began the process of implementing an innovative inclusion pilot project also with IDH that targets training and input financing for smallholder farmers, with the aim of increasing their yields. This initiative will start with US$50 million in funding from government funds Massif and IDF and IDH, and aims to invest in 10 high impact transactions over a three-year period reaching approximately 10,000 farmers per US$10 million invested. If successful, this model will be scaled up further.

DUTCH BUSINESS

During 2014, we intensified our dialogue with Dutch parties to discuss how Dutch companies can be supported in doing business in developing countries. Promising new opportunities were found in the areas of climate and export finance. We also continued talks with the Dutch Ministries of Finance and Foreign Affairs about ways to provide export finance to and support project development by Dutch companies investing in developing countries. In that context we became a member of the Dutch 'Rijkscommissie voor export-, import-, en investeringsgaranties'. The members of this body discuss and bring forward solutions to (inter)national developments and issues in the field of export credit insurance, finance and reinsurance.

FINANCIAL PERFORMANCE AND RISK ANALYSIS

KEY FINANCIAL FIGURES FMO

	2014	2013	2012	2011	2010
BALANCE SHEET (€XMLN)					
Net loans	3,860	2,981	2,817	2,585	2,269
Equity investments portfolio (including associates)	1,149	962	914	795	688
Total assets	7,088	6,184	5,564	5,059	4,305
Shareholders' equity	2,138	1,963	1,815	1,665	1,514
Debt securities and debentures/notes	4,197	3,610	3,292	2,679	2,365
PROFIT AND LOSS ACCOUNT (€XMLN)					
Net interest income	169	155	154	147	133
Income from equity investments	72	43	89	46	52
Results from financial transactions	-14	25	0	13	6
Operating expenses	-62	-62	-57	-51	-50
Value adjustments					
• on loans and guarantees	-36	5	-23	-23	-18
• on equity investments	-15	-22	-23	-36	-11
Total value adjustments	-51	-17	-46	-59	-29
Profit before taxation	149	169	172	118	151
Net profit	124	133	145	93	126
Total comprehensive income	180	155	140	153	192
Committed investment portfolio	7,035	5,789	5,450	5,046	4,566
KEY RATIOS (%)					
Shareholders' equity/Total assets	30.2	31.7	32.6	32.9	35.2
Annual return on average shareholders' equity	6.1	7.0	8.4	5.9	8.9
Cost to income ratio	24	25	21	22	22
BIS ratio	21.3	27.7	29.0	29.4	29.0

With a net profit of €124 million for 2014, the five-year return on shareholders' equity comes to 7.2%, exceeding our target of 6.0%. The FMO committed investment portfolio increased from €5.8 billion in 2013 to €7.0 billion, while total assets rose from €6.2 billion to €7.1 billion. Our BIS ratio decreased from 27.7% to 21.3% - still within our risk appetite level. Despite challenges in our operating environment, most of our markets performed well in 2014, resulting in a satisfactory level of income and acceptable – albeit higher – value adjustments.

Total income in 2014 was €260 million, an increase of 3% versus 2013, mostly due to higher interest income and improved results from equity investments. The increase was largely offset, however, by negative results from financial transactions explained further under loan portfolio. Total operating expenses remained stable at €62 million, resulting in a cost to income ratio of 24%. To grow our operations in a sustainable way, we invested in our existing staff and hired new employees, resulting in an increase in staff costs. Staff costs also included a €10 million release of pension costs in response to further amendments to Dutch tax law in 2014. Reference is made to note 20 and note 28 of the annual accounts.

Loan Portfolio

Our gross loan portfolio increased by 29% to €4.2 billion. This was driven by increased net growth of the disbursed portfolio and the positive impact of dollar appreciation in the fourth quarter. Net interest income rose to €169 million (2013: €155 million) due to the growth of the portfolio, stable portfolio quality and lower funding costs. Results from financial transactions were negatively affected by the valuation of embedded derivatives in the loan portfolio, reflecting a result of -/- €14 million (2013: €25 million). We provide loans with upward potential based on performance of the underlying companies. Under IFRS, these features are separated from the loans and accounted for as embedded derivatives when certain conditions are met. The value of the embedded derivatives declined because two underlying companies performed poorly.

Non-performing loans, being loans with a counterparty-specific value adjustment and/or loans with interest and/or principal payments that are past due 90 days or more, increased by 1% to 6.8% (2013: 5.8%) as several loans were newly provisioned for in 2014 while the loans past due remained stable. The value adjustments and the group-specific value adjustments were 4.1% (2013: 4.0%) and 4.3% (2013: 5.2%), respectively, resulting in total value adjustments of 8.4% (2013: 9.2%) of the gross loan portfolio. The additional value adjustments on loans and guarantees in 2014 totaled €36 million (2013: €5 million release).

The decrease of the group-specific value adjustments as a percentage of the gross loan portfolio can be explained by the annual reassessment of the provisioning model. Additional counterparty-specific value adjustments in 2014 were related to the poor performance of some investee companies. The impact from the Ukraine crisis on our total loan portfolio remained limited due to our diversified portfolio and careful monitoring. The Ebola outbreak did not result in significant value adjustments.

Equity Investment Portfolio

The equity investment (including associates) portfolio increased from €1.0 billion in 2013 to €1.1 billion in 2014. Markets in Africa and Asia were stable. By contrast, the performance of markets in Eastern Europe & Central Asia was dampened by the impact of

DEVELOPMENT OF THE LOAN PORTFOLIO (€XMLN)*

	2014	2013
Gross loan portfolio	4,197	3,265
Written off amounts	20	2
NPL as % of gross portfolio	6.8	5.8
Counterparty specific value adjustments in % of gross loan portfolio	4.1	4.0
Interest & fee income	176	161
Results from financial transactions	-14	25

* The loan portfolio as presented in this table is excluding loans issued under FOM facility - "loans guaranteed by the state".

DEVELOPMENT OF THE EQUITY INVESTMENTS AND ASSOCIATES PORTFOLIO (€XMLN)

	2014	2013
Net portfolio	1,149	962
Results from equity investments and dividend income	72	43
Share in the result from associates	2	-3
Unrealized fair value changes in available for sale reserve	57	33
Realized results over average outstanding portfolio (in %)	5.6	2.0
Net portfolio/cost price minus impairment (in %)	122	128

the Ukraine crisis. Performance of markets in Latin American was slightly negative, following weaker growth figures due to lower commodity prices.

Overall, this had a positive effect on the valuation of and income from our private equity portfolio. We found sufficient new investment potential during the year, and the outstanding portfolio grew as a result. The portfolio also benefited from the impact of foreign currency movements, mainly in the US dollar, which led to higher fair value changes in the available for sale reserve.

Funding

Our AAA rating from Fitch and AA+ rating from S&P allowed us to attract funding at attractive pricing. We attract long-term funding by issuing bonds in the capital markets. We raise funding in various currencies and geographies. Our outstanding debt increased to €4.2 billion in 2014 (2013: €3.6 billion). The increase is mainly attributable to new funding of more than €1.2 billion and currency movements, which were partially offset by repayments.

We further enhanced our position in the US dollar market by issuing two US$500-million benchmark issues at attractive funding levels. Following the receipt of the full banking license, we were able to issue our first retail bond, a five-year bond in New Zealand dollars, equivalent to a total of US$78 million. With the retail issue we further diversified our investor base, which was previously made up of institutional investors only.

In November 2013, we issued a five-year €500 million sustainability bond confirming our commitment to environmentally and socially responsible funding and the development of the sustainable bond market. By the end of 2014, we had disbursed €463 million to projects that fulfil the criteria we have defined for the sustainability bond. Reference is made to our Sustainability Bond Newsletter published on our website: *www.fmo.nl/publications*.

Segmentation of results

The contribution to the 2014 net profit of €124 million comes for a large part from the Financial Institutions sector which accounts for 75% of the net profit. The Energy and Agribusiness sectors contributed 24% and 22% respectively to the net profit, the multi-sector fund investments contributing 12% to net profit, while the IMS sector was loss making for 33% in 2014. The comparative results from 2013 show a different pattern. While the Financial Institutions sector was again the largest contributor to the net profit, the Agribusiness sector was loss making whereas the IMS sector contributed positively to the net profit. The results per sector fluctuate from year to year primarily due to the value adjustments and to the exits on equity investments. Reference is made to the Segment information in the annual accounts.

RISK ANALYSIS

Under the approved risk appetite we effectively manage material risks. Throughout the year, we worked on upgrading our Risk Appetite Framework (RAF), using the principles of the Financial Stability Board and the Dutch Banking Code. In December, our Supervisory Board approved the upgraded RAF. We have always identified, quantified and monitored the material risks, but within the upgraded RAF we will be able to do this in a structured and transparent manner.

Our risk appetite has been defined taking into account our mission, the agreement with the Dutch state, the strategy and stakeholders' expectations. The risk appetite is expressed in ambitions for a number of topics we consider crucial to the continuity of our operations, being: earnings, capital, liquidity, development mandate and reputation. For all financial and non-financial risks that can have a material impact on these topics we have guidelines, limits and governance in place.

Despite the continued challenging environment in 2014, our performance remained within our risk appetite. The quality of our loan portfolio, as reflected in client risk ratings, deteriorated slightly due to downgrades of the sovereign ratings of Argentina, Ukraine, Russia, South Africa and Mongolia, though remained at the desired robust level of B+. Other significant events within our operating environment - including the Ukraine crisis, the Ebola outbreak in West Africa, slowdown of economic growth in China and the low oil price environment - had a modest impact on our portfolio performance.

In 2014, the BIS ratio, the minimum external ratio for our capital position, declined from 27.7% to 21.3%, remaining within the risk appetite level. New regulatory requirements, such as mandatory deduction of certain investments in financial institutions, were the biggest factors in this decline, although the US dollar's appreciation against the euro also had an effect. The Economic Capital (EC) ratio decreased from 14.4% to 13.3%.

A number of factors, such as the dollar-euro rate and possible new regulatory changes could have an impact on FMO's solvency in 2015. We will closely monitor these developments and take necessary action to remain with our risk appetite and risk policies.

TOP 10 COUNTRIES

	% of FMO committed portfolio per 2014
India	7%
Bangladesh	4%
Turkey	4%
Nigeria	3%
South Africa	3%
Kenya	3%
Ukraine	2%
Peru	2%
Honduras	2%
Mongolia	2%

COUNTRY: UKRAINE

MANAGING RISKS IN THE UKRAINE PORTFOLIO

Diligent risk management is fundamental to our business. But events such as the Ukraine crisis put huge pressure on our clients and mean we monitor and manage credit risk in this portfolio even more intensively.

This intensified monitoring takes place not only on a client level but also on a macro level as we continuously assess this portfolio from a business continuity as well as risk perspective. To understand the potential consequences for our clients in a crisis-hit region, we sift through information from multiple sources, from micro to macro. We look at the political and macroeconomic 'big picture' while also communicating closely with our individual clients in the region so as to understand how their businesses are faring. We proactively discuss with our clients what can be done to mitigate risk and potential losses.

The crisis and the conflict consequences in Ukraine are affecting all the sectors of the economy and the investment climate and the security situation in that region. Our financial institutions clients have been first affected as banks and individuals are losing trust in one another. The agribusiness sector was also adversely affected, although with a time lag. What is crucial is a thorough understanding of the companies we finance. The same macroeconomic environment affects them all, but with their different business models, products and clients, their resilience is influenced differently. With a deep knowledge of our clients, we are better equipped to support them to weather political and economic storms.

We have encountered many crises in our 45 year history and yet every crisis is unique. But crises also share certain similarities allowing us to anticipate some of the effects that they will have on local and regional economies. We remain rigorous in monitoring this portfolio intensively and proactively, and vigilant to possible spill-over effects to surrounding countries.

COUNTRY: THE NETHERLANDS

FUTURE OF BANKING EXCHANGE: THE POWER OF SHARING IDEAS

The idea of a conference for our financial institutional clients from all the continents we are active in was born in 2009. As a response to requests from our clients, we held the first Future of Banking conference in 2010 offering our clients this platform to build international networks and share experiences and perspectives on relevant themes for the financial sector.

The 2014 Exchange on the Future of Banking, the third edition, brought together leaders of financial institutions from over 60 countries in Latin America, Asia, Africa and Central and Eastern Europe. Almost 400 clients and participants – including FMOs partner DFIs and partner banks – took part.

This time again the conference offered networking events and the opportunity for our clients to meet other financiers. During this event, no fewer than 11 contracts were signed. Central to the conference were discussions, workshops and talks from thought provoking speakers on themes related to sustainability, innovation and empowering entrepreneurs. The participants shared with each other their views on critical features of the so-called 'Next Generation Bank'.

Through an Open Space session, in which participants shared ideas and explored opportunities on themes like financing climate change, financing affordable housing, mobile financial services, financing female entrepreneurs, governance and much more, we closed this transformational exchange on the Next Generation Bank.

ADDING VALUE FOR OUR CLIENTS

Beside tailor made financing within a reasonable time frame, our clients greatly need and value non-financial support such as technical assistance, ESG advisory and risk management assistance but also the opportunity to share our knowledge and networks with them. We continuously improve efficiency within our operations and plan to increasingly invest in relationship management with our clients so we can understand their business and strategy more holistically and help them even more effectively.

ASSISTING INDIVIDUAL CLIENTS WITH ENVIRONMENTAL, SOCIAL AND GOVERNANCE ADVICE

We seek to add value for our clients by implementing ESG improvement measures. We do this by providing capacity development, including ESG management systems for financial institutions and client protection support. These so called client protection principles are principles to ensure that our financial institutions clients are borrowing within their means, that the banks are transparent towards their clients, ensure privacy of client data, design the right products for their clients and treat their clients respectfully.

New this year was our support, together with our client Accion, for the Strategic Governance fellowship, a fellowship orientated in Africa that aims to connect board members and CEOs through peer learning and exchange to strengthen the governance of financial institutions serving low income clients.

NETWORKING AND SECTOR-WIDE ENGAGEMENTS

A highlight of last year was our Future of Banking conference in Rotterdam (see box), which brought together clients and partners for what was the third – and biggest yet – edition of this conference. In a similar vein, we held our first Future of Banking Academy, which brought 20 banking clients from all over the world to FMO in The Hague for a full week of training, knowledge sharing and networking. Together, we explored topics such as the demands of banking in a world of scarce resources and environmental threats. We plan a similar initiative for energy clients and sponsors in 2015, offering them the opportunity to develop and deepen their networks with our assistance.

We also support initiatives for sustainable banking. We co-organized a roundtable with banks and industry last year on better social practices in the shipwrecking industry in Bangladesh. In Paraguay, the FMO-supported Sustainable Finance Initiative engaged the central bank to explore introducing best practice guidance on E&S risk management. In that context, we are also working on preparing E&S guidelines for the agricultural, cattle and agro-industrial sectors in order to promote more sustainable agricultural expansion in Paraguay.

On the corporate governance front, we participated in a project in Mongolia, where related lending and other conflicts of interest pose a huge threat to the development of the banking sector. The project aims to provide concrete guidance on how best to identify and mitigate conflicts of interest. The guidance, which is expected to be published in the second quarter of 2015, will help bankers properly disclose related lending and other conflicts, as well as draft conflict of interest policies that will ultimately help the banking sector gain better access to capital. To kick-start this project, FMO organized a conference in Mongolia that was attended by approximately 70 senior banking executives, board members, regulators and external auditors. For the Central Bank of Mongolia, this conference was a timely effort to raise local banks' awareness and understanding of risk management.

It is gratifying that even banks that are not FMO clients are now joining such initiatives, raising the bar for the whole country. This was the case in Nigeria, where the central bank facilitated development of a sector-wide initiative – an example of how our convening role is eventually surrendered to the local sector itself.

Last year, we held an event on the importance of water in the agribusiness sector. Given that 70% of the world's freshwater is used for agriculture, we have a keen interest in helping our clients in this area. With our Tanzanian client Olam, we explored the company's current water footprint and its impact on availability of water for the company and for its surroundings, which triggered the company to reassess its water management systems.

In continued effort to reaching out to SMEs, by sharing knowledge and best practices with partners, we hosted two SME-focused events in 2014 in cooperation with IFC.

The first, the SME Ventures forum, brought together private equity fund managers in frontier markets, investors, representatives from the Dutch Ministry of Foreign Affairs, and other stakeholders. The event was a good opportunity to reflect on the progress of these fund managers, some financed through MASSIF, in their work helping to develop private equity markets marked by political, regulatory, and economic uncertainty.

The second event was the SME Finance Forum. This event is one of the most important annual events bringing together IFIs and DFIs around the topic of SME finance. HR Queen Maxima of the Netherlands and the CEOs of DEG, BIO, and FMO were present during the conference, underscoring the increasingly strategic importance of SME finance to development financiers.

OUR ORGANIZATION

During the year, our three lines of defence held up well which has made our performance possible.

STRENGTHENING ACCOUNTABILITY

Even though we do not manage companies and projects ourselves, investing in emerging economies in certain sectors does create dilemmas and trigger questions. We do not shy away from these dilemmas; instead, we try to mitigate risks and enter into dialogue with our clients and their stakeholders, such as NGOs and local communities.

We launched an independent complaints mechanism together with DEG in 2014. This allows NGOs and other stakeholders to file complaints about negative effects our projects may have on local people or the environment. Local groups in Panama subsequently filed a complaint against our investment the Barro Blanco hydropower project. Based on the preliminary review and in consultation with the complainants, the client and FMO, the independent panel decided to conduct a compliance review, which included the panel visiting the project and meeting with the relevant parties. At the time of writing this annual report, no decision was yet made.

We strengthened our accountability framework. In 2014, we defined our Impact & Footprint Framework and translated this to measurable impact and footprint targets for which we will be accountable on the road to 2020. During 2014, through our energy projects, we piloted the use of impact and footprint indicators specific to the Energy sector. These indicators are the number of people reached and GHG avoidance (in tons).

This pilot has taught us some valuable lessons about the volatility of GHG avoidance relative to the number of green investments, and about the number of people reached relative to the income classification of the country where we invest.

To be accountable for the results we achieve via the state funds, as well as to learn from our clients and our investments, we conduct in-depth case studies. These evaluations look at effectiveness and actual impact created over a longer period of time, making use of control groups. We started the evaluations in 2013, and two of a total seven studies have so far been finalized.

One study of two renewable energy projects in Nicaragua showed the projects contributed substantially to a more stable energy supply, while significantly reducing GHG emissions. A combined study of six microfinance institutions in Sri Lanka and two SME private equity funds in India demonstrated that five of the six expanded their loan portfolios more quickly than the market.

TAX POLICY DEVELOPMENT

Contributions to governments are relevant for they finance public goods such as infrastructure, health and education and thus contribute to the wellbeing of a country's citizens as well as provide a platform for private sector investment. Exchange of information, compliance and trust from and to both tax payers and governments should create a healthy tax environment.

In light thereof we have amended our tax policy accordingly and will, within our capacity, look to promote that our clients indeed contribute to such tax environment. This has been established in consultation with relevant stakeholders such as the Dutch government, NGO's and business partners.

HR FIGURES

	2014	2013
No of new recruits	31	53
Total no of employees	387	372
% of women in senior and middle management	27	26
No of nationalities	28	28
No of trainings held by the FMO Academy	51	41
% staff turnover	5	3
% absentism	2	2

OUR OWN FOOTPRINT

Although relatively small compared to the footprint of our investments, we are proactive in minimizing our own environmental footprint. We offset the largest share of our CO_2 emissions – those resulting from employee flight travel – directly, through our preferred carrier KLM. We offset the remaining CO_2 emissions by complying with the Gold Standard and by purchasing verified emission rights through the Climate Neutral Group. However, our Southern Africa regional office is not yet included in this methodology. In 2014 our emissions increased due to more air travel by FMO staff. We have fully offset these emissions in order to remain climate neutral.

EMPLOYEE ENGAGEMENT

Energetic, enthusiastic and dedicated employees are crucial to our strategy. It was gratifying, therefore, that research institute Effectory and *Intermediair* magazine ranked FMO amongst the Netherlands' 'Best Employers 2014' based on a survey among 332 companies. FMO came 16th in the category 'financial industry with under 1,000 employees' and third in the small financial institutions subcategory.

A survey in April 2014 among 365 of our employees yielded a best-in-class response rate of 96.7%. The responses showed employees are satisfied with their tasks, find FMO a pleasant organization to work for, feel appreciated by the company, have sufficient opportunities to do what they are good at and support FMO's audacious strategic goal. The responses also showed that we could improve on making our operations more efficient. During the year, we started up improvement initiatives which will also benefit our clients.

