

# FMO

Entrepreneurial  
Development  
Bank



Interim report

20  
17

June 30, 2017

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

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## KEY FIGURES

	June 30, 2017	December 31, 2016
<b>Balance sheet</b>		
Net loans	4,208,145	4,526,716
Equity investments portfolio (including associates)	1,787,478	1,828,172
Total assets	8,439,487	8,552,765
Shareholders' equity	2,768,952	2,773,535
Debentures and notes	5,267,240	5,180,977
Committed investment portfolio	9,025,829	9,777,968
· of which government funds	1,206,675	1,238,903

	June 30, 2017	June 30, 2016
<b>Profit and loss account</b>		
<b>Income</b>		
Interest income	144,673	138,715
Interest expenses	-42,202	-30,707
<b>Net interest income</b>	<b>102,471</b>	<b>108,008</b>
Income from equity investments	112,278	27,202
Other income including services	16,355	12,599
<b>Total income</b>	<b>231,104</b>	<b>147,809</b>

<b>Expenses</b>		
Operating expenses	-49,948	-42,016
<b>Operating profit before value adjustments</b>	<b>181,156</b>	<b>105,793</b>
Value adjustments/ impairments:		
· on loans and guarantees	9,391	-13,058
· on equity investments	-12,290	-25,232
<b>Total value adjustments</b>	<b>-2,899</b>	<b>-38,290</b>
<b>Operating profit after value adjustments</b>	<b>178,257</b>	<b>67,503</b>
Share in the results of associates	-2,962	226
<b>Profit before taxation</b>	<b>175,295</b>	<b>67,729</b>
Income tax	-19,753	-10,973
<b>Net profit</b>	<b>155,542</b>	<b>56,756</b>

	June 30, 2017	December 31, 2016
<b>Ratios at end of period (%)</b>		
Shareholders' equity / Total assets	32.8	32.4
Return on average shareholders' equity <sup>1)</sup>		
· Operating profit after value adjustments	12.9	8.1
· Net profit	11.2	6.7
Cost to income ratio	22	28
Common Equity Tier 1 (CET1)	23.7	22.7
Liquidity coverage ratio	1,030	167

<sup>1)</sup> June figures annualized based on the last 12 months.

## FROM THE MANAGEMENT BOARD

Dear stakeholder,

Our performance in first half of 2017 was solid. The net profit increased significantly to €156 million compared to the same period in 2016 (€57 million). This was predominantly driven by two private equity exits in Asia and Eastern Europe, lower value adjustments on our loan portfolio and impairments on our private equity portfolio. Our committed portfolio including the FMO managed government funds decreased to €9.0 billion (year-end 2016: €9.8 billion) due to the depreciation of the USD. New commitments amounted to €630 million (H1 2016: €341 million) and we catalyzed €262 million from third parties (H1 2016: €129 million).

In the first half of 2017 we supported 153,000 direct and indirect jobs and realized GHG avoidance of 214,000 tCO<sub>2</sub>eq (first half 2016: 159,000 jobs and 49,000 tCO<sub>2</sub>eq). The percentage of green transactions increased to 26%, while we supported our clients in achieving 26% of agreed ESG action items (H1 2016: 22% and 31% respectively).

Net interest income declined by €6 million compared to HY1 2016 predominantly due to increase of the short-term USD interest. Note that the higher interest expenses were partly offset by the interest income due to the smaller loan portfolio compared to the funding portfolio. Total value adjustments and impairments decreased by €35 million to €3 million. €22 million lower value adjustments can be explained by the decline in our group specific provision (IBNR). Our non-performing loans (NPL) increased further to 8.4% (year-end 2016: 7.5%) due to an increase in provisioned loans. The coverage ratio decreased from 56% (year-end 2016) to 51% reflecting lower risks in our NPL portfolio.

All segments have contributed positively to our results. The significant increase of the results from the segment Financial Institutions is driven by two large private equity exits. The increase of the results from Infrastructure, Manufacturing and Services is caused by decreased value adjustments on our loan portfolio.

The CET-1 ratio as per June 2017 amounts to 23.7% (year-end 2016 22.7%). This increase is mainly caused by the inclusion of the net profit for the last quarter 2016. Note that the HY1 2017 profit is not incorporated in the CET-1 ratio. If we would take this into account the effect on the CET-1 ratio would be approximately 1.5% higher.

In July 2017 FMO and Finfund, another lender of the Agua Zarca hydropower project in Honduras, together with owner and developer DESA, mutually agreed to end their existing contractual relations. This exit from the project is intended to reduce international and local tensions in the area.