COUNTRY: HONDURAS

HYDROPOWER: ENGAGING WITH STAKEHOLDERS

As a development bank we finance projects in fragile countries. Some of these projects may encounter resistance from affected people within the region. That is why FMO takes due care that environmental and social issues are addressed in each one of its projects. This is amongst others achieved by thorough due diligence processes and constant monitoring of projects.

In 2014, the Agua Zarca project in Honduras received negative media attention in the Netherlands. We financed this small-scale, run-of-the-river dam because of the clean and affordable energy it will deliver to Honduras, a country still largely dependent on fossil fuels. With this additional and relatively inexpensive form of energy, economic growth for the country is also stimulated as jobs are generated both directly on the site and as well as indirectly for the consumers of this energy.

In all of our projects, we make it our highest priority to engage, together with the client, with all parties involved. In projects like these, this could entail facilitating intensive dialogue and consultation with the local population, or mediating for the allocation of a fair and righteous compensation for families that may be impacted and ensuring that the client contributes to local job generation. In the particular case of Agua Zarca, we had intensive discussions with the involved parties and NGO's about our considerations to finance this project. We welcome involvement and constructive input from NGOs to make sure that all our processes are performed in a good manner and improvements are made where necessary.

OUTLOOK 2015

Global economic activity in 2015 is expected to show the strongest growth since 2010, although that growth is set to vary sharply among the regions in which we are active. We have broad and deep experience in managing volatility and uncertainties through diversification, in order to achieve healthy returns. We will maintain our risk policy, adequate capitalization and diversification.

With our healthy pipeline and well-diversified portfolio, supported by a strong capital base, we are moderately positive that the economic environment will allow us to reach our growth and income targets for 2015.

A number of downside risks could play out in 2015, affecting our clients and FMO.

The IMF forecasts that emerging markets will grow by 4% on average in 2015, yet there, too, expectations per region vary greatly. A sharp slowdown in Russia could drag the whole Eastern Europe and Central Asia region into recession – including many countries where we are active, such as Georgia, Kyrgyzstan and Azerbaijan. Such a scenario would likely hit FMO's profitability via additional provisions and lower private equity results. Economic slowdown would also mean less job creation in the region. The crisis in Ukraine, if it persists, is likely to further affect agricultural and financial clients.

China could see a significant slowdown in growth, which would reduce demand for commodities and undermine the economic growth of countries reliant on natural resource exports. Growth in the Southern hemisphere, will depend on positive developments in China continuing in coming years. In the Latin America and Caribbean region, Brazil and Argentina are expected to grow by just over 2%, affecting the economic prospects of the entire region.

Persistently low oil prices could also reduce appetite for investing in renewable energy, which could make FMO's green targets difficult to achieve. On the other hand, we also see that policy makers are taking a more holistic approach to their country's energy mix as climate change is starting to affect them more directly. With the technology becoming more affordable, many governments are starting to remove subsidies on renewable forms of energy.

Africa's growth prospects in coming years are optimistic, with seven out of the top 10 fastest growing emerging market economies expected to be on that continent. We are also exploring opportunities for more projects in countries such as Myanmar and Pakistan. We also see opportunities in upper middle-income countries such as India, South Africa and Indonesia and expect to be able to catalyze more investors there. We will strengthen our role in the syndications market in order to close more and larger transactions, and we will scale up our fund management activities. In addition, we will continue our cooperation with DEG and Proparco, our French counterpart, in the joint finance facility.

High liquidity in more developed countries as a result of continued loose monetary policies could put pressure on our pricing, although this effect could be offset if commercial banks further reduce activities in our markets due to increased regulation. Dollar strength could affect some developing markets as investors repatriate money to the US, and we could see devaluations in some developing economies, which would make it hard for some of our clients to repay hard currency loans.

This is an important year for shaping a new and more progressive international climate regime. During the Lima Climate Summit in 2014, preparatory work was done when China and the US signed President Obama's climate pact. This implies an encouraging shift towards widespread political participation in a major international agreement to reduce greenhouse gas emissions at the UNFCCC COP21 climate change conference in Paris this December. This would be supportive in helping us achieve our climate change objectives and our focus in 2015 will be on structurally improving sourcing of green investments. We have increased our target for green investments as a percentage of total new commitments from 20% to 25%.

Related to this, 2015 is also the year of the formulation of a new global development agenda that will replace the Millennium Development Goals agenda. As part of this process, the UN International Conference on Financing for Development in July should result in an outcome agreed between governments, which will support the implementation of the post-2015 development agenda. This development agenda will be established in September.

We will gain more experience with inclusive deals this year, learning about the various factors that determine an investment's impact. By piloting a more innovative approach to inclusive business and dedicating capacity, we can devise solutions that create impact like the project with IDH to help smallholder farmers boost yields. This will help us to determine whether to set an inclusive investments target as part of our Impact & Footprint Framework.

On the footprint side we will further investigate how to quantify the effects of water as a further refinement to showing our sustainabilty efforts. Given that 70% of the world's freshwater is used for agriculture, we have a keen interest in helping our clients in this area.

Our focus in the rollout of the FMO impact model will be on improving the quality of non-financial indicators, so that the quality of this data can support the impact we make, how we cope with challenges and setbacks and the operational targets we set.

We will develop new products to stimulate Dutch companies to invest in our markets. This is part of our strategy, although we have not set quantifiable targets for it.

Our staff is expected to grow a total of 405 by the end of 2015 (2014: 387). Our 2020 ambitions set against the backdrop of a fastly changing world, requires us to raise the bar. To that end, we will continue to strengthen leadership in all layers of our organization through training and development programs and by cultivating operational excellence and cooperation.

Besides building up our own knowledge in green and inclusive finance, we will also partner with parties that have experience and knowledge in these fields allowing us to offer our clients relevant products, knowledge and networks. To assess their level of satisfaction, we will perform the bi-annual survey amongst our clients during the year.

For 2015, our targets are as follows.

KEY TARGETS 2015

Strategic objective		Targets
Development impact	Total new contracts FMO and government funds	€1.6 billion
	Additionally catalyzed from third parties	€875 million
	Green investments of the total	25%
	ESG action items due implemented	85%
Financial Sustainability	FMO net annual return on shareholders equity	6.2%
	FMO cost to income	25%

IN CONTROL STATEMENT

FMO uses an integrated and solid In Control Framework that enables us to take and control risks and which complies with international best practices. Adequate internal control strongly supports the achievement of objectives in the following categories:

i. Effectiveness and efficiency of processes;
ii. Reliability of financial reporting;
iii. Realization of operational and financial objectives; and
iv. Compliance with laws and regulations.

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

Based on our review of the company's internal risk management and control systems, and cognizant of their inherent limitations described below, we have concluded that FMO is in compliance with the requirements of best practices II.1.4 and II.1.5 of the Dutch Corporate Governance Code. The Management Board makes the following statement regarding the financial reporting risks:

- The internal risk management and control systems of FMO provide reasonable assurance that FMO's financial reporting does not contain any errors of material importance;
- FMO's risk management and control systems worked properly during 2014; and
- There are no indications that FMO's internal risk management and control systems will not continue to function properly in the current year.

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

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

RESPONSIBILITY STATEMENT

In accordance with article 5:25c sub 2 part c of the Dutch Financial Supervision Act (Wft) we state that, to the best of our knowledge:

- The annual accounts give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated companies;
- The annual report gives a true and fair view of the position on the balance sheet date and developments during the financial year 2014 of FMO and its consolidated companies; and
- The annual report describes the material risks that FMO faces.

The Hague, March 17, 2015

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

REPORT OF THE SUPERVISORY BOARD

FMO performed well in 2014, a year marked by significant progress on our strategic road to 2020 and towards integrated reporting. The Supervisory Board is deeply grateful to all FMO's stakeholders, but especially to the Management Board and the bank's employees for their hard work and commitment during a year in which external circumstances were volatile and challenging.

PROPOSALS AND RECOMMENDATIONS TO THE ANNUAL GENERAL MEETING

FMO's Supervisory Board endorses the Report of the Management Board. We propose that the Annual General Meeting of Shareholders (AGM) adopt the 2014 annual accounts audited by KPMG Accountants N.V.. In accordance with Article 6(2) of the Agreement State-FMO of November 16, 1998 and the current dividend policy, we propose that the AGM approve the allocation of €120 million (2013: €128 million) to the contractual reserve. The remaining amount of €4.6 million (2013: €5.3 million) is the distributable component of profits. We recommend that the AGM adopt our proposal to pay a cash dividend of €11.40 (2013: €13.24) per share. This proposal for dividend distribution can be withdrawn if FMO's economical and financial conditions deteriorate significantly in the period up to the moment of distribution of the dividend. This reservation is the result of the recommendation of the European Central Bank on January 28, 2015, and adopted by the Dutch Central Bank.

The Supervisory Board proposes that the AGM reappoint KPMG Accountants N.V. as external auditors. We trust that the AGM will also discharge the Management Board for its Management of FMO and the Supervisory Board for its supervision during the reporting year.

SUPERVISORY BOARD ACTIVITIES IN 2014

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

With the exception of evaluations and appraisals, the full Management Board meets the full Supervisory Board at all pre-scheduled meetings. It is policy that the Chairman may also meet with FMO's larger shareholders, in order to provide them with the opportunity to share their views. The Supervisory Board held five regular meetings and two strategic sessions in 2014. The Supervisory Board is careful to ensure the right balance between governance and performance, so that it devotes attention not just to governance matters, but also to strategic and business issues. Attendance at the regular meetings was 90%.

The Supervisory Board holds annual three-way meetings with the Management Board and the FMO Works' Council. Individual Supervisory Board members also attend Works' Council meetings, along with Management Board members.

Externally, the Supervisory Board paid great attention to stakeholder management through regular contact, often at an individual level, with Dutch companies, other development banks and non-governmental organizations.

Mission and strategy

Every year, the Supervisory Board reviews FMO's mission and strategy. The Supervisory Board assesses the strategy and its implementation from a stakeholder perspective, and endorses the mission and strategy that FMO has set.

Over the last couple of years, FMO's strategic goals have been made more concrete by setting smarter objectives for development impact, additionality, environmental footprint and last but not least, firm financial targets. The Supervisory Board supports FMO's choice to move to an integrated reporting approach; this is a logical consequence of the multi-objective strategy the bank has chosen.

Business model and strategy implementation

The Management Board and Supervisory Board are jointly responsible for FMO's strategy and business model. The Supervisory Board devoted substantial attention in 2014 to the implementation of FMO's strategy.

Achieving our strategy requires a business model in which our stakeholders – foremost among them our clients, partners and the Dutch state – are equally important. Our clients are the local firms and financial institutions to which FMO lends or for which FMO provides equity capital. The Supervisory Board is informed about the quality of these clients on a regular basis and discusses the outcome of FMO's bi-annual client satisfaction survey.

A regular topic of discussion for Supervisory Board is catalyzing funds through co-investment or by mobilizing outside institutional investors into FMO funds. This aspect is key to realizing FMO's development impact goals, and is becoming even more central to FMO's strategy. Closer to home, building close ties with the Dutch business community is also an important priority for the next years. This is not only an opportunity for co-investments but also to leverage existing expertise on both sides.

Also regularly discussed is the Dutch state's indispensable sponsorship of FMO. The Supervisory Board is pleased that FMO's approach to maximizing development impact through development of the private sector has become more broadly accepted as a cornerstone of a successful development strategy.

A strong capital basis underlies the growth strategy of FMO. Shareholders enable this by approving our policy of reinvesting a substantial part of earned income. To safeguard its capital strength, the bank needs to maintain strict requirements for risk and return. The Supervisory Board approves FMO's explicit risk appetite framework, along with overall return requirements.

Operations and organization

The Management Board is ultimately responsible for FMO's operations and the overall growth of the internal organization. The Supervisory Board is responsible for overseeing this, and spends much of its time doing so. It pays particular attention to aspects such as the continuous trade-off between the various strategic objectives, the presence of a robust risk management system, a sound balance sheet and the ongoing development of skills and expertise in the organization.

The Supervisory Board regularly reviews how much progress the organization has made on the integrated reporting framework for external reporting. This has to be mirrored to the integrated management information systems used internally to make integrated investment decisions.

All Supervisory Board meetings discuss progress on the annual budget, as well as FMO's financial position at that time. To be successful in the respective markets, FMO needs to have a thorough understanding of the macro conditions and trends in the relevant countries and sectors it operates in. This in combination with deep knowledge of the market and potential clients.

This is underlying the decision to concentrate on the focus sectors Financial Institutions, Energy and Agribusiness. In addition FMO co-invests with other development and commercial banks and specialized private equity partners in other sectors. The Supervisory Board is regularly updated on the business and last year, it paid visits to several sector teams.

FMO's success depends on the quality of its organization. The Management Board spends a great deal of time on developing the organization and employees' skills, and discusses its plans on a regular basis with the Supervisory Board and, in more detail, with the Selection, Appointment & Remuneration Committee.

Risk profile and risk management

The Supervisory Board regularly discusses the risk profile of FMO. The bank invests in difficult markets and mitigates risk through rigorous credit risk management and diversification of its portfolio in terms of countries and sectors, as well as by its prudent funding and liquidity policy. Risks such as foreign exchange and interest rate risks are hedged whenever appropriate. In addition, FMO's risk profile is underpinned by its strong capital base, exceeding the minimum requirements set by the Dutch central bank.

Both the Management and Supervisory Board have paid increasing attention in recent years to non-financial risks such as compliance and reputation risks, and the overall risk culture within the company. Last year, the Management Board informed the Supervisory Board about local opposition to hydropower projects in Honduras and Panama and the new complaints mechanism.

Management development

The Supervisory Board plays a prominent role in management development at the top level of FMO. As well as evaluating individual members of the Management Board, the Supervisory Board is involved in the management development system for the layer just beneath the Management Board.

Testament to FMO's well-functioning management development system was the appointment of former CIO Jurgen Rigterink as CRFO on the retirement of Nico Pijl, and of another internal candidate, Linda Broekhuizen, to succeed Jurgen as CIO. Both Jurgen and Linda began in their new roles in 2014.

SUPERVISORY BOARD ROLE AND STRUCTURE

The Supervisory Board approves FMO's strategy, risk appetite and budget. It supervises the Management Board and the general course of affairs at FMO. It ensures FMO has a robust risk management system and is in control. It appoints Management Board members and evaluates the performance of the Management Board as a whole and its individual members.

Members of the Supervisory Board are appointed by the AGM. The Board currently comprises five members with specific expertise in areas relevant to FMO's activities. The Supervisory Board would like to express its warm thanks to Rein Willems, who left the Supervisory Board in 2014. It is actively seeking a suitable successor – so far without success – and is especially keen for a candidate with an entrepreneurial or business background, given the importance of close ties with the Dutch business community.

Supervisory Board Chairman Jean Frijns was reappointed in 2014.

FMO subscribes to the four core competencies for banks' Management and Supervisory Boards. Board members are required to have sufficient expertise on these subjects:

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

The introduction program for new Supervisory Board members includes meetings with the Management Board and Works' Council. New members gain further insight into FMO's working processes and target markets through discussions with directors of various departments, investment officers and environmental and social specialists.

The Supervisory Board remains firmly committed to ensuring sufficient diversity in its membership, in line with the overall strategy of FMO.

As well as providing strategic advice to the Management Board, Supervisory Board members advise on specific issues through two dedicated committees – the Audit & Risk Management Committee (ARC), and the Selection, Appointment & Remuneration Committee (SARC).

AUDIT & RISK COMMITTEE

The Audit & Risk Committee monitors economic capital issues, in line with Basel requirements. It reviews and advises on FMO's financial position, operational risks and reporting, corporate governance relating to financials and processes, including compliance, internal and external control, and audit reports. The Audit & Risk Committee comprises Bert Bruggink (Chairman), Alexandra

SUPERVISORY BOARD STRUCTURE AND MEMBERSHIPS

Supervisory Board member	Personal information	Initial appointment	End of current appointment	Supervisory Board Committee membership
Jean Frijns *Chairman*	Dutch, 1947, male	2010	2018	Audit & Risk Committee Selection, Appointment & Remuneration Committee
Bert Bruggink	Dutch, 1963, male	2009	2017	Audit & Risk Committee, *Chairman*
Agnes Jongerius	Dutch, 1960, female	2008	2016	Selection, Appointment & Remuneration Committee, *Chair*
Alexandra Schaapveld	Dutch, 1958, female	2012	2016	Audit & Risk Committee
Pier Vellinga *Vice Chairman*	Dutch, 1950, male	2008	2016	Audit & Risk Committee
Rein Willems *Vice Chairman*	Dutch, 1945, male	2006	2014	Selection, Appointment & Remuneration Committee

Schaapveld, Pier Vellinga and Jean Frijns. It reports to the full Supervisory Board.

In 2014, the committee met three times. The external auditors, FMO's CRFO, CEO and directors of Risk Management, Internal Audit, and Finance were present at all meetings. The committee also met separately with the external auditors. Key issues addressed by the Audit & Risk Committee in 2014 included the recovery plan requested by the Dutch central bank from all banks, the mandatory rotation of audit firms, and the assessment of the group specific value adjustments (IBNR).

Reports that were discussed on a regular basis were the quarterly development and financial report, the quarterly updates on FMO's risk profile and the progress report on audit reports, recommendations and the implementation thereof.

SELECTION, APPOINTMENT & REMUNERATION COMMITTEE

This committee handles proposals regarding the appointment and reappointment of Supervisory and Management Board members, monitors the remuneration policy, proposes adjustments and gives advice on the remuneration of individual Management Board members. The Selection, Appointment & Remuneration Committee comprised Agnes Jongerius (Chair), Jean Frijns and Rein Willems until the 2014 AGM. After Rein Willems left, Pier Vellinga was invited to join Selection, Appointment & Remuneration Committee meetings.

The committee met three times in 2014, joined by the CEO and the director of Human Resources. Key issues discussed were the succession of Rein Willems, the reappointment of Jean Frijns and new or forthcoming legislation in areas such as pensions and remuneration.

The Committee proposes the targets for the Management Board and monitors its progress. At least once a year, it formally evaluates members of the Management Board. The committee also assesses whether Management Board members continue to fulfill the expertise requirements developed by the Dutch central bank, as required by the Banking Code. Annually, the committee discusses the human resources policy for FMO, including staff mobility and career patterns, with the Management Board.

LIFELONG LEARNING

The Dutch Banking Code, which came into effect in 2010, requires Supervisory Board members to follow a formal program of lifelong learning. This began at FMO in 2010 and has been continued and expanded since. There were four sessions in 2014, featuring both internal and external speakers.

Though they have their own set of programs, Management Board members also participated in these sessions. In 2014 the Supervisory Board participated in learning sessions on topics related to FMO's strategy such as integrated reporting and investment management, and on subjects related to FMO's business such as financial institutions and energy. The latter sessions took place on the work floor, enabling the Supervisory Board to discuss them with investment teams, including an E&S specialist. For the energy session, an external expert speaker was also invited.

There were also learning sessions on risk management topics – the CRD IV capital requirements directive and derivatives – and on implementing a high-impact HR organization.

SELF-EVALUATION

The Supervisory Board performed the customary annual internal evaluation of its performance in 2014. The assessment looked at areas such as the composition and competencies, the dynamics, organization of duties, the strategy and priorities. The evaluation found that the Supervisory Board has performed according to what can be expected, with sufficient expertise and active involvement from the individual members. The board has been more involved in operational processes than in preceding years and intends to continue along these lines. In 2015 the composition of the committees will be reviewed in order to get a more balanced relationship between the role of the committees and the full board and to enhance the critical stance of the Supervisory Board.

REMUNERATION POLICY

FMO discontinued variable remuneration for members of the Management Board in 2012. Their variable pay had previously been linked to financial and non-financial targets. There were no changes to FMO remuneration policy in 2014.

The tables on the remuneration of the Management and Supervisory Board can be found in note 34 of the the annual accounts.

INDEPENDENCE, CONFLICTS OF INTEREST AND GOVERNANCE

The Supervisory Board is of the opinion that all members of the

Supervisory Board are independent, as required by Best Practice Provision III.2.1 of the Corporate Governance Code. No direct, indirect or formal conflicts of interest were identified in 2014. FMO has specific regulations concerning private investments. Compliance by Supervisory Board members, Management Board members and all other employees with FMO's regulations on private investments is addressed regularly. Based on the information provided by the members, no conflicts with regard to private investments were found in 2014. FMO complies with the Dutch Banking Code and Corporate Governance Code. Where FMO does not comply with these codes, clear reasons are provided. For more information, see the Corporate Governance section.

CORPORATE GOVERNANCE

Sound corporate governance at FMO is crucial for two reasons. Firstly, as a public-private development bank, our own governance, structure and reporting lines must be both sound and transparent. The second reason relates to our mission to stimulate sustainable growth for our clients in order to maximize development impact. We believe that in order to carry out our mission, we should set a high standard of corporate governance ourselves.

ARTICLES OF ASSOCIATION

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

GOVERNANCE STRUCTURE

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

Our entire organization is expected to take the interests of all stakeholders into account at all times. In governance terms, this expectation is expressed through the responsibilities and accountability of the Management and Supervisory Boards to our shareholders and other stakeholders. The roles of the AGM, Supervisory Board and Management Board did not change in 2014. This also applies to the Audit & Risk, and Selection, Appointment & Remuneration committees. Detailed information is available on our website.

CORPORATE GOVERNANCE CODES

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

The Banking Code was drawn up in the wake of the financial crisis to help the financial sector improve its performance and thereby increase public trust in banks. Its principles are based on the Corporate Governance Code.

The Banking Code, which came into force in 2010, works according to the 'comply or explain' principle. FMO believes that complying with the Banking Code is not just a case of 'ticking boxes'. Because we invest in sustainable, entrepreneurial development in high-risk economies, we regard this code in the context of how it applies to our specific organization. FMO has implemented the Banking Code and has drawn up an extensive document in which we explain our compliance per article. An updated version of the Dutch Banking Code came into force effective January 2015.

The Dutch Corporate Governance Code applies to listed companies with their registered seat in the Netherlands. As a non-listed bank, FMO is not required to adhere to the Code, but has chosen to do so. The Supervisory Board and the Management Board fully endorse the basic principle on which the Code is based, namely that the company is a long-term partnership of various stakeholders, which in FMO's case include: clients, shareholders and other capital providers, employees, the government and groups in civil society. In 2014, FMO published a policy regarding bilateral contacts with shareholders, which is available on our website: *www.fmo.nl/shareholders*.

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

- BPP II.1.9 - II.1.11: stipulations on the response time of the Management Board in case of shareholder activism and the hostile takeover stipulations are not implemented, given our stable majority shareholder, the State of the Netherlands.
- BPP II.2.3: FMO complies with this article, except for the fact that the share price is not taken into account when determining the remuneration of the Management Board, as FMO is non-listed.
- BPP II.2.4 - II.2.7 and II.2.13 c. and d.: these provisions relate to the granting of options and shares that are awarded to Management Board members. No options and shares are granted at FMO.
- BPP III.8.1 - III.8.4: these do not apply, since FMO does not have a one-tier board.
- BPP IV.1.1: this does not apply, since this provision refers to a legal entity that does not apply a so-called 'structuurregime'. FMO is a so-called 'structuur' legal entity as defined in paragraph 2.4.6 of the Dutch Civil Code.
- BPP IV.1.2: this does not apply, since this provision refers to financing preferred shares, which FMO does not use in its share capital.

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

COMBINED INDEPENDENT AUDITOR'S AND ASSURANCE REPORT

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

We have been engaged by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague (hereafter referred to as 'FMO') to conduct (1) an audit (reasonable assurance) of the financial statements 2014 and (2) a review (limited assurance) of pages 3 to 37 of the Report of the Management Board 2014 (hereafter referred to as 'the reviewed section of the Report').

AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ASSURANCE REPORT ON THE REVIEWED SECTION OF THE REPORT

OUR OPINION AND CONCLUSION

We have audited the financial statements 2014 of FMO. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the consolidated financial statements on pages 60 to 121 give a true and fair view of the financial position of FMO as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.
- the company financial statements on pages 122 to 127 give a true and fair view of the financial position of FMO as at December 31, 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the consolidated profit and loss account for 2014 and the following consolidated statements for 2014: the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company profit and loss account for 2014; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

We have reviewed pages 3 to 37 of the Report of the Management Board 2014.

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

AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ASSURANCE REPORT ON THE REVIEWED SECTION OF THE REPORT

BASIS FOR OUR OPINION AND CONCLUSION

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

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

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

MATERIALITY

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

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7.5 million. The materiality is determined with reference to profit before taxation (5%) as we consider this benchmark to be most relevant given the nature and business of the FMO.

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

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

AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ASSURANCE REPORT ON THE REVIEWED SECTION OF THE REPORT

SCOPE OF THE GROUP AUDIT AND REVIEW

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

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

With respect to FMO's associates and subsidiaries we did not request other external auditors to perform any additional audit or review procedures as the total size of the subsidiaries and the associates represent 0.2% and 0.3% of the balance sheet total respectively. On this basis, we did not select any group entities for which an audit or review had to be carried out on the complete set of financial and non-financial information or specific items.

Our group audit mainly focused on the stand-alone financial and non-financial information of FMO. With respect to the group entities we obtained and assessed the most recent funds reports and analysed significant movements in the associates portfolio as well as the (draft) 2014 financial statements of the individual subsidiaries.

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

KEY AUDIT AND REVIEW MATTERS

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

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

Valuation of loans to the private sector involves significant judgment
Loans to the private sector amounting to €3,801 million forms 54% of FMO's total assets. Counterparty specific provisions are recorded on outstanding loans for which it is doubtful that the borrower is able to repay the principal amount and/or the interest according to the loan agreement. Certain aspects of the accounting for loan loss impairments require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount.

Judgment in methodology for impact and footprint figures
FMO has published for the first time the expected (in)direct jobs as an impact indicator and expected GHG emissions avoided as a footprint indicator in relation to its ambition 'to become the leading impact investor by doubling impact and halving footprint by 2020'.

These figures were significant to our review due to the materiality of those figures and first time reporting by FMO. Furthermore the reporting methodology is subject to judgment in definitions, boundaries and calculation. Our procedures included, among others a detailed review of the suitability of the developed reporting methodology by FMO and

KEY AUDIT AND REVIEW MATTERS (CONTINUED)

This matter was significant to our audit as the use of different estimates and assumptions could result in a different value adjustment for loan losses, as FMO disclosed in its accounting policies and its disclosure on loans to the private sector in notes 4 and 8. Also, actual loan losses over time may differ from the value adjustment at the balance sheet date due to changes in economic conditions.

Our audit procedures included, among others, obtaining understanding of FMO's credit monitoring procedures including implementation of the internal controls related to the timely recognition and measurement of value adjustments on loans, including loans that have been renegotiated. We examined the loan portfolio and evaluated loans exposures with arrears or with low internal credit ratings against available financial information and payment history to challenge the Management Board's assessment of the recoverable amount. We also performed an analysis of the loan portfolio with an emphasis on exposures in high risk countries in which FMO is active, and performed roll-forward procedures to evaluate whether all credit events up to the date of our auditor's report are appropriately reflected in the year-end valuation.

Our overall assessment is that the assumptions used and the estimates resulted in a prudent valuation of value adjustments on loans.

validation of underlying assumptions.

In addition, we reviewed the design and existence of the internal controls implemented to ensuring the accuracy, completeness and timeliness of the input for the model used to report on the impact and footprint indicators, including a review of procedures conducted by the internal audit department.

Our overall assessment is that the reporting methodology applied, assumptions used and internal controls implemented for the impact and footprint indicators are suitable for the reporting purpose.

Sensitivities in respect of the group specific value adjustment for loans with no counterparty specific provision

The loans to the private sector with no counterparty specific value adjustments, amounting to €3,703 million, are divided into groups of financial assets with similar credit risk characteristics and are collectively assessed for value adjustments in accordance with EU-IFRS.

As described on page 78 of the financial statements, FMO has performed its year-end assessment of relevant parameters, such as country risk and loss given default, within its group-specific provisioning model. This assessment has led to a release of the group specific value adjustments of €37 million recorded in 2014 and a total provision balance of €179 million as at December 31, 2014.

This area was significant to our audit as the use of different estimates and assumptions could result in a different group specific value adjustment for actual loan losses over time due to changes

KEY AUDIT AND REVIEW MATTERS (CONTINUED)

in economic conditions, as FMO disclosed in its accounting policies and its disclosure on loans to the private sector in notes 4 and 8.

We challenged the impact of the re-assessment of the provision model parameters such as country risks on individual groups of loans with no counterparty specific provision using publically available country ratings. Furthermore we assessed whether the grouping of loans with similar risk characteristics was appropriate. We recalculated the group-specific value adjustment to determine that the model was applied accurately and consistently as at December 31, 2014.

Our overall assessment is that the methodology applied and the assumptions used resulted in a prudent valuation of the group specific value adjustments.

Estimation uncertainty in respect of the valuation of the equity investments

The valuation of equity investments totalling €1,124 million is complex given the nature of FMO's investments, for further details also refer to financial risk management paragraph on page 83. Equity investments comprise of either direct investments or investment funds. EU-IFRS requires that all equity investments are valued at fair value when the fair value can be determined reliably. As disclosed in note 6 of the financial statements, 26% of the equity investments is recorded at cost less impairment as no reliable fair value information is available at balance sheet date.

Certain aspects of the accounting for fair values on equity investments require significant judgment, such as the assessment of the reliability of available valuation information, identification of equity investments that are deteriorating and the assessment whether a decline in value is considered significant and/or prolonged resulting in an impairment. We note this accounting policy also applies to those equity investments recorded at cost less impairment. For further details we refer to the accounting policy disclosure in the financial statements on page 66.

This area was significant to our audit as the use of different estimates and assumptions could result in a different balance sheet valuation of

KEY AUDIT AND REVIEW MATTERS (CONTINUED)

equity investments and different fair value disclosure on equity investments in note 6.

Our audit procedures included, among others, obtaining an understanding and test design and implementation of relevant controls in FMO's valuation process for equity investments. We also assessed the policy applied to evaluate whether reliable information is available for accounting at fair value. We evaluated the assumption underlying the fair value calculations and verified the reconciliation to the supporting financial information obtained from the respective investee. For listed equity investments we agreed the year-end valuation to external data sources.

We also challenged the Management Board's assessment made for the equity investments for which the fair value is below historical cost at balance sheet date including the consistent application of the accounting policy for significant and/or prolonged decline in fair value compared to its historical cost.

Our overall assessment is that the valuation, also considering the inherent limitations of available data, of the equity portfolio is neutral.

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND THE REPORT OF THE MANAGEMENT BOARD

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

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

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

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

AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ASSURANCE REPORT ON THE REVIEWED SECTION OF THE REPORT

OUR RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE REVIEW OF THE REVIEWED SECTION OF THE REPORT

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

The objective of our review is to provide limited assurance on whether the information in the reviewed section of the Report is, in all material respects, prepared in accordance with section 2:391 of the Netherlands Civil Code based on the Dutch Standard on Assurance engagements 3000. We do not provide any assurance on the feasibility of the targets, expectations policy and ambitions of FMO. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Our procedures included e.g.:

- a review of the content of the reviewed section of the Report in relation to the specific requirements as set out in section 2:391 of the Netherlands Civil Code;
- a review of the underlying reporting principles applied in preparing the reviewed section of the Report;
- a review of the underlying systems and procedures used to collect and process the reported information, including the aggregation of data into the information in the reviewed section of the Report, in order to understand whether these procedures are expected to result in reliable information;
- an analytical review of the quantitative information included in the reviewed section of the Report;
- an examination of a sample of third party confirmation obtained supporting quantitative information in the reviewed section of the Report; and
- a review of internal and external documentation such as minutes of meetings, reports, intranet sources and source documents that are part of FMO's company records.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE REPORT OF THE MANAGEMENT BOARD AND OTHER INFORMATION

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

ENGAGEMENT

We are engaged by the General Meeting of Shareholders as auditor of FMO for more than 10 years. We have been re-engaged for the audit for the year 2014 on May 14, 2014. Based on the requirements of the Audit Firms Supervision Act (Wta) as of January 1, 2016 we can no longer act as statutory auditors of FMO.

Amstelveen, March 17, 2015
KPMG Accountants N.V.
M.J. Kooyman RA

CONSOLIDATED ANNUAL ACCOUNTS 2014

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CONSOLIDATED ANNUAL ACCOUNTS

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The 2014 financial statements of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as 'FMO' or 'the company') were prepared by the Management Board and signed by all members of the Management Board and the Supervisory Board on March 17, 2015 and will be submitted for adoption in the General Meeting of Shareholders on May 11, 2015.

FMO was incorporated in 1970 as a public limited company and is located at Anna van Saksenlaan 71, The Hague, The Netherlands. FMO finances activities in developing countries to stimulate private sector development. In addition, FMO provides services in relation to government funds and programs.

FINANCING ACTIVITIES

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

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

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

SERVICES IN RELATION TO GOVERNMENT FUNDS AND PROGRAMS

Apart from financing activities from its own resources, FMO provides loans, guarantees and equity capital from special government funds, within the conditions and objectives of those funds. The funds consist of subsidies provided under the General Administrative Law Act regarding the Infrastructure Development Fund, MASSIF, Access to Energy Fund and Fund Emerging Markets for Developing Countries (also called 'FOM-OS').

FMO incurs a risk in MASSIF as it has an equity share of 2.36% (2013: 2.38%). With respect to the remaining interest in MASSIF, and the full risk in the other government funds, FMO has a contractual right and obligation to settle the results arising from the funds' activities with the State. The economic risks related to these funds are predominantly taken by the State, and FMO has limited control over policy issues regarding these funds. FMO receives a remuneration for managing the funds. Therefore, with the exception of FMO's equity share in MASSIF, the funds' assets and the funds' liabilities are not included in the annual accounts. The segment information paragraph provides more detail on the loans and equity investments managed for the risk of the State.

Significant accounting policies

BASIS OF PREPARATION

The consolidated annual accounts (the 'annual accounts') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union and are based on the 'going concern' principle.

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

NEW AND REVISED STANDARDS

Adopted

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

IFRS 10 Consolidated Financial Statements (effective date January 1, 2014)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated. FMO has assessed the impact of this standard. Under this new standard, FMO has recognized one extra investee, FMO Medu II Investment Trust Ltd., over which it has control and has recognized this as a subsidiary as per 1 January 2014, which had minor impact on shareholders'equity, net results and/or other comprehensive income.

IFRS 11 Joint Arrangements (effective date January 1, 2014)

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard will have no impact on FMO's financial position and performance.

IFRS 12 Disclosure of Interests in Other Entities (effective date January 1, 2014)

The standard includes the disclosure requirements related to FMO's interests in subsidiaries, joint arrangements, associates and structured entities. This standard will require a few new disclosures.

IAS 27 Separate Financial Statements (effective date January 1, 2014)

IAS 27 outlines the accounting and disclosure requirements for 'separate financial statements'. FMO does not present separate financial statements.

IFRS 10, IFRS 12, and IAS 27 Investment Entities – Amendments (effective date January 1, 2014)

The amendments define an "Investment entity" in IFRS 10 and represent significant changes for these investment entities which are currently required to consolidate investees that they control. Furthermore the amendments also represent new disclosure requirements for investment entities in IFRS 12 and IAS 27. These amendments will have no impact on FMO's financial position and performance.

IAS 28 Investments in Associates and Joint Ventures (effective date January 1, 2014)

This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard will have no impact on FMO's financial position and performance.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective date January 1, 2014)

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The changes will not have significant impact on FMO's financial statements.

IAS 36 Recoverable Amount Disclosures for Non-financial Assets (effective date January 1, 2014)

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. This standard has no impact on the financial statements of FMO.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (effective date 1 January, 2014)
The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations;
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties;
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members. FMO needs to prove that it meets the criteria of IAS 39 when implementing the central clearing law in order to continue hedge accounting. For FMO these changes did not have an impact on derivatives held in a hedge accounting relationship.

IFRIC 21 Levies (effective date 1 January 2014)
The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. FMO complies with this interpretation when relevant. FMO was subject to the crisis levy of 2012 and 2013 and as of 2014 this levy is no longer applicable

IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19 (effective date 1 July 2014)
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. FMO already applies this method as described in the amendments.

Not effective, not adopted
There are no standards issued and endorsed by the European Union that are not effective up to the date of issuance of FMO's financial statements.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GROUP ACCOUNTING AND CONSOLIDATION
The company accounts of FMO and the company accounts of the subsidiaries Nuevo Banco Comercial Holding B.V., FMO Antillen N.V., FMO Medu II Investment Trust Ltd. and Asia Participations B.V. are consolidated in these annual accounts. The activities of Blauser S.A. have been discontinued and the company is currently in the process of liquidation.

The activities of Nuevo Banco Comercial Holding B.V., FMO Antillen N.V., FMO Medu II Investment Trust Ltd. and Asia Participations B.V. consist of providing equity capital to companies in developing countries. All are 100% owned by FMO.

SEGMENT REPORTING
The operating segments are reported in a manner consistent with internal reporting to FMO's chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board.

FMO focuses on three business sectors:

1. Financial Institutions
2. Energy
3. Agribusiness

The business sectors are included in the segment reporting. Besides the abovementioned business sectors a segment Diverse Sectors has been identified which operates in other sectors by partnering with commercial banks and development finance institutions. In 2014 this segment has been renamed to Infrastructure, Manufacturing and Services in order to better clarify towards clients and partners which sub-sectors are being serviced. In addition, fund investments without a specific operating sector have been identified separately as Multi-Sector Fund Investments, since they are a substantial part of FMO's business.

FISCAL UNITY

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

FOREIGN CURRENCY TRANSLATION

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

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

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

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

OFFSETTING FINANCIAL INSTRUMENTS

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

DERIVATIVE INSTRUMENTS

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

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

HEDGE ACCOUNTING

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

A valid hedge relationship exists when a specific relationship can be identified between financial instruments in which the change in value of one instrument, the 'hedge instrument', is correlated highly negatively to the change in value of the other, the 'hedged item'. To qualify for hedge accounting, this correlation must be within 80% to 125%, with any ineffectiveness recognized in the profit and loss account.

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

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

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

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

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

FEE AND COMMISSION INCOME
FMO earns fees from a diverse range of services. The revenue recognition for financial service fees depends on the purpose for which the fees are charged and the basis of accounting for the associated financial instrument. Fees that are part of a financial instrument carried at fair value are recognized in the profit and loss account. Fee income that is part of a financial instrument carried at amortized cost can be divided into three categories:
1. *Fees that are an integral part of the effective interest rate of a financial instrument*
   These fees (such as front-end fees) are generally treated as an adjustment to the effective interest rate. When the facility is not used and the commitment period expires, the fee is recognized at the moment of expiration. However, when the financial instrument is to be measured at fair value subsequent to its initial recognition, the fees are recognized in revenue as part of the interest.
2. *Fees earned when services are provided*
   Fees charged by FMO for servicing a loan (such as administration fees and agency fees) are recognized as revenue when the services are provided. Portfolio and other management advisory and service fees are recognized in line with the periods and the agreed services of the applicable service contracts.
3. *Fees that are earned on the execution of a significant act*
   These fees (such as arrangement fees) are recognized as revenue when the significant act has been completed.

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

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

LOANS TO THE PRIVATE SECTOR

Loans originated by FMO include:

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

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

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

VALUE ADJUSTMENTS ON LOANS

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

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

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

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

INTEREST-BEARING SECURITIES

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

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

EQUITY INVESTMENTS

Equity investments in which FMO has no significant influence are classified as available for sale assets and are measured:

1. *At fair value when a quoted market price in an active market is available or when fair value can be estimated reliably using a valuation technique*
   Unrealized gains or losses are reported in the available for sale reserve net of applicable income taxes until such investments are sold, collected or otherwise disposed of, or until such investment is determined to be impaired. Foreign exchange differences are reported as part of the fair value change in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealized gain or loss included in shareholders' equity is transferred to profit and loss.
2. *At cost or lower recoverable amount if the fair value cannot be estimated reliably*
   In line with AG80 and AG81 of IAS 39, the fair value of equity investments that do not have a quoted market price in an active market is only reliably measurable if:
   - The variability in the range of reasonable fair value estimates is not significant for that instrument; or
   - The probabilities of the various estimates within the range can be reasonably assessed and used in estimating the fair value.