Starting from October 15, 2017, Fatoumata Bouare will join FMO as the new Chief Risk & Finance Officer (CRFO). Bouare joins FMO from the Bank of Africa Group where she held the position of Director, Risk Management Head.

In the course of the second half of 2016 and first half of 2017 we have updated the FMO corporate strategy towards 2025 to align with the Sustainable Development Goals (SDGs), and increase focus and impact in our activities. We launched a 2025 strategic ambition to become 'your preferred partner to invest in local prosperity'. To deepen our relationships with clients and stakeholders, we will focus on three sectors where we can have the biggest impact: Financial Institutions, Energy and Agribusiness. We discontinue our debt offering to non-focus sectors.

We expect that the second half of 2017 will remain challenging. Although growth perspective for emerging markets are positive, the effects of the political and economic environment on global trade and foreign investments are uncertain. We nevertheless expect to meet our targets, which are set for 2017.

### Responsibility Statement

In accordance with Article 5:25d sub 2 under c of the Dutch Financial Supervision Act (Wet op het financieel toezicht) we state that, to the best of our knowledge:

- The condensed consolidated interim accounts 2017 give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated undertakings;
- The section 'From the Management Board' includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim accounts 2017; and
- The section 'From the Management Board' includes a description of the principal risks and uncertainties for the remaining six months of the financial year.

The Hague, August 21, 2017

**Jurgen Rigterink**  
Chief Executive Officer and Chief Risk & Finance Officer

**Linda Broekhuizen**  
Chief Investment Officer

## PORTFOLIO INFORMATION

In the tables below, we present our committed portfolio per region and sector. The committed portfolio of the funds we manage for the Dutch State and the Loans guaranteed by the State are not included. Of the total committed portfolio of €7,760 million an amount of €5,125 million relates to the on-balance Loans to the private sector and €2,635 million relates to the on-balance Equity investments and Associates.

### Committed portfolio distributed by region and sector

	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
<b>At June 30, 2017</b>						
Africa	800,124	606,108	106,900	469,594	392,877	2,375,603
Asia	672,809	605,326	97,873	393,741	324,900	2,094,649
Latin America & the Caribbean	688,130	472,071	239,059	139,513	194,768	1,733,541
Europe & Central Asia	456,161	129,592	141,941	185,734	161,887	1,075,315
Non-region specific	187,702	62,450	71,127	23,151	136,482	480,912
<b>Total</b>	<b>2,804,926</b>	<b>1,875,547</b>	<b>656,900</b>	<b>1,211,733</b>	<b>1,210,914</b>	<b>7,760,020</b>
	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
<b>At December 31, 2016</b>						
Africa	916,548	622,668	95,023	471,961	464,222	2,570,421
Asia	838,425	625,715	112,001	429,733	374,879	2,380,752
Latin America & the Caribbean	728,524	514,961	224,739	152,949	276,201	1,897,374
Europe & Central Asia	528,144	156,708	109,438	184,994	197,883	1,177,168
Non-region specific	158,653	16,819	82,902	23,373	143,872	425,620
<b>Total</b>	<b>3,170,294</b>	<b>1,936,871</b>	<b>640,103</b>	<b>1,263,010</b>	<b>1,457,057</b>	<b>8,451,335</b>

In the tables below, we present our committed portfolio of the top 10 countries per sector. The committed portfolio of the funds we manage for the Dutch State and the Loans guaranteed by the State are not included.

### Committed portfolio of top 10 countries by sector

	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
<b>At June 30, 2017</b>						
India	171,430	144,428	40,359	88,199	69,984	514,401
Turkey	104,342	43,791	47,431	63,925	75,941	335,430
Nigeria	144,285	35,054	19,127	29,747	76,943	305,156
Bangladesh	152,315	39,970	-	28,047	47,751	268,083
Ghana	86,519	67,566	-	-	57,923	212,008
South Africa	41,722	85,371	9,312	28,444	24,000	188,850
Peru	60,273	63,484	32,250	13,895	15,362	185,264
Argentina	-	-	162,708	-	4,563	167,271
Mongolia	73,467	14,328	-	4,912	69,172	161,878
Honduras	74,036	74,058	-	-	12,269	160,363
<b>Total</b>	<b>908,390</b>	<b>568,050</b>	<b>311,187</b>	<b>257,169</b>	<b>453,907</b>	<b>2,498,704</b>
	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
<b>At December 31, 2016</b>						
India	192,488	156,772	48,729	97,772	81,157	576,918
Turkey	83,132	44,954	52,491	62,624	80,622	323,824
Nigeria	166,810	37,906	2,000	30,439	68,250	305,406
Bangladesh	180,296	26,110	4,738	29,923	56,347	297,414
Ghana	97,004	74,833	-	-	63,505	235,342
Georgia	113,590	28,186	6,167	-	60,664	208,607
Mongolia	98,417	16,019	-	5,471	80,959	200,866
Peru	62,794	69,783	35,252	13,576	17,650	199,056
South Africa	62,417	82,682	9,844	31,713	5,664	192,319
Cambodia	172,348	-	-	9,337	-	181,685
<b>Total</b>	<b>1,229,296</b>	<b>537,246</b>	<b>159,221</b>	<b>280,855</b>	<b>514,818</b>	<b>2,721,436</b>