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

Impairments

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

INVESTMENTS IN ASSOCIATES

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

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

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

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

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

TANGIBLE FIXED ASSETS

ICT equipment

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

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

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

ICT equipment	Five years
Furniture	Five years
Leasehold improvements	Five years

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

DEBENTURES AND NOTES
Debentures and notes consist of medium-term notes under FMO's Debt Issuance Programme or other issuance programmes. Debentures and notes can be divided into:
- Notes qualifying for hedge accounting (valued at amortized cost and adjusted for the fair value of the hedged risk);
- Notes that do not qualify for hedge accounting (valued at amortized cost).

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

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

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

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

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

GUARANTEES
Provisions and obligations resulting from issued financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out in 'interest income' and 'fee and commission income'. These fees are recognized as revenue on an accrual basis over the period commitment.

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

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

RETIREMENT BENEFITS

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

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

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

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

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

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

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

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

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

TAXATION

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

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

SHAREHOLDERS' EQUITY

Contractual reserve

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

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

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

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

Other reserves
The other reserves include the cumulative distributable net profits. Dividends are deducted from other reserves in the period in which they are declared.

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

Consolidated balance sheet at December 31

(before profit appropriation)	Notes	Page number	2014	2013
ASSETS				
Banks	(1)	100	33,743	29,042
Short-term deposits	(2)	100	1,093,606	1,102,630
Derivative financial instruments	(3)	100	241,403	296,901
Loans to the private sector	(4), (8)	101, 104	3,801,325	2,927,508
Loans guaranteed by the State	(5), (8)	102, 104	58,515	53,355
Equity investments	(6)	103	1,124,417	943,197
Investments in associates	(7)	103	24,358	19,246
Interest-bearing securities	(9)	105	593,263	664,705
Tangible fixed assets	(10)	105	7,468	7,468
Deferred income tax assets	(31)	115	2,379	4,954
Current income tax receivables	(31)	115	236	-
Current accounts with State funds and other programs	(11)	106	-	35
Other receivables	(12)	106	23,870	52,053
Accrued income	(13)	106	83,061	83,249
Total assets			**7,087,644**	**6,184,343**
LIABILITIES				
Banks	(14)	107	81,168	76,897
Short-term credits	(15)	107	261,145	226,885
Derivative financial instruments	(3)	100	329,099	218,157
Debentures and notes	(16)	107	4,196,998	3,609,796
Other liabilities	(17)	108	9,975	6,394
Current accounts with State funds and other programs	(18)	108	1,019	1,630
Current income tax liabilities	(31)	115	-	2,897
Wage tax liabilities			36	80
Deferred income tax liabilities	(31)	115	3,985	5,224
Accrued liabilities	(19)	108	54,192	50,587
Provisions	(20)	109	12,467	22,839
Total liabilities			**4,950,084**	**4,221,386**
SHAREHOLDERS' EQUITY				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			1,140,363	1,020,547
Development fund			657,981	657,981
Available for sale reserve			267,119	215,889
Translation reserve			859	-644
Other reserves			28,330	25,540
Undistributed profit			4,560	5,296
Total shareholders' equity	(21)	111	**2,137,560**	**1,962,957**
Total liabilities and shareholders' equity			**7,087,644**	**6,184,343**
Contingent liabilities:				
• Effective guarantees issued	(32)	117	119,630	106,470
• Effective guarantees received	(32)	117	-191,777	-102,795
Irrevocable facilities	(32)	117	1,601,951	1,408,148
Loans and equity investments managed for the risk of the State[1)]			721,646	646,514

1) See segment reporting paragraph.

Consolidated profit and loss account

	Notes	Page number	2014	2013
INCOME				
Interest income			206,592	196,778
Interest expense			-37,193	-42,243
Net interest income	**(22)**	**113**	**169,399**	**154,535**
Fee and commission income			6,957	7,126
Fee and commission expense			-120	-187
Net fee and commission income	**(23)**	**113**	**6,837**	**6,939**
Dividend income			12,707	19,826
Results from equity investments	(24)	113	59,328	23,643
Results from financial transactions	(25)	114	-14,279	24,911
Remuneration for services rendered	(26)	114	25,114	22,896
Other operating income	(27)	114	1,195	1,124
Total other income			**84,065**	**92,400**
Total income			**260,301**	**253,874**
OPERATING EXPENSES				
Staff costs	(28)	114	-45,923	-46,824
Other administrative expenses	(29)	115	-13,642	-13,738
Depreciation and impairment	(10)	105	-2,124	-1,662
Other operating expenses	(30)	115	-35	-220
Total operating expenses			**-61,724**	**-62,444**
Operating profit before value adjustments			**198,577**	**191,430**
VALUE ADJUSTMENTS ON				
Loans	(8)	104	-33,659	2,966
Equity investments and associates	(6), (7)	103, 103	-14,531	-22,087
Guarantees issued	(8)	104	-2,907	1,635
Total value adjustments			**-51,097**	**-17,486**
Share in the result of associates	(7)	103	1,892	-3,034
Result on disposal of subsidiaries			-	-1,934
Total result on associates and subsidiaries			**1,892**	**-4,968**
Profit before taxation			**149,372**	**168,976**
Income tax	(31)	115	-24,996	-35,641
Net profit			**124,376**	**133,335**

Consolidated statement of comprehensive income

(before profit appropriation)	Notes	Page number	2014	2013
Net profit			**124,376**	**133,335**
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating associates and subsidiaries			1,503	-883
Available for sale financial assets			49,991	19,459
Income tax effect			1,239	3,421
Items to be reclassified to profit and loss	**(35)**	**120**	**52,733**	**21,997**
Actuarial gains/losses on defined benefit plans			3,959	-562
Income tax effect			-1,169	320
Items not reclassified to profit and loss	(35)	120	**2,790**	**-242**
Total other comprehensive income, net of tax			**55,523**	**21,755**
Total comprehensive income			**179,899**	**155,090**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company			179,899	155,090
Total comprehensive income			**179,899**	**155,090**

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Contractual reserve	Development fund	Available for sale reserve	Translation reserve	Other reserves	Undistributed profit	Non-controlling interests	Total
Balance at January 1, 2013	**9,076**	**29,272**	**892,508**	**657,981**	**193,009**	**239**	**25,782**	**6,724**	**831**	**1,815,422**
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	-883	-	-	-	-883
Available for sale financial assets	-	-	-	-	19,459	-	-	-	-	19,459
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	-	-562	-	-	-562
Income tax effect other comprehensive income	-	-	-	-	3,421	-	320	-	-	3,741
Total other comprehensive income	**-**	**-**	**-**	**-**	**22,880**	**-883**	**-242**	**-**	**-**	**21,755**
Changes in subsidiaries Blauser S.A. and Confoco S.A.	-	-	-	-	-	-	-	-	-831	-831
Net profit	-	-	128,039[1)]	-	-	-	-	5,296	-	133,335
Dividend declared	-	-	-	-	-	-	-	-6,724	-	-6,724
Balance at December 31, 2013	**9,076**	**29,272**	**1,020,547**	**657,981**	**215,889**	**-644**	**25,540**	**5,296**	**-**	**1,962,957**
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	1,503	-	-	-	1,503
Available for sale financial assets	-	-	-	-	49,991	-	-	-	-	49,991
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	-	3,959	-	-	3,959
Income tax effect other comprehensive income	-	-	-	-	1,239	-	-1,169	-	-	70
Total other comprehensive income	**-**	**-**	**-**	**-**	**51,230**	**1,503**	**2,790**	**-**	**-**	**55,523**
Changes in subsidiaries Blauser S.A. and Confoco S.A.	-	-	-	-	-	-	-	-	-	-
Net profit	-	-	119,816[1)]	-	-	-	-	4,560	-	124,376
Dividend declared	-	-	-	-	-	-	-	-5,296	-	-5,296
Balance at December 31, 2014	**9,076**	**29,272**	**1,140,363**	**657,981**	**267,119**	**859**	**28,330**	**4,560**	**-**	**2,137,560**

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

Consolidated statement of cash flows

	Notes	Page number	2014	2013
OPERATIONAL ACTIVITIES				
Net profit			**124,376**	**133,335**
Adjusted for non-cash items:				
• Result of associates			-1,892	3,034
• Unrealised (gains) losses arising from changes in fair value			-16,901	-17,799
• Unrealised (gains)losses arising from changes in foreign exchange rates			64,656	-24,734
• Unrealized (gains) losses arising from other changes			10,264	4,106
• Value adjustments			47,653	20,872
• Depreciation and impairment of tangible fixed assets			2,124	1,662
• Income tax expense			24,996	35,641
Changes in:				
• Income tax paid			-25,553	-32,520
• Net movement (disbursements and repayments) in loans (including guaranteed by the State)			-549,726	-279,576
• Purchase of and proceeds from equity investments and associates			-139,073	-83,361
• Movement other assets and liabilities[1)]			22,298	-31,642
• Movement in short-term credits[1)]			34,260	-13,534
Net cash flow from operational activities	(36)	119	**-402,518**	**-284,516**
INVESTMENT ACTIVITIES				
Purchase of interest-bearing securities			-169,940	-
Redemption/sale of interest-bearing securities			241,260	45,231
(Dis)investments in tangible fixed assets			-2,124	2,555
Net cash flow from investment activities	(37)	119	**69,196**	**47,786**
FINANCING ACTIVITIES				
Proceeds from issuance of debt securities, debentures and notes			1,231,182	1,023,968
Redemption of debt securities, debentures and notes			-901,158	-398,600
Dividend paid			-5,296	-6,724
Net cash flow from financing activities	(38)	119	**324,728**	**618,644**
Net cash flow			**-8,594**	**381,914**
CASH AND CASH EQUIVALENTS				
Banks and short-term deposits at January 1			1,054,775	672,861
Banks and short-term deposits at December 31			1,046,181	1,054,775
Total cash flow			**-8,594**	**381,914**
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS				
Interest received			201,590	192.484
Interest paid			35,987	40,574
Dividend received			12,707	19,826

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

Financial risk management

Introduction

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

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

Risk profile

FMO actively seeks to take risk stemming from debt and equity instruments to private institutions in developing countries. This risk profile is supported by holding prudent levels of capital and liquidity and strong diversification of the portfolio over regions and sectors. About 80% of the economic capital is allocated to credit risk. Reference is made to the capital management paragraph. Although other financial risks cannot always be fully avoided, FMO mitigates them as much as possible. FMO does not have trading positions and in general no appetite for currency risk and interest rate risk.

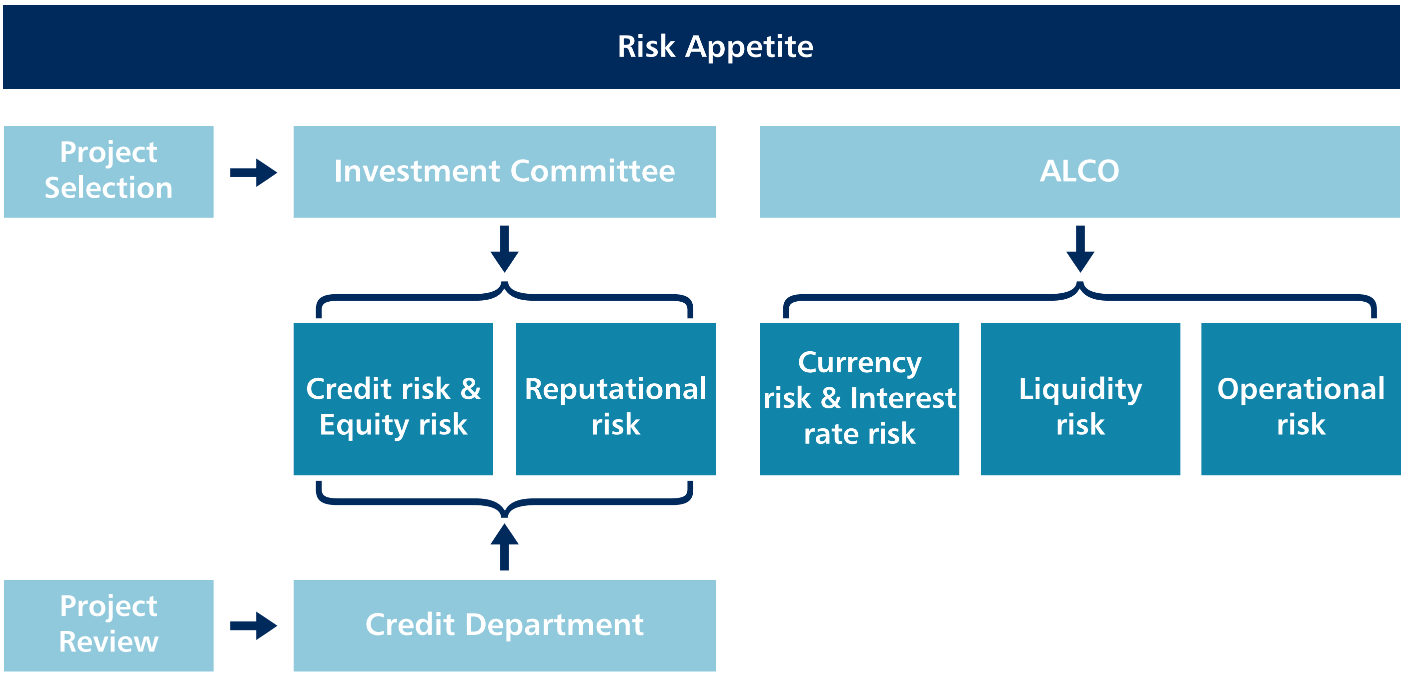
Organization of risk management

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

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

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

RISK CONTROL FRAMEWORK



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

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

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

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

Reputational risk

FMO's operations in developing and emerging markets expose us to reputational risks such as environmental and social risks and various types of legal risks. These types of reputational impact may trigger negative media coverage on a national and international scale. FMO cannot fully avoid such risks due to the nature of its operations, but chooses to mitigate them as much as possible through strict policies, upfront assessment and, if necessary, through agreements with FMO's clients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

FMO runs environmental and social risks in its emerging market projects. These risks stem from the nature of our projects, which in several cases can carry a negative environmental or social impact related to their large footprint (for example large scale infrastructure or primary agriculture projects). FMO does not seek to avoid such risks, but our ambition is to safeguard our integrity and promote positive public opinion of FMO's activities. We realise this by achieving a) Environmental Social & Governance (ESG) standards in line with market best practices; b) operating efficiency, robust controls, good governance and infrastructure, strong financial and Impact & Footprint (I&F) data quality (100% and 95% respectively) and; c) highest standards in professional conduct, limit footprint in the workplace and employee satisfaction and diversity.

STAKEHOLDER MANAGEMENT

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

Credit risk

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

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

The following table shows the maximum exposure to credit risk for FMO. The maximum exposure of balance sheet items, including derivatives, is shown gross, before provisioning and the effect of mitigation through the use of master netting and collateral agreements. Only derivative financial instruments with positive market values are presented. As a result of the stronger US $ and the growth of FMO's portfolio the maximum exposure to credit risk increased during the year from €7,094 million at December 31, 2013 to €8,083 million at December 31, 2014.

Maximum exposure to credit risk, including derivatives

	2014	2013
ON-BALANCE		
Banks	33,743	29,042
Short-term deposits	949,006	974,400
Short-term deposits – Dutch central bank	144,600	128,230
Derivative financial instruments	241,403	296,901
Loans to the private sector	4,197,270	3,265,174
Loans guaranteed by the State	67,936	61,715
Investments in associates	24,358	19,246
Interest-bearing securities	593,263	664,705
Deferred income tax assets	2,379	4,954
Current income tax receivables	236	-
Current accounts with State funds and other programs	-	35
Other receivables	23,870	52,053
Accrued income	83,061	83,249
Total on-balance	**6,361,125**	**5,579,704**
OFF-BALANCE		
Contingent liabilities	119,630	106,470
Irrevocable facilities	1,601,951	1,408,148
Total off-balance	**1,721,581**	**1,514,618**
Total credit risk exposure	**8,082,706**	**7,094,322**

CREDIT RISK IN THE EMERGING MARKETS LOAN PORTFOLIO

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

Gross exposure of loans distributed by region and sector

At December 31, 2014	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Africa	442,798	256,516	21,349	17,092	274,238	1,011,993
Asia	495,115	214,886	33,055	16,362	384,451	1,143,869
Latin America & the Caribbean	543,117	336,666	127,251	-	173,202	1,180,236
Europe & Central Asia	439,347	44,160	107,681	40,000	94,215	725,403
Non-region specific	37,869	14,875	33,055	-	49,970	135,769
Total	**1,958,246**	**867,103**	**322,391**	**73,454**	**976,076**	**4,197,270**

At December 31, 2013	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Africa	330,116	199,170	8,596	7,112	148,661	693,655
Asia	407,781	169,063	29,031	14,370	315,139	935,384
Latin America & the Caribbean	492,793	207,903	139,844	-	116,215	956,755
Europe & Central Asia	367,331	14,116	69,739	40,000	91,666	582,852
Non-region specific	29,830	15,241	29,515	-	21,942	96,528
Total	**1,627,851**	**605,493**	**276,725**	**61,482**	**693,623**	**3,265,174**

INTERNAL CREDIT APPROVAL PROCESS

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

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

Gross exposure distributed by internal ratings

Indicative counterparty credit rating	2014	2013
F1 – F10 (BBB- and higher)	184,679	161,039
F11 – F13 (BB-, BB, BB+)	1,730,108	1,394,540
F14 – F16 (B-, B, B+)	1,726,789	1,320,575
F17 and lower (CCC+ and lower ratings)	555,694	389,020
Total	**4,197,270**	**3,265,174**

Maximum exposure to credit risk of the gross loan portfolio increased to €4,197 million in 2014 (2013: €3,265 million). The largest sector within the loan portfolio is the sector Financial institutions. For more details reference is made to the table above.

Apart from its on-balance finance activities, FMO is also exposed to off-balance credit-related commitments. Guarantees, which represent contingent liabilities to make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risks as loans. The majority of the guarantees are quoted in US dollars. Guarantees on export facilities are collateralized by the underlying letters of credit, and therefore carry less credit risk than a direct uncollateralized borrowing. The total outstanding guarantees add up to an amount of €119,630 (2013: €106,470). FMO has received guarantees for an amount of €191.777 (2013: €102,795). Provisions, amortized costs and obligations for guarantees add up to €9,957 (2013: €6,207).

Irrevocable facilities represent commitments to extend finance to clients. The irrevocable facilities increased to €1,602 million (2013: €1,408 million) corresponding to 31% (2013: 35%) of the net exposure in emerging markets (including loans, equity investments and contingent liabilities). Irrevocable facilities are usually not immediately and fully drawn by clients, especially in case of commitments to equity funds, which have a contractual investment period of several years.

COLLATERAL, LOANS PAST DUE AND VALUE ADJUSTMENTS

In 2014, collateral was acquired on 29% (2013: 32%) of the gross amount of loans. Collateral mainly consists of real estate, business assets or financial instruments. The collateral obtained is used to support FMO's position in renegotiation of loan terms. Due to the nature of the markets in which FMO operates, it has been proven difficult to assign reliable fair values to the collateral used to mitigate credit risk due to the limited liquidity and enforceability.

At the end of 2014, the counterparty-specific value adjustments as a percentage of the gross loan portfolio equaled 4.1% (2013: 4.0%). The group-specific value adjustments equaled 4.3% (2013: 5.2%), resulting in total value adjustments of 8.4% (2013: 9.2%) of the gross loan portfolio. The decrease of the group-specific value adjustment as a percentage of the gross loan portfolio can be explained by the reassessment of the parameters of the provisioning model which included the introduction of a cap of 25%, equal to the first step of specific provisioning. This cap led to a release of €36.7 million of the group-specific value adjustments.

Non-Performing Loans (NPL) are defined as loans with a counterparty-specific value adjustment and/or loans with interest and/or principal payments that are past due 90 days or more. FMO's NPL ratio increased from 5.8% to 6.8%[1)] as a result of increased provisioned loans. In general, the non-performing loans represent a fair cross-section of our portfolio and no correlation with respect to specific geographic region has been identified. However, correlation – though limited – can be found in terms of sector given that a relatively larger part of the NPLs is related to our former focus sector Housing. Loans with interest and/or principal payments that are past due 90 days or more, amount to 3.2% (2013: 4.1%) of the gross loan portfolio.

1) Note that the NPL ratio is influenced by the recognition of a guaranteed amount which is thus deducted from the amount of the non-performing loans. When this guaranteed amount is not taken into account the overall NPL ratio increases to 7.5% (2013: 6.7%).

When the terms and conditions of a loan have been modified significantly, FMO considers these loans as restructured. Changes in terms and conditions usually include extending the maturity, changing the interest margin and changing the timing of interest payments. The loans are assessed to determine if they qualify for derecognition and if that is the case, they are recognized as a new loan with valuation differences through profit and loss. Value adjustments related to restructured loans are being measured as indicated in the accounting policies under 'Value adjustments on loans'. As a result of our 2014 assessment, 7 (2013: 0) loans with a total outstanding amount of €63,975 (2013: €0) qualified for derecognition. Net impact of the valuation changes was a loss of €172 (2013: €0). The total amount of the loans under consideration was €80,983 (2013: €32,027).

In 2014, our (partial) write-offs were limited to 4 (2013: 3) loans, corresponding to 0.5% (2013: 0.07%) of our portfolio.

Loans past due and value adjustments

At December 31, 2014	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	3,902,488	99,759	4,002,247	-49,560	3,952,687
Loans past due:					
• Past due up to 30 days	11,037	15,205	26,242	-3,801	22,441
• Past due 30-60 days	-	-	-	-	-
• Past due 60-90 days	-	35,770	35,770	-34,709	1,061
• Past due more than 90 days	12,396	120,615	133,011	-83,779	49,232
Subtotal	**3,925,921**	**271,349**	**4,197,270**	**-171,849**	**4,025,421**
Less: amortizable fees	-43,845	-1,573	-45,418	-	-45,418
Less: group-specific value adjustments	-178,678	-	-178,678	-	-178,678
Carrying value	**3,703,398**	**269,776**	**3,973,174**	**-171,849**	**3,801,325**

At December 31, 2013	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	3,050,345	53,848	3,104,193	-33,787	3,070,406
Loans past due:					
• Past due up to 30 days	-	-	-	-	-
• Past due 30-60 days	-	-	-	-	-
• Past due 60-90 days	25,942	-	25,942	-	25,942
• Past due more than 90 days	-	135,039	135,039	-98,131	36,908
Subtotal	**3,076,287**	**188,887**	**3,265,174**	**-131,918**	**3,133,256**
Less: amortizable fees	-35,425	-1,065	-36,490	-	-36,490
Less: group-specific value adjustments	-169,258	-	-169,258	-	-169,258
Carrying value	**2,871,604**	**187,822**	**3,059,426**	**-131,918**	**2,927,508**

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

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

At December 31, 2013	Financial Institutions	%	Energy	%	Agri-business	%	Multi-sector Investment Funds	%	Infra-structure, Manufactur-ing, Services	%	Total	%
Africa	962	-	2,189	1	4,750	55	135	2	3,587	2	11,623	2
Asia	-	-	-	-		-	-	-	49,341	16	49,341	5
Latin America & the Caribbean	3,721	1	-	-	4,681	3	-	-	6,643	6	15,045	2
Europe & Central Asia	7,258	2	-	-	-	-	-	-	29,726	32	36,984	6
Non-region specific	-	-	-	-	-	-	-	-	18,925	86	18,925	20
Total	**11,941**	**1**	**2,189**	**-**	**9,431**	**3**	**135**	**-**	**108,222**	**16**	**131,918**	**4**

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

At December 31, 2013	(a) Gross amounts recognized in balance sheet	(b) Gross amount of financial assets/ liabilities offset in the balance sheet	(c)=(a)-(b) Net amount presented in the balance sheet	(d) Related amounts not offset in the balance sheet: Financial instruments (including non-cash collateral)	Related amounts not offset in the balance sheet: Cash collateral [1]	(e)=(c)-(d) Net amount
FINANCIAL ASSETS						
Derivatives	272,677	-	272,677	-		
FINANCIAL LIABILITIES						
Derivatives	-210,791	-	-210,791	-		
Total	**61,886**	**-**	**61,886**	**-**	**70,387**	**-8,501**

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

COUNTRY RISK

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

The level of the country limits depends on the sovereign rating. FMO recognizes that the impact of country risk differs across the financial products it offers. Group-specific value adjustments are established on the investment credit portfolio based on country risk and estimated recovery rates. With respect to the geographical diversification in the portfolio, reference is made to the segment information paragraph. With respect to the sector diversification in the portfolio, reference is made to notes 4, 5, and 6 of the notes to the consolidated balance sheet. Overall, the sovereign ratings in our markets did not show material change during 2014. A notable move was the downgrade from F9 to F10 for South Africa, Russia and Brazil. This mostly explains the shift in exposure from F9 to F10 over the year. As a result of the ongoing turmoil Ukraine's sovereign rating was downgraded from F17 to F19. FMO introduced an action plan for Ukraine which comprises the formation of a country crisis group, no new deal contracting, daily monitoring of Ukraine's portfolio on arrears and intensified client reviewing and assessment of provision level. At December 31, 2014 FMO's total gross exposure in Ukraine amounted to €120.0 million with a specific provisioning level of EUR 43.0 million.

Overview country ratings

Indicative external rating equivalent	2014 (%)	2013 (%)
F9 and higher (BBB and higher ratings)	9.3	16.1
F10 (BBB-)	15.9	11.0
F11 (BB+)	6.2	5.4
F12 (BB)	4.7	4.5
F13 (BB-)	18.9	16.3
F14 (B+)	11.4	13.0
F15 (B)	13.5	14.0
F16 (B-)	4.1	1.8
F17 and lower (CCC+ and lower ratings)	16.0	17.9
Total	**100**	**100**

CREDIT RISK IN THE TREASURY PORTFOLIO

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

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

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

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

FMO pursues a conservative investment policy.

Overview interest-bearing securities

At December 31	2014	2013
AAA	146,070	317,287
AA- to AA+	447,193	347,418
Total	**593,263**	**664,705**

Geographical distribution interest-bearing securities

At December 31	2014 (%)	2013 (%)
Austria	0	7
Belgium	4	6
Finland	5	8
France	7	3
Germany	3	3
United Kingdom	14	13
Netherlands	39	31
Supra-nationals	28	29
Total	**100**	**100**

In 2014 FMO sold interest-bearing securities for a principal amount of €18 million (2013 €10 million) which no longer complied with the investment policy.

Overview short-term deposits

At December 31	Rating (short-term)	2014	2013
Dutch central bank		144,600	128,230
Financial institutions	A-1	669,731	816,159
	A-2	80,110	180
Money market funds	AAAmmf	199,165	158,061
Total		**1,093,606**	**1,102,630**

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

Derivative financial instruments distributed by rating[1)]

Derivative financial instruments (based on long-term rating)	2014		2013	
	Net exposure	CSA (%)	Net exposure	CSA (%)
AA- to AA+	3,076	100	36,893	99
A to A+	131,631	100	184,204	100
BBB	13,285	100	178	100
Total	**147,992**	**100**	**221,275**	**100**

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

Equity risk

With regard to equity risk that results from equity investments, a distinction can be made between:

- Exit risk, the risk that FMO's equity stake cannot be sold for a reasonable price and in a sufficiently liquid market;
- Equity risk, the risk that the fair value of an equity investment decreases.

FMO has a long-term view on its equity portfolio, usually selling its equity stake within a period of 5 to 10 years. Equity investments are assessed by the Investment Committee in terms of specific obligor as well as country risk. The Investment Review Committee assesses the valuation of the majority of equity investments semi-annually. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio at December 31, 2014, amounted to €1,124,417 (2013: €943,197) of which €783,848 (2013: €667,636) is invested in investment funds.

It can be difficult to assess the fair value of an investment when market data is lacking or when the market is illiquid. Under these circumstances, FMO values equity investments at cost minus impairment. In total, €291,029 (2013: €238,602) of the equity portfolio is valued at cost minus impairment, of which a high share is quoted in US dollars: 54% (2013: 39%). The equity portfolio valued at cost minus impairment denominated in other currencies than euros is not revalued for the exchange rate movements. The equity portfolio valued at fair value is revalued for changes in the value of the equity investment and the movements in the exchange rates, which is accounted for in the available for sale reserve.

Equity portfolio distributed by region and sector

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

At December 31, 2013	Financial Institutions	Energy	Agribusiness	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Africa	75,312	22,115	15,908	153,377	37,930	304,642
Asia	57,328	49,617	10,033	101,791	17,237	236,006
Latin America & the Caribbean	26,138	10,176	17,375	93,231	9,846	156,766
Europe & Central Asia	13,111	1,399	-	137,746	5,064	157,320
Non-region specific	33,486	6	-	54,971	-	88,463
Total	**205,375**	**83,313**	**43,316**	**541,116**	**70,077**	**943,197**

Currency risk

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

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

FMO offers loans in emerging market currencies. We aim to match the currency needs of local banks and corporates, thereby reducing their currency risk. At December 31, 2014, 9% (2013: 11%) of the net loans to the private sector was in emerging market currencies. The emerging market currency loans are swapped to US dollars via either commercial parties or via The Currency Exchange Fund (TCX Fund N.V.); as a result, FMO's open emerging market currency position of the investment portfolio, apart from equity, is limited.

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

Currency risk exposure (at carrying values)

At December 31, 2014	€	US$	¥	CHF	Other	Total
ASSETS						
Banks	416	32,283	-	-	1,044	33,743
Short-term deposits	453,503	640,103	-	-	-	1,093,606
Derivative financial instruments[1)]	-366,037	366,017	50,706	511,812	-321,095	241,403
Loans to the private sector	463,850	3,014,457	-	-	323,018	3,801,325
Loans guaranteed by the State	41,332	17,183	-	-	-	58,515
Equity investments	229,626	752,317	-	-	142,474	1,124,417
Investments in associates	1,585	22,773	-	-	-	24,358
Interest-bearing securities	593,263	-	-	-	-	593,263
Tangible fixed assets	7,468	-	-	-	-	7,468
Deferred income tax assets	2,379	-	-	-	-	2,379
Current income tax receivables	236	-	-	-	-	236
Other receivables	8,000	14,906	-	-	964	23,870
Accrued income	13,749	47,526	1,819	6,626	13,341	83,061
Total assets	**1,449,370**	**4,907,565**	**52,525**	**518,438**	**159,746**	**7,087,644**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Banks	-13,671	98,111	-44	-6	-3,222	81,168
Short-term credits	261,145	-	-	-	-	261,145
Derivative financial instruments[1)]	-1,059,912	2,169,281	-313,221	-146,514	-320,535	329,099
Debentures and notes	998,923	1,831,263	362,901	658,782	345,129	4,196,998
Other liabilities	165	7,790	-	-	2,020	9,975
Current accounts with State funds and other programs	1,019	-	-	-	-	1,019
Current income tax liabilities	-	-	-	-	-	-
Wage tax liabilities	226	-	-	-	-190	36
Deferred income tax liabilities	3,985	-	-	-	-	3,985
Accrued liabilities	8,487	21,896	1,771	6,473	15,565	54,192
Provisions	12,467	-	-	-	-	12,467
Shareholders' equity	2,137,560	-	-	-	-	2,137,560
Total liabilities and shareholders' equity	**2,350,394**	**4,128,341**	**51,407**	**518,735**	**38,767**	**7,087,644**
Currency sensitivity gap 2014		**779,224**	**1,118**	**-297**	**120,979**	
Currency sensitivity gap 2014 excluding equity investments and investments in associates		**4,134**	**1,118**	**-297**	**-21,495**	

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

At December 31, 2013	€	US$	¥	CHF	Other	Total
Total assets	2,449,574	2,808,175	89,335	658,213	179,046	6,184,343
Total liabilities and shareholders' equity	3,194,706	2,202,413	89,077	659,272	38,875	6,184,343
Currency sensitivity gap 2013		**605,762**	**258**	**-1,059**	**140,171**	
Currency sensitivity gap 2013 excluding investments in equity and associates		**385**	**258**	**-1,059**	**-2,824**	

The table above shows a short position of €21.5 million in "Other" currencies. This is attributable primarily to our positions in INR €6 million, ZAR €7 million and AUD €5 million. FMO's loan assets in local currencies such as INR and ZAR are swapped back to USD on a cash flow basis. Our positions in these currencies are therefore fully hedged. For IFRS reporting however the loans are recorded at (amortised) cost, while the related swaps are recorded at fair value. This creates an accounting mismatch in these currencies.

Our debentures issued in AUD, CHF, JPY or other currencies, are also swapped back to USD on a cash flow basis. Current market practice is to value the debentures using different discount curves (swap curve) compared to the discount curves for derivatives (OIS discounting). The different discount curves result in a mismatch in the mark to market of the debentures compared to the relating derivatives, which is caused by a mismatch in the AUD position.

Sensitivity of interest income and shareholders' equity to main foreign currencies

	At December 31, 2014		At December 31, 2013	
Change of value relative to the euro[1)]	Sensitivity of interest income	Sensitivity of shareholders' equity[2)]	Sensitivity of interest income	Sensitivity of shareholders' equity[2)]
US$ value increase of 10%	561	77,922	39	60,576
US$ value decrease of 10%	-561	-77,922	-39	-60,576
¥ value increase of 10%	112	112	26	26
¥ value decrease of 10%	-112	-112	-26	-26
CHF value increase of 10%	-30	-30	-106	-106
CHF value decrease of 10%	30	30	106	106

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

Interest rate risk

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

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

FMO manages its interest position through the Price Value per Basis Point (PVBP) and duration. The PVBP expresses the impact on the fair value of the financial instruments by a basis point change in yield. FMO's interest policy has set the PVBP limits between -€1,000 and €0. The target duration for FMO's equity is set in a range from 0 to 5 years. The interest position per end 2014 was a PVBP of -€456 and a duration of 2.26 years.

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

Interest re-pricing characteristics

At December 31, 2014	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
ASSETS						
Banks	33,743	-	-	-	-	33,743
Short-term deposits	1,044,100	49,506	-	-	-	1,093,606
Derivative financial instruments[1)]	-982,873	-121,905	1,021,554	324,439	188	241,403
Loans to the private sector	1,157,097	1,396,426	702,550	545,252	-	3,801,325
Loans guaranteed by the State	307	26,955	22,783	8,470	-	58,515
Equity investments	-	-	-	-	1,124,417	1,124,417
Investments in associates	-	-	-	-	24,358	24,358
Interest-bearing securities	115,133	89,998	288,712	99,420	-	593,263
Tangible fixed assets	-	-	-	-	7,468	7,468
Deferred income tax assets	-	-	-	-	2,379	2,379
Current income tax receivables	-	-	-	-	236	236
Other receivables	-	-	-	-	23,870	23,870
Accrued income	-	-	-	-	83,061	83,061
Total assets	**1,367,507**	**1,440,980**	**2,035,599**	**977,581**	**1,265,977**	**7,087,644**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Banks	81,168	-	-	-	-	81,168
Short-term credits	261,145	-	-	-	-	261,145
Derivative financial instruments[1)]	463,652	134,253	-291,509	22,703	-	329,099
Debentures and notes	1,589,205	525,003	1,715,860	366,930		4,196,998
Other liabilities	-	-	-	-	9,975	9,975
Current accounts with State funds and other programs	-	-	-	-	1,019	1,019
Current income tax liabilities	-	-	-	-	-	-
Wage tax liabilities	-	-	-	-	36	36
Deferred income tax liabilities	-	-	-	-	3,985	3,985
Accrued liabilities	-	-	-	-	54,192	54,192
Provisions	-	-	-	-	12,467	12,467
Shareholders' equity	-	-	-	-	2,137,560	2,137,560
Total liabilities and shareholders' equity	**2,395,170**	**659,256**	**1,424,351**	**389,633**	**2,219,234**	**7,087,644**
Interest sensitivity gap 2014	**-1,027,663**	**781,724**	**611,248**	**587,948**	**-953,257**	

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

At December 31, 2013	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
Total assets	622,765	2,192,429	1,783,443	451,806	1,133,900	6,184,343
Total liabilities and shareholders' equity	1,903,135	1,298,217	1,040,122	-109,739	2,052,608	6,184,343
Interest sensitivity gap 2013	**-1,280,370**	**894,212**	**743,321**	**561,545**	**-918,708**	

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

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

At December 31, 2013	Sensitivity of net interest income[1]	Sensitivity of shareholders' equity < 3 months	3-12 months	1-5 years	> 5 years	Total
Increase of 100 basis points	-70	1,508	2,705	-3,879	-6,357	-6,023
Decrease of 100 basis points	70	-1,508	-2,705	3,879	6,357	6,023

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

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

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

Liquidity risk

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

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

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

FMO raised over €1.2 billion of funding during 2014. FMO achieved diversification in the markets, geography, investor types and tenor of its funding. FMO launched two benchmark issues of both US$500 million in 2014. These transactions highlight FMO's commitment to maintaining a regular presence in the US dollar market and to further diversify its investor base. In addition to the US dollar benchmark issues, FMO issued a number of private placements at attractive funding levels for a total of €380 million. FMO successfully issued an 11 year AUD bond, which was tapped several times during 2014 having a total outstanding of €150 million.

In October 2014 FMO successfully launched its first retail bond – a NZD 100 million, 5 year fixed bond. This retail bond issue further diversifies the investor base of FMO, which until now, was dominated by institutional investors.

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

Categorization of the balance sheet per maturity bucket

At December 31, 2014	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
ASSETS						
Banks	33,743	-	-	-	-	33,743
Short-term deposits	835,221	49,506	-	-	208,879	1,093,606
Derivative financial instruments	4,101	74,907	155,540	82,908	188	317,644
Loans to the private sector	161,705	559,711	2,278,553	972,121	-	3,972,090
Loans guaranteed by the State	4,007	5,331	34,632	8,381	-	52,351
Equity investments	-	-	-	-	1,124,417	1,124,417
Investments in associates	-	-	-	-	24,358	24,358
Interest-bearing securities	115,000	88,000	268,600	94,000	-	565,600
Tangible fixed assets	-	-	-	-	7,468	7,468
Deferred income tax assets	-	-	-	-	2,379	2,379
Current income tax receivables	-	-	-	-	236	236
Other receivables	23,870	-	-	-	-	23,870
Accrued income	83,061	-	-	-	-	83,061
Total assets	**1,260,708**	**777,455**	**2,737,325**	**1,157,410**	**1,367,925**	**7,300,823**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Banks	81,168	-	-	-	-	81,168
Short-term credits	-	125,000	-	-	136,145	261,145
Derivative financial instruments	-1,982	124,258	145,967	41,872	-	310,115
Debentures and notes	413,189	430,274	2,903,068	417,394	-	4,163,925
Other liabilities	9,975	-	-	-	-	9,975
Current accounts with State funds and other programs	1,019	-	-	-	-	1,019
Current income tax liabilities	-	-	-	-	-	-
Wage tax liabilities	36	-	-	-	-	36
Deferred income tax liabilities	-	-	-	-	3,985	3,985
Accrued liabilities	54,192	-	-	-	-	54,192
Provisions	-	-	-	-	12,467	12,467
Shareholders' equity	-	-	-	-	2,137,560	2,137,560
Total liabilities and shareholders' equity	**557,597**	**679,532**	**3,049,035**	**459,266**	**2,290,157**	**7,035,587**
Liquidity gap 2014	**703,111**	**97,923**	**-311,710**	**698,144**	**-922,232**	**265,236**

At December 31, 2013	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Total assets	739,422	1,115,619	2,583,708	753,990	1,123,895	6,316,634
Total liabilities and shareholders' equity	287,429	799,832	2,659,846	212,020	2,217,905	6,177,032
Liquidity gap 2013	**451,993**	**315,787**	**-76,138**	**541,970**	**-1,094,010**	**139,602**

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

Contractual maturity of contingent liabilities and irrevocable facilities

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

At December 31, 2013	< 3 months	3-12 months	1-5 years	>5 years	Total
Contingent liabilities	20,660	16,045	50,735	12,823	100,263
Irrevocable facilities	108,445	402,370	464,528	432,805	1,408,148
Total off-balance[1]	**129,105**	**418,415**	**515,263**	**445,628**	**1,508,411**

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

Operational risk

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

Capital management

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

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

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

EXTERNAL CAPITAL REQUIREMENT

FMO complies with the Basel III requirements and reports its BIS-ratio to the Dutch central bank on a quarterly basis. FMO calculates the external capital requirement for its entire portfolio based on the standardized approach. Of the total capital requirement, 83% is related to credit risk (equity investments included), 11% to market risk, 4% to operational risk and 2% to credit valuation adjustment risk. FMO only holds tier-1 capital. The BIS-ratio equaled 21.3% at the end of 2014 (2013: 27.7%). Under Basel III regulatory capital is lower compared to the previous year, which is caused by the introduction of the mandatory deduction of certain investments in financial entities, prudent valuation adjustments, stricter conditions for adding interim- and year-end profit into the regulatory capital base and the increased portfolio. Additional published Basel III regulations are monitored continuously.