# CONSOLIDATED INTERIM ACCOUNTS 2017

## CONSOLIDATED BALANCE SHEET

	Notes	Page numbers	June 30, 2017	December 31, 2016
<b>Assets</b>				
Banks			79,056	58,178
Short-term deposits			1,467,390	1,242,604
Interest-bearing securities			531,939	575,117
Derivative financial instruments			205,004	186,510
Loans to the private sector	3	19	4,153,989	4,469,948
Loans guaranteed by the State			54,156	56,768
Equity investments			1,597,843	1,712,112
Investments in associates			189,635	116,060
Fixed assets			11,410	9,168
Deferred income tax assets			8,979	10,618
Current income tax receivables	11	26	25,518	-
Current accounts with State funds and other programs			230	1,901
Other receivables			21,308	21,753
Accrued income			93,030	92,028
<b>Total assets</b>			<b>8,439,487</b>	<b>8,552,765</b>
<b>Liabilities</b>				
Short-term credits			82,134	39,464
Derivative financial instruments			202,183	423,981
Debentures and notes	8	26	5,267,240	5,180,977
Current accounts with State funds and other programs			1,506	75
Current income tax liabilities			-	16,434
Wage tax liabilities			428	340
Deferred income tax liabilities			13,202	13,688
Other liabilities			6,919	7,441
Accrued liabilities			57,887	51,408
Provisions			39,036	45,422
<b>Total liabilities</b>			<b>5,670,535</b>	<b>5,779,230</b>
<b>Shareholders' equity</b>				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			1,477,843	1,477,843
Development fund			657,981	657,981
Available for sale reserve			428,446	571,075
Translation reserve			-6,730	9,221
Other reserves			13,830	9,394
Undistributed profit			155,542	6,682
<b>Shareholders' equity (parent)</b>			<b>2,765,260</b>	<b>2,770,544</b>
Non-controlling interests			3,692	2,991
<b>Total shareholders' equity</b>			<b>2,768,952</b>	<b>2,773,535</b>
<b>Total liabilities and shareholders' equity</b>			<b>8,439,487</b>	<b>8,552,765</b>
<b>Contingent assets and liabilities:</b>				
· Effective guaranteed issued	7	26	54,567	61,050
· Effective guarantees received	7	26	-220,480	-224,754
Irrevocable facilities	7	26	1,524,925	1,820,239

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Page numbers	June 30, 2017	June 30, 2016
<b>Income</b>				
Interest income			144,673	138,715
Interest expense			-42,202	-30,707
<b>Net interest income</b>			<b>102,471</b>	<b>108,008</b>
Fee and commission income			2,204	2,553
Fee and commission expense			-368	-220
<b>Net fee and commission income</b>			<b>1,836</b>	<b>2,333</b>
Dividend income			20,408	7,797
Results from equity investments	9	26	91,870	19,405
Results from financial transactions			897	-3,273
Remuneration for services rendered			12,393	12,549
Other operating income			1,229	990
<b>Total other income</b>			<b>126,797</b>	<b>37,468</b>
<b>Total income</b>			<b>231,104</b>	<b>147,809</b>
<b>Operating expenses</b>				
Staff costs			-36,012	-30,811
Other administrative expenses			-12,423	-9,875
Depreciation and impairment on fixed assets			-1,483	-1,273
Other operating expenses			-30	-57
<b>Total operating expenses</b>			<b>-49,948</b>	<b>-42,016</b>
<b>Value adjustments/impairments on</b>				
Loans			8,000	-14,716
Equity investments and associates			-12,290	-25,232
Guarantees issued			1,391	1,658
<b>Total value adjustments/impairments</b>			<b>-2,899</b>	<b>-38,290</b>
<b>Results on associates</b>				
Share in the result of associates			-2,962	226
<b>Total result on associates</b>			<b>-2,962</b>	<b>226</b>
<b>Profit before taxation</b>			<b>175,295</b>	<b>67,729</b>
Income tax	11	26	-19,753	-10,973
<b>Net profit</b>			<b>155,542</b>	<b>56,756</b>
<b>Net profit attributable to</b>				
Owners of the parent company			155,542	56,756
Non-controlling interests			-	-
<b>Net Profit</b>			<b>155,542</b>	<b>56,756</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	June 30, 2017	June 30, 2016
<b>Net profit</b>	<b>155,542</b>	<b>56,756</b>
<b>Other comprehensive income</b>		
Share of other comprehensive income of associates due to exchange differences	-15,951	-716
Available for sale financial assets	-143,410	45,615
Income tax effect	782	-3,214
<b>Items to be reclassified to profit and loss</b>	<b>-158,579</b>	<b>41,685</b>
Actuarial gains/losses on defined benefit plans	5,915	-13,692
Income tax effect	-1,480	3,422
<b>Items not reclassified to profit and loss</b>	<b>4,435</b>	<b>-10,270</b>
<b>Total other comprehensive income, net of tax</b>	<b>-154,144</b>	<b>31,415</b>
<b>Total comprehensive income</b>	<b>1,398</b>	<b>88,171</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	1,398	88,171
Non-controlling interests	-	-
<b>Total comprehensive income</b>	<b>1,398</b>	<b>88,171</b>