The volume of risk weighted assets increased substantially in 2014 caused by the autonomous growth of the portfolio as well as the change in US dollar currency rate. This also affected the BIS-ratio. The sensitivity of the capital ratio to changes in the US dollar currency rate is partially hedged by a long US dollar position via the equity portfolio.

The leverage ratio will become a mandatory reporting requirement in 2018. The minimum leverage ratio is set at 3%, FMO's leverage ratio equals 22.8% (2013: 22.4%).

At December 31	2014	2013
Core capital	1,794,967	1,694,852
Additional capital [1)]	0	201,988
Total capital	**1,794,967**	**1,896,840**
Risk-weighted assets	8,416,133	6,854,375
Core tier-1 ratio	21.3%	24.7%
BIS-ratio	21.3%	27.7%
Leverage ratio	22.8%	24.2%

1) Additional capital in 2013 relates to requirements under Basel II whereas in 2014 these requirements are not applicable.

INTERNAL CAPITAL REQUIREMENT

The internal ratio is based on an economic capital model. In compliance with regulations and best practice, the economic capital model includes both pillar 1 and pillar 2 risks. Credit, market, operational and credit valuation adjustment risk fall under pillar 1. As part of pillar 2, reputational risk, interest rate risk and concentration risk are included in the assessment of economic capital. Economic capital is calculated using a conservative confidence level of 99.99%. Economic capital at the end of 2014 amounted to €1,332 million (2013: €1,093 million). The calculated internal capital ratio, using an FMO specific internal rate based method for calculating credit risk taking into account the relevant other risks, amounts to 13.3% at the end of 2014 (2013: 14.4%).

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

At December 31	2014	2013
PILLAR 1		
Credit risk emerging market portfolio (99.99% interval)	1,072,060	866,801
Credit risk treasury portfolio	39,813	46,062
Market risk	73,415	58,364
Operational risk	29,848	28,723
Credit valuation adjustment	12,316	-
Total pillar 1	**1,227,452**	**999,950**
PILLAR 2		
Concentration risk	22,335	17,000
Interest rate risk in the banking book	41,281	37,000
Reputation risk	40,615	39,000
Economic capital (pillar 1 & 2)	**1,331,683**	**1,092,950**
AVAILABLE CAPITAL		
Core & Additional	2,125,647	1,896,840
Surplus provisioning (capped at 0.6% RWA)[1)]	92,059	74,996
Total available capital	**2,217,706**	**1,971,836**

1) Surplus provisioning for the loan portfolio is only calculated at total provisioning (€359 million) minus total expected loss (€216 million), which equals €143 million. The amount to be included in the available capital is according to BIS-guidelines capped at 0.6% risk weighted assets (RWA), which equals €92 million at December 31, 2014.

Segment information

Segment reporting by operating segments

A sector based approach on Financial Institutions, Energy and Agribusiness is leading in the strategy to optimize development impact. For further insight into development impact reference is made to FMO's annual report. The company product range includes commercial loans, equity investments and guarantees. The services rendered are related to funds managed on behalf of the Dutch State and catalyzing funds (such as syndications). FMO's primary segmentation is the sector based approach because strategic and operating decisions by the Management Board are made based upon this segmentation. Besides the focus sectors the segment Diverse Sectors is distinguished for segment information reporting purposes as well. In 2014 this segment has been renamed to Infrastructure, Manufacturing & Services in order to better clarify towards clients and partners which subsectors are being serviced.

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

In 2014 a new label framework has become effective. Within this framework labels for sector and subsector have been redefined resulting in a revised sector classification. Fund investments are not recognized as a separate segment, but classified among the other segments primarily based on the sector in which the fund is active. Funds without a specific sector or subsector have been stated in a separate column, since this is a substantial part of FMO's business. The 2013 comparative figures have been changed accordingly. In 2014 there were no transactions between the operating segments.

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

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

At December 31, 2013	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
LOANS AND GUARANTEES						
Interest and fee income	73,939	32,314	17,068	2,198	35,955	161,474
Other income	5,990	1,914	77	948	17,106	26,035
Value adjustments	26,737	18,074	-31,513	598	-9,295	4,601
Other comprehensive income	-5,406	-1,983	-910	-	-1,994	-10,293
Total loans and guarantees	**101,260**	**50,319**	**-15,278**	**3,744**	**41,772**	**181,817**
EQUITY INVESTMENTS (INCLUDING ASSOCIATES AND SUBSIDIARIES)						
Results from equity investments, associates and subsidiaries	7,633	586	-1,934	10,294	2,096	18,675
Dividend income	7,443	626	-	11,539	218	19,826
Impairments	-4,248	-5,508	-	-11,490	-841	-22,087
Other comprehensive income	15,021	4,487	-1,644	16,713	-2,287	32,290
Total equity investments	**25,849**	**191**	**-3,578**	**27,056**	**-814**	**48,704**
REMUNERATION FOR SERVICES RENDERED						
Managed government funds	12,137	2,847	1,205	1,862	863	18,914
Syndicated & parallel transactions	1,654	885	1,205	85	153	3,982
Total remuneration for services rendered	**13,791**	**3,732**	**2,410**	**1,947**	**1,016**	**22,896**
OTHER						
Operating expenses	-27,650	-10,142	-4,654	-9,803	-10,195	-62,444
Income tax expenses	-21,930	-11,928	4,318	2,929	-9,030	-35,641
Other comprehensive income	-107	-39	-18	-38	-40	-242
Total other	**-49,687**	**-22,109**	**-354**	**-6,912**	**-19,265**	**-98,327**
Total comprehensive income	**91,213**	**32,133**	**-16,800**	**25,835**	**22,709**	**155,090**
Total other comprehensive income net of tax	**9,508**	**2,465**	**-2,572**	**16,675**	**-4,321**	**21,755**
Net profit	**81,705**	**29,668**	**-14,228**	**9,160**	**27,030**	**133,335**

At December 31, 2013	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
SEGMENT ASSETS						
Loans (incl. guaranteed by the State)	1,539,303	557,230	250,609	59,476	574,245	2,980,863
Equity investments and investments in associates	206,464	83,313	43,316	559,706	69,644	962,443
Other assets	992,144	364,030	167,042	351,890	365,931	2,241,037
Total assets	**2,737,911**	**1,004,573**	**460,967**	**971,072**	**1,009,820**	**6,184,343**
Contingent liabilities – Effective guarantees issued	65,850	-	-	22,171	18,449	106,470
Loans and equity investments managed for the risk of the state	295,180	169,536	41,079	74,684	66,035	646,514

Information about geographical areas

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

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

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

At December 31, 2013	Africa	Asia	Latin America & Caribbean	Europe & Central Asia	Non-region specific	Total
Income	64,628	69,701	54,250	54,222	11,073	253,874
Share in the results of associates	33	-3,059	3	-11	-	-3,034
Result on disposal of subsidiaries	-	-	-1,934	-	-	-1,934
Total revenue	**64,661**	**66,642**	**52,319**	**54,211**	**11,073**	**248,906**

Information about major customers

In 2014 and 2013, FMO did not have any customers that individually contributed more than 10% to FMO's total revenues.

Segment reporting by funds managed for the risk of the State

FMO AND FUNDS MANAGED FOR THE RISK OF THE STATE

Apart from making disbursements from its own resources, FMO provides loans, guarantees and equity investments from special government funds, within the conditions and objectives of these facilities. The funds consist of subsidies provided under the General Administrative Law Act and other official third parties. In case of MASSIF, FMO has an equity stake of 2.36% (2013: 2.38%). In 'related parties', the relationship between the State and FMO regarding these funds and programs is described in detail.

LOANS AND EQUITY MANAGED FOR THE RISK OF THE STATE

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

	2014 Gross exposure	2013 Gross exposure
Loans	392,059	358,217
Equity investments	329,587	288,297
Total	**721,646**	**646,514**

LOANS MANAGED FOR THE RISK OF THE STATE

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

	2014 Gross exposure	2013 Gross exposure
MASSIF	137,648	136,137
Infrastructure Development Fund	208,397	182,578
Access to Energy Fund	30,841	29,852
FOM OS	15,173	9,650
Total	**392,059**	**358,217**

EQUITY INVESTMENTS MANAGED FOR THE RISK OF THE STATE

The equity investments have been made by the following funds.

	2014 Gross exposure	2013 Gross exposure
MASSIF	218,240	189,219
Infrastructure Development Fund	94,086	91,288
Access to Energy Fund	14,266	3,006
European Investment Bank	2,995	4,784
Total	**329,587**	**288,297**

Analysis of financial assets and liabilities by measurement basis

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

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

At December 31, 2013	Held for trading	Designated at fair value	Loans & receivables and liabilities at amortized cost	Available for sale	Financial liabilities used as hedged items	Derivatives at fair value used as hedging instruments	Other	Total
ASSETS								
Banks	-	-	29,042	-	-	-	-	29,042
Short-term deposits	-	1,102,630	-	-	-	-	-	1,102,630
Derivative financial instruments	265,617	-	-	-	-	31,284	-	296,901
Loans to the private sector	-	-	2,927,508	-	-	-	-	2,927,508
Loans guaranteed by the State	-	-	53,355	-	-	-	-	53,355
Equity investments	-	-	-	943,197	-	-	-	943,197
Investments in associates	-	-	-	-	-	-	19,246	19,246
Interest-bearing securities	-	-	-	664,705	-	-	-	664,705
Tangible fixed assets	-	-	-	-	-	-	7,468	7,468
Deferred income tax assets	-	-	-	-	-	-	4,954	4,954
Current income tax receivables	-	-	-	-	-	-	-	-
Current accounts with State funds and other programs	-	-	35	-	-	-	-	35
Other receivables	-	-	52,053	-	-	-	-	52,053
Accrued income	-	-	83,249	-	-	-	-	83,249
Total assets	**265,617**	**1,102,630**	**3,145,242**	**1,607,902**	**-**	**31,284**	**31,668**	**6,184,343**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Banks	-	-	76,897	-	-	-	-	76,897
Short-term credits	-	-	226,885	-	-	-	-	226,885
Derivative financial instruments	206,637	-	-	-	-	11,520	-	218,157
Debentures and notes	-	-	1,570,246	-	2,039,550	-	-	3,609,796
Other liabilities	-	-	6,394	-	-	-	-	6,394
Current accounts with State funds and other programs	-	-	1,630	-	-	-	-	1,630
Current income tax liability	-	-	2,897	-	-	-	-	2,897
Wage tax liabilities	-	-	80	-	-	-	-	80
Deferred income tax liabilities	-	-	-	-	-	-	5,224	5,224
Accrued liabilities	-	-	50,587	-	-	-	-	50,587
Provisions	-	-	-	-	-	-	22,839	22,839
Shareholders' equity	-	-	-	-	-	-	1,962,957	1,962,957
Total liabilities and shareholders' equity	**206,637**	**-**	**1,935,616**	**-**	**2,039,550**	**11,520**	**1,991,020**	**6,184,343**

Fair value of financial assets and liabilities

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

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

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

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

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

The fair value measurement of derivative financial instruments categorised within level 3, are mainly based on EBITDA multiples within a range of 6-8 for the relevant industry classes per country / region, adjusted for illiquidity. An increase (decrease) by 10% of these EBITDA multiples would have minimum to zero impact as a result of the decline in value (2013: €1.5 million).

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

FMO uses internal valuation models to value its financial instruments. Due to model imperfections, there are differences between the transaction price and the calculated fair value. These differences are not recorded in the profit and loss at once but are amortized over the remaining maturity of the transactions. Per December 31, 2014, the unamortized accrual amounts to €20,582 (2013: €11,534). An amount of €4,726 was recorded as a loss in the profit and loss (2013: €4,269).

The carrying values in the financial asset and liability categories approximate their fair values, except private sector loans and non-hedged funding. Loans to the private sector are valued at amortized cost. The underlying changes to the fair value of these assets are therefore not recognized in the balance sheet. At December 31, 2014, the fair value of the loans to the private sector was €208,349 (2013: €95,208) above their carrying value. A parallel shift of 100 basis points in the interest curves will result in an increase (decrease) of the fair value by €56 million (2013: €48 million).

The funding non-hedged is valued at amortized cost. The difference between the fair value and the carrying cost value amounts to €12,033 (2013: €11,524).

The loans to the private sector and non-hedged funding are categorized within level 3. The valuation technique we use for the calculation of fair value is the discounted cash-flow method. The discount rate we apply is a spreadcurve based on the average spread of the portfolio.

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

At December 31, 2014	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
• Short-term deposits	-	1,093,606	-	1,093,606
• Derivative financial instruments	-	241,215	188	241,403
AVAILABLE FOR SALE FINANCIAL ASSETS				
• Equity investments	51,970	-	781,418	833,388
• Interest-bearing securities	593,263	-	-	593,263
Total financial assets at fair value	**645,233**	**1,334,821**	**781,606**	**2,761,660**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
• Derivative financial instruments	-	329,099	-	329,099
Total financial liabilities at fair value	**-**	**329,099**	**-**	**329,099**

At December 31, 2013	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
• Short-term deposits	-	1,102,630	-	1,102,630
• Derivative financial instruments	-	273,203	23,698	296,901
AVAILABLE FOR SALE FINANCIAL ASSETS				
• Equity investments	62,629	-	641,966	704,595
• Interest-bearing securities	664,705	-	-	664,705
Total financial assets at fair value	**727,334**	**1,375,833**	**665,664**	**2,768,831**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
• Derivative financial instruments	-	218,157	-	218,157
Total financial liabilities at fair value	**-**	**218,157**	**-**	**218,157**

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

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

	Derivative financial instruments	Equity investments	Total
Balance at January 1, 2013	-	639,746	639,746
Total gains or losses			
• In profit and loss (changes in fair value and value adjustments)	14,472	-17,816	-3,344
• In other comprehensive income (changes in fair value available for sale reserve)	-	29,257	29,257
Purchases	-	86,347	86,347
Sales	-	-63,340	-63,340
Transfers into level 3	9,226	23,886	33,112
Transfers out of level 3	-	-56,114	-56,114
Balance at December 31, 2013	**23,698**	**641,966**	**665,664**
Total gains or losses			
• In profit and loss (changes in fair value and value adjustments)	-22,540	-8,023	-30,563
• In other comprehensive income (changes in fair value available for sale reserve)	-	60,329	60,329
Purchases	-	160,984	160,984
Sales	-970	-73,926	-74,896
Transfers into level 3	-	4,030	4,030
Transfers out of level 3	-	-3,942	-3,942
Balance at December 31, 2014	**188**	**781,418**	**781,606**

Notes to the consolidated annual accounts

Notes to the consolidated balance sheet: assets

1. BANKS

	2014	2013
Banks	33,743	29,042
Balance at December 31	**33,743**	**29,042**

2. SHORT-TERM DEPOSITS

	2014	2013
Collateral delivered (related to derivative financial instruments)	208,878	156,498
Commercial paper	429,405	543,673
Money market funds	199,165	159,151
Dutch central bank	142,722	127,140
Mandatory reserve deposit with Dutch central bank	1,880	1,090
Other	111,556	115,078
Balance at December 31	**1,093,606**	**1,102,630**

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

3. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

For the year ended December 31, 2014, FMO recognized an ineffectiveness of €1.9 million net loss (2013: €0.9 million net profit) on the fair value hedges. The profit on the hedging instruments amounted to €35.0 million (2013: €33.7 million loss). The loss on hedged items attributable to the hedged risk amounted to €36.9 million (2013: €34.6 million profit).

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

At December 31, 2013	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedging instruments:			
• Currency swaps	130,763	154	-367
• Interest rate swaps	2,030,812	12,458	-2,721
• Cross-currency interest rate swaps	3,164,075	229,307	-203,549
Subtotal	**5,325,650**	**241,919**	**-206,637**
Embedded derivatives related to asset portfolio	-	23,698	-
Total derivative assets (/liabilities) other than hedging instruments	**5,325,650**	**265,617**	**-206,637**

At December 31, 2013	Notional amounts	Fair value assets	Fair value liabilities
Derivatives designated as fair value hedges:			
• Interest rate swaps	2,030,571	31,284	-11,520
Total derivatives designated as fair value hedges	**2,030,571**	**31,284**	**-11,520**
Total derivative financial instruments assets (/liabilities)	**7,356,221**	**296,901**	**-218,157**

4. LOANS TO THE PRIVATE SECTOR

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

	2014	2013
Balance at January 1	3,228,684	3,080,156
Disbursements	1,139,334	934,901
Re-class to equity investments	-2,566	41,774
Repayments	-592,912	-655,017
Write-offs	-20,603	-2,124
Changes in amortizable fees	-8,927	-3,814
Changes in fair value	787	-1,382
Exchange rate differences	408,055	-165,810
Balance at December 31	**4,151,852**	**3,228,684**
Value adjustments	-350,527	-301,176
Net balance at December 31	**3,801,325**	**2,927,508**

The following table summarizes the loans segmented by sector.

	2014	2013
Financial Institutions	1,849,974	1,539,304
Energy	807,939	557,231
Agribusiness	284,294	220,506
Multi-Sector Fund Investments	71,357	59,475
Infrastructure, Manufacturing and Services	787,761	550,992
Net balance at December 31	**3,801,325**	**2,927,508**

	2014	2013
Gross amount of loans to companies in which FMO has equity investments	254,323	176,310
Gross amount of subordinated loans	495,851	454,797
Gross amount of non-performing loans	283,745	188,887

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

5. LOANS GUARANTEED BY THE STATE

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

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

	2014	2013
Balance at January 1	60,899	67,748
Disbursements	23,802	18,662
Repayments	-20,498	-18,970
Write-offs	-	-5,472
Changes in amortizable fees	200	-123
Exchange rate differences	2,917	-946
Balance at December 31	**67,320**	**60,899**
Value adjustments	-8,805	-7,544
Net balance at December 31	**58,515**	**53,355**

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

	2014	2013
Financial Institutions	-	-
Energy	-	-
Agribusiness	35,480	30,103
Multi-Sector Fund Investments	-	-
Infrastructure, Manufacturing and Services	23,035	23,252
Net balance at December 31	**58,515**	**53,355**
Gross amount of subordinated loans	34,027	21,694
Gross amount of non-performing loans	12,505	5,270

6. EQUITY INVESTMENTS

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

	2014	2013
Net balance at January 1	943,197	890,530
Purchases and contributions	240,626	162,739
Re-class from loans	2,566	-41,774
Re-class to associates	-385	-
Sales	-102,012	-79,386
Value adjustments	-14,531	-22,087
Changes in fair value	54,956	33,175
Net balance at December 31	**1,124,417**	**943,197**

	2014	2013
Equity investments at fair value	833,388	704,595
Equity investments at cost less impairment	291,029	238,602
Net balance at December 31	**1,124,417**	**943,197**

The following table summarizes the equity investments segmented by sector.

	2014	2013
Financial Institutions	220,543	205,375
Energy	152,198	83,313
Agribusiness	53,579	43,316
Multi-Sector Fund Investments	619,157	541,116
Infrastructure, Manufacturing and Services	78,940	70,077
Net balance at December 31	**1,124,417**	**943,197**

7. INVESTMENTS IN ASSOCIATES

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

	2014	2013
Net balance at January 1	19,246	23,156
Purchases and contributions	459	8
Re-class from equity investments	385	-
Sales	-	-
Share in net results	1,892	-3,034
Translation differences	2,376	-884
Net balance at December 31	**24,358**	**19,246**

There were no associates valued at cost less impairment in 2014 (2013: €0).

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

	Associates at equity method
Total assets	24,651
Total liabilities	293
Total income	1,540
Total profit/loss	1,892

8. MOVEMENT IN VALUE ADJUSTMENTS

Movement in value adjustments FMO portfolio in the consolidated balance sheet

	Guarantees	Loans	Total
Balance at January 1, 2013	7,677	322,559	330,236
Additions	120	42,704	42,824
Reversals	-1,755	-46,453	-48,208
Exchange rate differences	-299	-15,510	-15,809
Write-offs	-	-2,124	-2,124
Balance at December 31, 2013	**5,743**	**301,176**	**306,919**
Additions	4,193	60,241	64,434
Reversals	-1,286	-26,656	-27,942
Exchange rate differences	1,009	36,369	37,378
Write-offs	-	-20,603	-20,603
Balance at December 31, 2014	**9,659**	**350,527**	**360,186**

The reversal of the value adjustments comprises amongst others the release of the group-specific value adjustments explained by the reassessment of the parameters of the provisioning model. For more information see the Financial risk management paragraph - Credit risk.

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

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

	2014	2013
Balance at January 1	7,544	8,842
Additions	567	4,297
Reversals	-	-
Exchange rate differences	694	-123
Write-offs	-	-5,472
Balance at December 31	**8,805**	**7,544**

FMO's own risk participation with regard to FOM (5% to 20%) is not guaranteed. The guaranteed part is recorded under other receivables (see note 12), and this amounts to €493 (2013: €3,514) for the value adjustment recognized in 2014.

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

	2014	2013
Additions and reversals loans FMO portfolio	-33,585	3,749
Additions and reversals loans guaranteed by the State	-567	-4,297
Guaranteed part additions and reversals loans guaranteed by the State	493	3,514
Balance at December 31	**-33,659**	**2,966**

9. INTEREST-BEARING SECURITIES

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

FMO has no impairment charged to interest-bearing securities.

	2014	2013
Bonds (listed)	593,263	664,705
Balance at December 31	**593,263**	**664,705**

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

	2014	2013
Balance at January 1	664,705	729,816
Amortization premiums/discounts	4,833	-6,167
Purchases	169,941	-
Sale and redemption	-241,260	-45,231
Revaluation	-4,956	-13,713
Balance at December 31	**593,263**	**664,705**

The interest-bearing securities have been issued by:

	2014	2013
Private parties - credit institutions	312,559	333,196
Public institutions	280,704	331,509
Balance at December 31	**593,263**	**664,705**

10. TANGIBLE FIXED ASSETS

	Furniture	ICT equipment	Leasehold improvement	Total 2014	Total 2013
Historical cost price at January 1	8,925	8,744	146	17,815	21,206
Accumulated depreciation at January 1	-6,403	-3,828	-116	-10,347	-9,521
Balance at January 1	**2,522**	**4,916**	**30**	**7,468**	**11,685**
Decrease historical cost price due to sale of Confoco S.A.	-	-	-	-	-7,148
Decrease accumulated depreciation due to sale of Confoco S.A.	-	-	-	-	839
Investments	330	1,794	-	2,124	3,754
Depreciation	-509	-1,600	-15	-2,124	-1,662
Balance at December 31	**2,343**	**5,110**	**15**	**7,468**	**7,468**
Historical cost price at December 31	9,255	10,538	146	19,939	17,815
Accumulated depreciation at December 31	-6,912	-5,428	-131	-12,471	-10,347
Balance at December 31	**2,343**	**5,110**	**15**	**7,468**	**7,468**

11. CURRENT ACCOUNTS WITH STATE FUNDS AND OTHER PROGRAMS

	2014	2013
Current account Infrastructure Development Fund	-	-
Current account FOM OS	-	-
Current account Access to Energy Fund	-	35
Balance at December 31	**-**	**35**

12. OTHER RECEIVABLES

	2014	2013
Debtors related to sale of equity investments	-	12,129
Taxes and social premiums	401	610
To be declared on State guaranteed loans	7,349	6,285
Accrued management fees State funds	4,837	4,731
Other receivables	11,283	28,298
Balance at December 31	**23,870**	**52,053**

13. ACCRUED INCOME

	2014	2013
Accrued interest on loans	46,969	41,862
Accrued interest on swaps and other assets	36,092	41,387
Balance at December 31	**83,061**	**83,249**

Notes to the consolidated balance sheet: liabilities

14. BANKS

	2014	2013
Banks	81,168	76,897
Balance at December 31	**81,168**	**76,897**

15. SHORT-TERM CREDITS

	2014	2013
Collateral received (related to derivative financial instruments)	136,145	226,885
Other	125,000	-
Balance at December 31	**261,145**	**226,885**

16. DEBENTURES AND NOTES

Debentures and notes consist of medium-term notes under the Debt Issuance Programme and public issues in the Swiss Franc, the Japanese Yen, the Australian Dollar, the New Zealand Dollar and Canadian Dollar market. The movements can be summarized as follows:

	2014	2013
Balance at January 1	3,609,796	3,276,507
Amortization of premiums/discounts	3,441	-5,997
Proceeds from issuance	1,231,182	1,023,968
Redemptions	-901,158	-383,457
Changes in fair value	37,799	-34,756
Exchange rate differences	215,938	-266,469
Balance at December 31	**4,196,998**	**3,609,796**

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

	2014	2013
Debentures and notes valued at fair value under hedge accounting	2,193,978	2,039,550
Debentures and notes valued at amortized cost	2,003,020	1,570,246
Balance at December 31	**4,196,998**	**3,609,796**

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

	2014	2013
Debentures and notes valued at fair value under hedge accounting	1,698,007	2,017,489
Debentures and notes valued at amortized cost	2,590,919	1,568,173
Balance at December 31	**4,288,926**	**3,585,662**

17. OTHER LIABILITIES

	2014	2013
Amortized costs related to guarantees	298	464
Liabilities for guarantees	9,659	5,743
Other liabilities	18	187
Balance at December 31	**9,975**	**6,394**

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

18. CURRENT ACCOUNTS WITH STATE FUNDS AND OTHER PROGRAMS

	2014	2013
Current account MASSIF	779	718
Current account European Investment Bank	240	900
Current account Infrastructure Development Fund	-	12
Balance at December 31	**1,019**	**1,630**

19. ACCRUED LIABILITIES

	2014	2013
Accrued interest on banks, debt securities and debentures and notes	45,516	44,310
Other accrued liabilities	8,676	6,277
Balance at December 31	**54,192**	**50,587**

20. PROVISIONS

The amounts recognized in the balance sheet are as follows.

	2014	2013
Pension schemes	12,237	22,579
Other provisions	230	260
Balance at December 31	**12,467**	**22,839**

Pension schemes

FMO has established a number of pension schemes covering all its employees. All pension schemes are defined benefit plans and most of these plans are average-pay-schemes. FMO has a contract with a well established insurer, in which all nominal pension obligations are guaranteed. As a result FMO's pension plan is exposed to counterparty risk, interest rate risk (changes of discount rate), inflation and changes in the life expectancy for pensioners. FMO has outsourced the management of the pension assets to an asset manager and has agreed strict guidelines with this asset manager. The assets of the funded plans are held independently of FMO's assets by the insurance company in separately administered funds. Independent actuaries value the schemes every year using the projected unit credit method. The latest actuarial valuations were carried out as per December 31, 2014.

The amounts recognized in the balance sheet are as follows:

	2014	2013
Present value of funded defined benefit obligations	155,401	122,111
Fair value of plan assets	-143,164	-99,532
Liability in the balance sheet	**12,237**	**22,579**

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

	2014	2013
Present value at January 1	122,111	122,558
Service cost	-2,484	2,977
Interest cost	4,268	4,449
Actuarial gains/losses	33,508	-5,839
Benefits paid	-2,002	-2,034
Present value at December 31	**155,401**	**122,111**

The actuarial loss on the defined benefit obligation amounts to €33,508 (2013: €5,839 gain) and is mainly due to the decrease of the discount rate (2014: 2.3% and 2013: 3.3%).

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

	2014	2013
Fair value at January 1	-99,532	-98,309
Expected return on plan assets	-3,390	-3,461
Employer contribution	-3,593	-5,097
Plan participants' contributions	-1,185	-1,100
Actuarial gains/losses	-37,467	6,401
Benefits paid	2,003	2,034
Fair value at December 31	**-143,164**	**-99,532**

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

	2014 (%)	2013 (%)
Equities	18	21
Fixed income	82	79
Total	**100**	**100**

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

	2014	2013
Balance at January 1	22,579	24,249
Annual expense	-1,936	3,746
Contributions paid	-4,448	-5,860
Actuarial gains/losses	-3,958	562
Other payments	-	-118
Balance at December 31	**12,237**	**22,579**

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

	2014	2013
Current service cost	8,788	8,748
Net interest cost	878	988
Past service cost	-10,417	-4,890
Subtotal	**-751**	**4,846**
Contribution by plan participants	-1,185	-1,100
Total annual expense	**-1,936**	**3,746**

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

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

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

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

	2014 (%)	2013 (%)
Discount rate	2.3	3.3
Expected pension indexation for active participants	1.8	2.3
Expected pension indexation for inactive participants	1.0	1.0
Wage inflation	1.5	1.5
Future salary growth	0.5-3.5	0.5-3.5

The assumption for future salary growth is a range of percentages which are based on the age of individual employees. The pension indexation is conditional. FMO adjusted the expected indexation for active participants and wage inflation. An expected longterm indexation of 1.8% and wage inflation of 1.5% are a better reflection of the current economic situation and the slow economic recovery.

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

	Increase (+1%)	Decrease (-1%)
Discount rate	-33,343	47,024
Increase indexation for active participants	8,642	-7,516
Future salary growth	2,126	-2,871

Other provisions

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

	2014	2013
Balance at January 1	260	-
Addition	126	260
Release	-	-
Paid out	-156	-
Balance at December 31	**230**	**260**

21. SHAREHOLDERS' EQUITY

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which can only be held by the State, and 49% B shares, also of €22.69 each, which can be held by private investors. The voting rights for A shares and B shares are equal. In addition, the equity of the company comprises of three reserves, which result from the Agreement State-FMO of November 16, 1998. These are the share premium reserve, the development fund and the contractual reserve. As long as the company continues its activities, these reserves are not available to the shareholders. Upon liquidation of FMO these reserves fall to the State, after settlement of the contractual return to the shareholders.

	2014	2013
AUTHORIZED SHARE CAPITAL		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**
ISSUED AND PAID-UP SHARE CAPITAL		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Share premium reserve

	2014	2013
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	8,061	8,061
Share premium reserve shareholder B, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	21,211	21,211
Balance at December 31	**29,272**	**29,272**

Other reserves

Dividend distributed in 2014 to shareholders of A shares and B shares was equal and amounted to €13.24 (2013: €16.81) per share.

Contractual reserve

The addition relates to that part of the annual profit that FMO is obliged to reserve under the Agreement State-FMO of November 16, 1998 (see 'other information').

Development fund

This special purpose reserve contains the allocation of risk capital provided by the State to finance the portfolio of loans and equity investments. In 2005, FMO received the final contribution to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve

	Equity investments	Interest-bearing securities	Total available for sale reserve
Balance at January 1, 2013	167,074	25,935	193,009
Fair value changes	77,087	-13,239	63,848
Foreign exchange differences	-29,646	-	-29,646
Transfers due to sale	-20,554	-475	-21,029
Transfers due to impairment	6,286	-	6,286
Tax effect	-	3,421	3,421
Balance at December 31, 2013	**200,247**	**15,642**	**215,889**
Fair value changes	28,607	-4,227	24,380
Foreign exchange differences	79,755	-	79,755
Transfers due to sale	-53,427	-729	-54,156
Transfers due to impairment	12	-	12
Tax effect	-	1,239	1,239
Balance at December 31, 2014	**255,194**	**11,925**	**267,119**

Included in the available for sale reserve is an amount of €16,625 (2013: €17,809) for fair value changes in equity investments that were previously impaired.

Translation reserve

	2014	2013
Balance at January 1	-644	239
Change	1,503	-883
Balance at December 31	**859**	**-644**

Notes to the specific items of the consolidated profit and loss account

22. NET INTEREST INCOME

Interest income

	2014	2013
Interest on loans valued at amortized cost	212,274	202,584
Interest on banks	-281	-161
Interest on short-term deposits	1,592	1,860
Interest on derivatives related to asset portfolio	-19,212	-22,550
Interest on available for sale interest-bearing securities	12,219	15,045
Total interest income	**206,592**	**196,778**

Included in the interest on loans is €6,360 (2013: €3,509) related to loans for which value adjustments have been recorded.

Interest expense

	2014	2013
Interest on debt securities valued at fair value	-	-722
Interest on debt securities valued at amortized cost	-	7
Interest on debentures and notes valued at fair value	-45,964	-38,842
Interest on debentures and notes valued at amortized cost	-11,377	-15,328
Interest on derivatives	20,312	12,713
Interest on short-term credits	-164	-71
Total interest expense	**-37,193**	**-42,243**

23. NET FEE AND COMMISSION INCOME

	2014	2013
Prepayment fees	1,218	2,355
Administration fees	1,687	2,043
Other fees (like arrangement, cancellation and waiver fees)	4,052	2,728
Total fee and commission income	**6,957**	**7,126**
Custodian fees and charges for the early repayment of debt securities	-120	-187
Total fee and commission expense	**-120**	**-187**
Net fee and commission income	**6,837**	**6,939**

24. RESULTS FROM EQUITY INVESTMENTS

	2014	2013
Result from the sale of equity investments at cost	3,365	2,743
Result from the sale of equity investments at fair value	55,963	20,810
Result from the sale of associates	-	90
Total results from equity investments	**59,328**	**23,643**

The carrying amount of the equity investments valued at cost at the time of sale was €9,233 (2013: €7,150). The carrying amount of the equity investments valued at fair value at the time of sale was €84,251 (2013: €63,340). The release from the available for sale reserve at the time of the sale of equity investments at fair value was €53,427 (2013: €20,554); as a result the net result from sale of equity investments at fair value amounted to a gain of €2,536 (2013: gain of €256).

25. RESULTS FROM FINANCIAL TRANSACTIONS

	2014	2013
Result on valuation of hedged items	-36,834	34,555
Result on sale and valuation of derivatives designated at fair value (hedging instruments)	34,975	-32,599
Subtotal	**-1,859**	**1,956**
Result on sale and valuation of derivatives held for trading[1)]	8,689	-1,805
Result on sale and valuation of embedded derivatives related to asset portfolio	-24,663	18,793
Result on sale of interest-bearing securities	729	475
Foreign exchange results	2,718	5,667
Other	107	-175
Total results from financial transactions	**-14,279**	**24,911**

1) Hedge accounting is not applied to these derivatives. These derivatives are used for hedging interest-rate and foreign-exchange risk for loans in emerging market currencies and funding in currencies other than euros and US dollars. FMO has no derivatives for trading purposes.

26. REMUNERATION FOR SERVICES RENDERED

	2014	2013
Funds and programs managed on behalf of the State:		
• MASSIF	13,914	13,751
• Infrastructure Development Fund	3,333	3,087
• Access to Energy Fund	1,595	1,363
• FOM OS	506	722
EIB	297	7
Syndication fees, remuneration from directorships and others	5,469	3,966
Total remuneration for services rendered	**25,114**	**22,896**

Remuneration for managing funds and programs is expressed in gross amounts. Related management expenses are included in operating expenses.

27. OTHER OPERATING INCOME

	2014	2013
Other operating income	1,195	1,124
Total other operating income	**1,195**	**1,124**

Other operating income mainly consists of received payments on written-off loans.

28. STAFF COSTS

	2014	2013
Salaries	-32,445	-28,866
Social security costs	-3,629	-3,244
Pension costs	1,936	-3,746
Temporaries	-1,243	-1,351
Travel and subsistence allowances	-4,024	-3,756
Other personnel expenses	-6,518	-5,861
Total staff costs	**-45,923**	**-46,824**

The number of FTEs at December 31, 2014 amounted to 366 (2013: 352 FTEs).

29. OTHER ADMINISTRATIVE EXPENSES

	2014	2013
Other administrative expenses	**-13,642**	**-13,738**

These expenses consist of services from third parties and other operational expenses. The remuneration paid to the Supervisory Board is included in these expenses. At December 31, 2014, the Supervisory Board consisted of six members (2013: six). The members of the Supervisory Board were paid a total remuneration of €106 (2013: €117).

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated entities.

Fee charged by auditors	2014	2013
Statutory audit of annual accounts	-186	-202
Other assurance services	-180	-164
Total	**-366**	**-366**

30. OTHER OPERATING EXPENSES

	2014	2013
Other operating expenses	**-35**	**-220**

The other operating expenses includes bank charges.

31. INCOME TAXES

Income tax by type

	2014	2013
Current income taxes	-23,411	-35,356
Deferred income taxes	-1,585	-285
Total income tax	**-24,996**	**-35,641**

The reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2014	2013
Profit before taxation	149,372	168,976
Income taxes at statutory rate of 25% (2013: 25%)	-37,343	-42,244
Increase/decrease resulting from:		
• Settlement with local withholding taxes	3,877	2,003
• Non-taxable income and expense (participation exemption facility)	8,039	4,387
• Tax adjustments to prior periods	704	23
• Other	-273	190
Total income tax	**-24,996**	**-35,641**
Effective income tax rate	16.7%	21.1%

Current income tax

The company paid €26.351 (2013: €32,420) to tax authorities. The remaining current income tax receivables amount to €236 (2013: €2,897 liabilities). Per year-end 2014 there were no unused tax losses and the unused tax credits amount to €0 (2013: €29).

Deferred tax

FMO's deferred income tax assets and liabilities are summarized as follows:

	2014	2013
DEFERRED TAX ASSETS		
Pension provision	1,165	2,716
Actuarial gains and losses on defined benefit plans	1,214	2,204
Depreciation fixed assets	-	34
Total deferred tax assets	**2,379**	**4,954**
DEFERRED TAX LIABILITIES		
Fair value measurement of interest-bearing securities	-3,985	-5,224
Total deferred tax liabilities	**-3,985**	**-5,224**
Net balance at December 31	**-1,606**	**-270**

Off-balance sheet information

32. COMMITMENTS AND CONTINGENT LIABILITIES

The company issued guarantees regarding principal and interest repayments for a number of projects. The nominal amount of the guarantees is valued at the exchange rate as per December 31, 2014 and December 31, 2013.

	2014	2013
CONTINGENT LIABILITIES		
Effective guarantees issued	119,630	106,470
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-9,957	-6,207
Total guarantees issued	**109,673**	**100,263**
Effective guarantees received	191,777	102,795
Total guarantees received	**191,777**	**102,795**

Of the liabilities for guarantees €0 (2013: €0) is covered by a counter guarantee of the State.

	2014	2013
IRREVOCABLE FACILITIES		
Contractual commitments for disbursements of:		
• Loans	876,405	765,837
• Equity investments	560,866	498,158
• Contractual commitments for guarantees	164,680	144,153
Total irrevocable facilities	**1,601,951**	**1,408,148**

33. LEASE AND RENTAL COMMITMENTS

The future lease payments under non-cancelable operating leases are based on contractual terms and can be summarized as follows:

2014	**≤ 1 year**	**>1 - ≤ 5 years**	**> 5 years**	**Total**
Buildings	2,062	8,654	13,025	23,741
Cars	786	1,134	-	1,920
Total lease and rental commitments	**2,848**	**9,788**	**13,025**	**25,661**

2013	**≤ 1 year**	**>1 - ≤ 5 years**	**> 5 years**	**Total**
Buildings	2,289	9,604	3,787	15,680
Cars	649	829	-	1,478
Total lease and rental commitments	**2,938**	**10,433**	**3,787**	**17,158**

34. RELATED PARTIES

FMO defines the Dutch State, its subsidiaries and associated companies, the Management Board and Supervisory Board as related parties.

Dutch State

The Dutch State holds 51% of FMO's share capital. The remaining 49% is held by commercial banks and other private investors. In 2005 FMO received its last contribution to the development fund from the Dutch State. FMO has a guarantee provision from the State, which is detailed in 'other information'.

FMO stimulates the development of small and medium Dutch-sponsored enterprises in selected emerging markets through the 'Faciliteit Opkomende Markten'. This facility is a joint initiative with the Dutch Ministry of Foreign Trade and Development Corporation. The State acts as a guarantor for 80% to 95% of the outstanding loans. These loans are included in the consolidated annual accounts under 'loans guaranteed by the State'.