## CONDENSED 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
<b>Balance at December 31, 2015</b>	9,076	29,272	1,308,420	657,981	455,352	4,111	39,207	6,231	1,266	2,510,916
Total other comprehensive income, net of tax	-	-	-	-	42,401	-716	-10,270	-	-	31,415
Changes in subsidiary Equis DFI Feeder L.P. <sup>2</sup>	-	-	-	-	-	-	-	-	1,260	1,260
Net profit	-	-	-	-	-	-	-	56,756	-	56,756
Dividends	-	-	-	-	-	-	-	-6,231	-	-6,231
<b>Balance at June 30, 2016</b>	9,076	29,272	1,308,420	657,981	497,753	3,395	28,937	56,756	2,526	2,594,116

	Share capital	Share premium reserve	Contractual reserve	Development fund	Available for sale reserve	Translation reserve	Other reserves	Undistributed profit	Non-controlling interests	Total
<b>Balance at December 31, 2016</b>	9,076	29,272	1,477,843	657,981	571,074	9,221	9,395	6,682	2,991	2,773,535
Total other comprehensive income, net of tax	-	-	-	-	-142,628	-15,951	4,435	-	-91	-154,235
Changes in subsidiary Equis DFI Feeder L.P. <sup>2</sup>	-	-	-	-	-	-	-	-	792	792
Net profit	-	-	-	-	-	-	-	155,542	-	155,542
Dividends	-	-	-	-	-	-	-	-6,682	-	-6,682
<b>Balance at June 30, 2017</b>	9,076	29,272	1,477,843	657,981	428,446	-6,730	13,830	155,542	3,692	2,768,952

<sup>2)</sup> Changes driven by movements in the underlying investment portfolio of Equis DFI Feeder such as subscription and sales

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	June 30, 2017	June 30, 2016
<b>Net profit</b>	155,542	56,756
Adjusted for non-cash items	-41,045	62,819
Operational cash flows not included in profit before taxation	-300,777	77,936
<b>Net cash flow from operational activities</b>	<b>-186,280</b>	<b>197,511</b>
<b>Net cash flow from investing activities</b>	<b>35,238</b>	<b>-16,287</b>
<b>Net cash flow from financing activities</b>	<b>283,483</b>	<b>265,751</b>
<b>Net cash flow</b>	<b>132,441</b>	<b>446,975</b>
<b>Cash and cash equivalents</b>		
Net foreign exchange difference	-45,469	-20,600
Banks and short-term deposits at January 1 <sup>3</sup>	833,636	913,118
Banks and short-term deposits at June 30 <sup>3</sup>	920,608	1,339,493
<b>Total cash flow</b>	<b>132,441</b>	<b>446,975</b>

<sup>3)</sup> This balance corresponds with the following items in the consolidated balance sheet: banks and short term deposits to the extent that the maturity date is less than 3 months.



## NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

### 1. Corporate information

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 its subsidiary FMO Investment Management B.V.

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

### 2. Basis of preparation and changes to accounting policies

#### Basis of preparation

The consolidated annual accounts as at December 31, 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These 2017 consolidated interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies, presentation and methods of computation are consistent with those applied in the preparation of FMO's consolidated financial statements for the year ended December 31, 2016, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2017. The consolidated interim accounts do not include all the information and disclosures that are required for the consolidated annual accounts, and should be read in conjunction with FMO's consolidated annual accounts as at December 31, 2016.