FMO executes several government funds and programs at the risk and expense of the State. Below is a description of the different funds and programs:

1. *MASSIF*
   MASSIF extends risk capital and local currency financing to financial intermediaries in developing countries who in turn serve micro- and small-scale entrepreneurs and lower income households. FMO has a 2.36% (2013: 2.38%) stake in this fund. For 2014, FMO received a fixed remuneration of €13,914. In 2014 two investments have been transferred at arm's length from MASSIF to FMO.
2. *Infrastructure Development Fund*
   Through this fund, FMO concentrates on the development of the social and economic infrastructure in least developed countries. FMO aims to stimulate private investors to invest in private or public-private infrastructure projects in these countries. By providing risk capital, the Infrastructure Development Fund decreases risk for other financiers. As a result, additional private funds are attracted. For 2014, FMO received a fixed remuneration of €3,333 in accordance with the subsidy order.
3. *Access to Energy Fund*
   FMO agreed with the Dutch Minister for Development Cooperation to execute the subsidy scheme, Access to Energy Fund. Through this fund, FMO provides risk and concessional financing through equity, local currency loans, subordinated debt and grants to facilitate projects that generate, transmit or distribute sustainable energy. For 2014, FMO received a fixed remuneration of €1,595.
4. *FOM OS*
   The program finances private sector companies with a strong focus on food security and water. For 2014, FMO received a fixed remuneration of €506. The program has been closed for new commitments by the Ministry of Foreign Trade and Development Corporation as per June 30, 2014.

Subsidiaries

The consolidated subsidiaries FMO Antillen N.V., Nuevo Banco Comercial Holding B.V., FMO Medu II Investment Trust Ltd. and Asia Participations B.V. are used for intermediate holding purposes. The activities of Blauser S.A. have been discontinued and the company is currently in the process of liquidation.

The transactions during the year are summarized in note 3 of the company balance sheet.

Remuneration of the Management Board

On December 31, 2014, the Management Board consisted of three statutory members (2013: three). The members of the Management Board have no options, shares or loans related to the company.

The act related to Budget Agreement 2015 Tax Measures Implementation Act includes no crisis levy on wages from current employment that employers paid their employees during 2014, resulting in zero crisis charges for 2014 (2013: €48).

The total remuneration of the Management Board in 2014 amounts to €1,060 (2013: €1,084) and is specified as follows:

	Fixed remuneration	Pension	Other[1)]	Total 2014[2)]
Nanno Kleiterp	297	82	59	438
Jürgen Rigterink	227	42	52	321
Linda Broekhuizen	227	34	40	301
Total	**751**	**158**	**151**	**1,060**

	Fixed remuneration	Pension	Other[1)]	Total 2013
Nanno Kleiterp	297	94	38	429
Nico Pijl	227	80	34	341
Jürgen Rigterink	227	49	38	314
Total	**751**	**223**	**110**	**1,084**

1) Includes contributions to company car, fixed expense allowance, general profit-sharing, life-course savings scheme, compensation of interest on mortgages, compensation for the return of leave allowances (ADV) and anniversary benefits. This is in line with the general fringe benefits within FMO.
In 2014 a one-off compensation for the adjustments to the pension scheme is included (Amounts: Nanno Kleiterp €20, Jürgen Rigterink €15, Linda Broekhuizen €15). This is in line with the general fringe benefits within FMO.

2) As of January 1, 2014, Nico Pijl, former member of the Management Board, benefits from his life-course saving scheme. In line with the general fringe benefits within FMO, pension costs including one-off compensation for adjustments to the pension plan are incurred by FMO. The expenses amounted to €94 and are not included in the above table.

The annual remuneration of the members of the Supervisory Board is as follows:

	Remuneration 2014	Committees 2014	Total 2014	Total 2013
Jean Frijns, Chairman	22.5	5.0	27.5	27.5
Bert Bruggink	15.0	3.5	18.5	18.5
Agnes Jongerius	15.0	3.5	18.5	18.5
Alexandra Schaapveld	15.0	2.5	17.5	17.5
Pier Vellinga	15.0	2.5	17.5	17.5
Rein Willems	5.6	0.9	6.5	17.5
Total	**88.1**	**17.9**	**106.0**	**117.0**

The members of the Supervisory Board have no shares, options or loans related to the company.

Notes to the consolidated statement of comprehensive income

35. OTHER COMPREHENSIVE INCOME

Other comprehensive income

		2014		2013
ITEMS TO BE RECLASSIFIED TO PROFIT AND LOSS				
Exchange differences on translating foreign operations		1,503		-883
Available for sale interest-bearing securities:				
Unrealized results during the year	-4,227		-13,239	
Less: reclassification adjustments for results included in profit and loss	-729		-475	
Total available for sale interest-bearing securities		**-4,956**		**-13,714**
Available for sale equity investments:				
Unrealized results during the year	28,607		77,087	
Foreign exchange results	79,755		-29,646	
Reclassification adjustments for results included in profit and loss	-53,415		-14,268	
Total available for sale equity investments		**54,947**		**33,173**
Total other comprehensive income before tax		**51,494**		**18,576**
Income tax effect		1,239		3,421
Total to be reclassified to profit and loss		**52,733**		**21,997**
ITEMS NOT RECLASSIFIED TO PROFIT AND LOSS				
Actuarial gains/losses on defined benefit plans		3,959		-562
Income tax effect		-1,169		320
Total not reclassified to profit and loss		**2,790**		**-242**
Total other comprehensive income at December 31		**55,523**		**21,755**

Tax effects relating to each component of other comprehensive income

	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	1,503	-	1,503
Available for sale interest-bearing securities	-4,956	1,239	-3,717
Available for sale equity investments	54,947	-	54,947
Actuarial gains/losses on defined benefit plans	3,959	-1,169	2,790
Balance at December 31, 2014	**55,453**	**70**	**55,523**

	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	-883	-	-883
Available for sale interest-bearing securities	-13,714	3,421	-10,293
Available for sale equity investments	33,173	-	33,173
Actuarial gains/losses on defined benefit plans	-562	320	-242
Balance at December 31, 2013	**18,014**	**3,741**	**21,755**

Notes to the consolidated statement of cash flows

The consolidated cash flow statement shows the sources of liquidity that became available during the year and the application of this liquidity. The liquidity is measured by the balance sheet accounts 'banks' and 'short-term deposits'. The cash flows are broken down according to operational, investing and financing activities. The cash flow statement is prepared using the indirect method.

36. NET CASH FLOW FROM OPERATIONAL ACTIVITIES

The net cash flow from operational activities includes the company's portfolio movements, such as loans to the private sector and under guarantee of the State, equity investments, subsidiaries and associates. The net cash flow further includes the movements in working capital and current accounts with the State in regard to government funds and programs.

37. NET CASH FLOW FROM INVESTING ACTIVITIES

The net cash flow from investing activities includes the movements in the investment portfolio, such as the interest-bearing securities. The movements in tangible fixed assets are also included in the cash flow from investing activities.

38. NET CASH FLOW FROM FINANCING ACTIVITIES

The net cash flow from financing activities includes movements in the funding attracted from the capital market. Also included in the cash flow from financing activities are the additions to and reductions from the company's capital.

COMPANY ANNUAL ACCOUNTS

Accounting policies

Activities

The activities of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as FMO) consist of financing activities in developing countries to stimulate private-sector development. Furthermore, FMO provides services in relation to government funds and programs. Further reference is made to the consolidated annual accounts.

ABBREVIATED INCOME STATEMENT

In accordance with the provisions of article 402, Book 2 of the Dutch Civil Code, the company presents the profit and loss account for the year in abbreviated format.

Significant accounting policies

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

The annual accounts are prepared in accordance with the financial reporting requirements as included in Part 9 of Book 2 of the Dutch Civil Code with the allowed application of the accounting policies (IFRS) as set forth in the consolidated annual accounts. The principles of valuation and determination of results stated in the consolidated balance sheet and profit and loss account are also applicable to the company balance sheet and profit and loss account. Investments in group companies are initially recognized at cost and subsequently accounted for by the equity method.

REFERENCE TO THE CONSOLIDATED ANNUAL ACCOUNTS

As mentioned above, the accounting policies applied in the annual accounts correspond with the consolidated annual accounts. Furthermore, the consolidated annual accounts have a limited consolidation scope and accordingly the notes to the balance sheet and profit and loss account are almost similar in both the company annual accounts and the consolidated annual accounts. In these cases, reference is made to the disclosure notes and information provided in the consolidated annual accounts. For the mandatory disclosure notes and those notes with larger discrepancies, the information is included in the notes to the company's annual accounts.

ESTIMATES AND ASSUMPTIONS

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

Company balance sheet at December 31

(before profit appropriation)	Notes	Page number	2014	2013
ASSETS				
Banks			20,097	17,047
Short-term deposits			1,093,606	1,102,630
Derivative financial instruments			241,403	296,901
Loans to the private sector			3,801,325	2,927,508
Loans guaranteed by the State			58,515	53,355
Equity investments	(1)	125	1,117,009	939,265
Investments in associates	(2)	125	24,358	19,246
Interest-bearing securities			593,263	664,705
Subsidiaries	(3)	125	19,605	14,950
Tangible fixed assets			7,468	7,468
Deferred income tax assets			2,379	4,954
Current income tax receivables			236	-
Current accounts with State funds and other programs			-	35
Other receivables			28,343	56,017
Accrued income			83,061	83,249
Total assets			**7,090,668**	**6,187,330**
LIABILITIES				
Banks			81,168	76,897
Short-term credits			261,145	226,885
Derivative financial instruments			329,099	218,157
Debentures and notes			4,196,998	3,609,796
Other liabilities			12,904	9,354
Current accounts with State funds and other programs			1,019	1,630
Current income tax liabilities			-	2,897
Wage tax liabilities			36	80
Deferred income tax liabilities			3,985	5,224
Accrued liabilities			54,287	50,614
Provisions			12,467	22,839
Total liabilities			**4,953,108**	**4,224,373**
SHAREHOLDERS' EQUITY				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			1,140,363	1,020,547
Development fund			657,981	657,981
Available for sale reserve			267,119	215,889
Translation reserve			859	-644
Other reserves			28,330	25,540
Undistributed profit			4,560	5,296
Total shareholders' equity	**(4)**	**126**	**2,137,560**	**1,962,957**
Total liabilities and shareholders' equity			**7,090,668**	**6,187,330**
Contingent liabilities			119,630	106,470
Irrevocable facilities			1,601,951	1,408,148

Company profit and loss account

	Notes	Page number	2014	2013
Profit after taxation			123,144	133,683
Income from subsidiaries, after tax	(3)	125	1,232	-348
Net profit			**124,376**	**133,335**

Notes to the company annual accounts

Notes to the specific items of the balance sheet

1. EQUITY INVESTMENTS

	2014	2013
Balance at January 1	939,265	890,525
Purchases and contributions	237,465	158,812
Re-class from loans	2,566	-41,774
Re-class to associates	-385	-
Sales	-100,926	-79,386
Value adjustments	-14,531	-22,087
Changes in fair value	53,555	33,175
Balance at December 31	**1,117,009**	**939,265**

	2014	2013
Equity investments at fair value	829,915	704,595
Equity investments at cost less impairment	287,094	234,670
Balance at December 31	**1,117,009**	**939,265**

2. INVESTMENTS IN ASSOCIATES

	2014	2013
Balance at January 1	19,246	23,156
Purchases and contributions	459	8
Re-class from equity investments	385	-
Share in net results	1,892	-3,034
Translation differences	2,376	-884
Balance at December 31	**24,358**	**19,246**

3. SUBSIDIARIES

	2014	2013
Balance at January 1	14,950	20,008
Purchases and contributions	3,218	-4,710
Share in net results	1,232	-348
Dividend declared and received	205	-
Balance at December 31	**19,605**	**14,950**

The investments in subsidiaries consist of the following interests in the share capital of:

1. Nuevo Banco Comercial Holding B.V.: 100%.
2. FMO Antillen N.V.: 100%.
3. FMO Medu II Investment Trust Ltd.: 100%
4. Asia Participations B.V.: 100%

The following table summarizes the carrying value of the subsidiaries.

	2014	2013
Nuevo Banco Comercial Holding B.V.	12,887	11,699
FMO Antillen N.V.	3,258	3,263
FMO Medu II Investment Trust Ltd.	3,472	-
Asia Participations B.V.	-12	-12
Balance at December 31	**19,605**	**14,950**

4. SHAREHOLDERS' EQUITY

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which are held only by the State, and 49% B shares, also of €22.69 each, which are held by private investors. The voting rights for A shares and B shares are equal.

The equity of the company comprises three reserves, which result from the Agreement State-FMO of November 16, 1998. These are the share premium reserve, the development fund and the contractual reserve. As the company continues its activities, these reserves are not available to the shareholders. Upon liquidation of FMO, these reserves fall to the State, after settlement of the contractual return to the shareholders.

	2014	2013
AUTHORIZED SHARE CAPITAL		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**

	2014	2013
ISSUED AND PAID-UP SHARE CAPITAL		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Share premium reserve

	2014	2013
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	8,061	8,061
Share premium reserve shareholder B, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	21,211	21,211
Balance at December 31	**29,272**	**29,272**

Contractual reserve

The addition relates to that part of the net profit, which FMO is obliged to reserve under the Agreement State-FMO of November 16, 1998 (see 'other information').

Development fund

This special purpose reserve contains the annual budgetary allocations made by the State to finance the portfolio of loans and equity investments. In 2005, FMO received the final contribution to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve (AFS reserve)

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

The following table shows the components of the available for sale reserve at December 31, 2014 and December 31, 2013.

	2014	2013
GROSS GAINS AND LOSSES IN THE AFS RESERVE		
Equity investments at fair value	255,194	200,247
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	15,914	20,870
Subtotal gains and losses in the AFS reserve	**271,108**	**221,117**
DEFERRED TAXES ON GAINS AND LOSSES		
Equity investments at fair value	-	-
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	-3,989	-5,228
Subtotal deferred taxes on gains and losses	**-3,989**	**-5,228**
NET GAINS AND LOSSES IN THE AFS RESERVE		
Equity investments at fair value	255,194	200,247
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	11,925	15,642
Total available for sale reserve	**267,119**	**215,889**

The statement of changes in the shareholders’ equity details the movements in the available for sale reserve during 2014. The statement is included in the consolidated annual accounts.

Other reserves

Dividend distributed to shareholders of A shares and B shares is equal.

OTHER INFORMATION

Provision in the Articles of Association concerning the appropriation of profit

The provision and the appropriation of the net profit is based upon the Articles of Association and the Agreement State-FMO of November 16, 1998.

The General Meeting will determine which portion of the result of a financial year is reserved or in which way a loss will be incorporated, as well as the appropriation of the remaining profit, with regard to which the Supervisory Board and the Management Board can make a non-binding proposal in accordance with the provision and dividend policy adopted by the General Meeting, taking into account the relevant provisions in the Agreement State-FMO of November 16, 1998.

PROPOSAL FOR APPROPRIATION OF PROFIT

A company net profit of €124,376 was recorded in 2014. Under the Agreement State-FMO of November 16, 1998, FMO is required to add €119,816 to the contractual reserve. Therefore this profit is not completely distributable. The distributable element of the net profit amounts to €4,560 (2013: €5,296). The Management Board and the Supervisory Board propose distributing a sum of €4,560 (2013: €5,296) as cash dividend equaling €11.40 per A and B share (2013: €13.24 per A and B share). This proposal for dividend distribution can be withdrawn if FMO's economical and financial conditions deteriorate significantly in the period up to the moment of distribution of the dividend. This reservation is the result of the recommendation of the European Central Bank on January 28, 2015, and adopted by the Dutch Central Bank.

Guarantee provisions in the Agreement State-FMO of November 16, 1998

ARTICLE 7: MAINTENANCE OBLIGATIONS IN THE EVENT OF DEPLETION OF GENERAL RISKS RESERVE (GRR) FUND AND INADEQUATE COVER FOR EXCEPTIONAL OPERATING RISKS

7.1 To determine whether FMO has grounds for invoking the maintenance obligation (the 'State's Maintenance Obligation') as referred to in Article 7.2.1, the losses incurred by FMO as referred to in Article 7.2.2, as shown by the annual accounts drawn up for the relevant year in accordance with generally accepted accounting principles and in conformity with Part 9 of Book 2 of the Netherlands Civil Code and duly adopted by the competent corporate body, shall first be charged to the GRR fund.

7.2.1 The State undertakes vis-à-vis FMO to defray losses on its operations pursuant to Article 3.1 and 3.2 of this Agreement, as determined in Article 7.2.2, to the extent that such risks have not been covered by specific value adjustments and/or compensation and/or insurance benefits received or yet to be received, provided that:

a) the amount of such losses exceeds the size of the GRR fund as at December 31 of the year in which these losses were incurred; and

b) the inadequacy of the cover for general value adjustments under the GRR fund is due to abnormal operating risks, such as unforeseen political difficulties in, or transfer problems with, particular countries or the collapse of the world economy or a regional economy.

7.2.2 The parties shall consult together to determine the magnitude of such losses. Should they fail to agree, FMO's auditors and an auditor designated by the State shall make a reasonable and equitable calculation of the losses in accordance with generally accepted accounting principles.

7.3 If the circumstances arise as described in Article 7.2.1, under a) and b) and FMO requests the State to fulfill its obligations as referred to in Article 7.2, this shall give rise to a claim against the State, which shall be duly acknowledged by the State, on the first business day of the first financial year following the date of the request. Such request shall be in writing.

ARTICLE 8: OTHER FINANCIAL SECURITY OBLIGATIONS

8.1 Without prejudice to the other provisions in this Agreement, the State shall prevent situations arising in which FMO is unable to meet the following (comprehensive enumerated) commitments on time:

(i) loans raised in the capital market;
(ii) short-term funds raised on the money market with maturities of two years or less;
(iii) swap agreements involving the exchange of principal and payment of interest;
(iv) swap agreements not involving the exchange of principal but with interest payment;
(v) foreign exchange forward contracts and forward rate agreements (FRAs);
(vi) option and futures contracts;
(vii) combinations of the products referred to in (i) to (vi);
(viii) guarantees provided by FMO to third parties in respect of the financing of private companies in developing countries;
(ix) commitments relating to the maintenance of an adequate organization.

NOTES TO THE GUARANTEE PROVISION

The GRR fund referred to in Article 7 is defined in Article 6 of the Agreement State-FMO of November 16, 1998, and consists of the share premium reserve of €21,211 plus the group-specific provision (formerly the general value adjustments) and the contractually required reserve. On December 31, 2014, the fund amounted (rounded) to €1,345,149 (2013: €1,216,201).

LIST OF ABBREVIATIONS

AEF: Access to Energy Fund
AGM: Annual General Meeting of Shareholders
ARC: Audit & Risk Committee
Basel: Basel Committee on Banking Supervision
BIO: Belgian Investment Company for Developing Countries
BIS (ratio): Bank for International Settlements
DEG: Deutsche Investitions- und Entwicklungsgesellschaft
DFI: Development Finance Institution
DNB: Dutch Central Bank
EC: Economic Capital
E&S: Environmental and Social
ESG: Environmental, Social & Governance
FTE: Full-Time Equivalent
FMO: Financierings Maatschappij voor Ontwikkelingslanden N.V.
FOM: Fonds Opkomende Markten (Facility Emerging Markets)
FOM-OS: Fonds Opkomende Markten Ontwikkelingssamenwerking
(Fund Emerging Markets for Developing Countries)
GHG: Greenhouse Gas
GRI: Global Reporting Initiative
GRI G4: GRI Fourth-generation sustainability reporting guidelines
GTAP: Global Trade Analysis Project
IBNR: Incurred But Not Reported
IDF: Infrastructure Development Fund
IDH: Initiatief Duurzame Handel
IFRS: International Financial Reporting Standards
IMS: Infrastructure, Manufacturing, Services
IPP: Independent Power Project
KPMG: KPMG N.V.
LICs: Low Income Countries
LMICs: Lower Middle Income Countries
MDB: Multilateral Development Bank
MiFID: Markets in Financial Instruments Directive
MLA: Mandated Lead Arranger
NGO: Non-Governmental Organization
NPL: Non-Performing Loan
OeEB: Oesterreichische Entwicklungsbank AG
RAF: Risk Appetite Framework
SARC: Selection, Appointment & Remuneration Committee
SMEs: Small and Medium-sized Enterprises
UMICs: Upper Middle Income Countries
Wft: Dutch Financial Supervision Act

NOTES

ADDITIONAL INFORMATION

REPORTING SCOPE

This annual report covers activities that took place or had effect on the reporting year.

FMO publishes its integrated financial and sustainability report annually in March. The annual shareholders meeting is held in May. Both elements of the report are audited by an external auditor. Please read the KPMG auditor's report for detailed information on the scope of their work. Previous reports are available on www.fmo.nl/reports.

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