#### Group accounting and consolidation

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

The activities of Nuevo Banco Comercial Holding B.V., Asia Participations B.V., FMO Medu II Investment Trust Ltd. and Equis DFI Feeder L.P. consist of providing equity capital to companies in developing countries. FMO Investment Management B.V. manages third party capital funds which are invested alongside FMO's own transactions in emerging and developing markets. FMO has a 63% stake in Equis DFI Feeder L.P. and all other subsidiaries are 100% owned by FMO.

#### Foreign currency translation

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

#### Adoption of new standards, interpretations and amendments

There have been no standards, amendments to published standards and interpretations that were adopted in the current year. The standards issued and endorsed by the European Union, but not yet effective up to the date of issuance of FMO's Interim Report 2017, are listed below.

#### IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

EU has endorsed IFRS 9 in November 2016. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Starting from mid 2015 FMO set up a multidisciplinary implementation team with members from Risk Management, Finance and other operational teams to prepare for IFRS 9 implementation. The initial assessment and analysis stage was completed at the end of 2016.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: Fair Value through Profit or Loss (FVPL), Fair Value through Other Comprehensive Income (FVOCI), and amortized cost. The IFRS 9 classification and measurement is likely to impact FMO's most significant financial assets. Majority of our loan portfolio will remain to be classified at amortized cost however a small part is expected to be qualified for the classification as at FVPL as it does not fully meet the business model and/or contractual cash flow criteria. The majority of our equity investments (currently accounted for at FVOCI) is expected to be accounted for at FVPL and will lead to an one-off movement between AFS reserve and other shareholders' equity components. The accounting for financial liabilities will largely be the same as the requirements under IAS 39.

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. FMO will be required to record an allowance for expected losses for all loans and other debt instruments classified as financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

By the end of 2016 FMO was able to translate its estimation methodology in a calculation application. In the second half year of 2017 we will continue to perform parallel runs and further analyze/ test the outcome and if necessary enhance our estimation technique.

With respect to hedge accounting IFRS 9 allows to continue with the hedge accounting under IAS 39. FMO will apply IFRS 9 in its entirety. However the impact will be insignificant for FMO compared to IAS 39.

The implementation of IFRS 9 will have an impact on Shareholders' equity, Net profit and/or Other comprehensive income and disclosures.

#### IFRS 15 REVENUE CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue as and when the agreed performance obligations are satisfied. The standard should in principle be applied retrospectively, with certain exceptions. This standard will not have significant impact on FMO.

Other significant standards issued, but not yet endorsed by the European Union and not yet effective up to the date of issuance of FMO's interim report 2017, are listed below.

#### IFRS 17 INSURANCE CONTRACTS

IFRS 17 was issued in May 2017 and is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cashflow. The standard is expected to be effective on or after 1 January 2021. We do not expect this new standard to have significant impact on FMO.

#### IFRS 16 LEASES

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

#### AMENDMENTS TO IAS 12 INCOME TAXES – RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALIZED LOSSES

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. FMO is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its interim report 2017.

#### AMENDMENTS TO IAS 7 STATEMENT OF CASH FLOWS – DISCLOSURE INITIATIVE

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The Bank is currently evaluating the impact.

#### AMENDMENTS TO IFRS 2 SHARE-BASED PAYMENT – CLASSIFICATION AND MEASUREMENTS OF SHARE-BASED PAYMENT TRANSACTIONS

In June 2016, the IASB issued amendments to IFRS 2 containing the clarification and amendments of accounting for cash-settle share-based payment transactions that include a performance condition, accounting of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments do not have impact on FMO.

#### AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS – APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS

The amendments provide two options for entities that issue contracts within the scope of IFRS 4 and will have no impact on FMO. The amendment is expected to be effective starting from 1 January 2018.

#### ANNUAL IMPROVEMENTS 2014-2016 CYCLE

Amendments regarding IFRS 1 First time adoption of IFRS, IFRS 12 Disclosure of interest in other entities and IAS 28 Investments in associates and joint ventures. These amendments mainly comprise additional guidance and clarification and have a minor impact on FMO.

#### IFRIC INTERPRETATION 22 – FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

The interpretation provides clarifications on the transaction date for the purpose of determining the exchange rate with respect to the recognition of the non-monetary prepayment asset or deferred income liability and that a date of transaction is established for each payment or receipt in case of multiple advanced payments or receipts. The interpretation has no impact on FMO.

#### AMENDMENTS TO IAS 40 INVESTMENTS PROPERTY – TRANSFERS OF INVESTMENT PROPERTY

These amendments provide guidance and include criteria for transfers of property to, or from, investment property in accordance with IAS 40 and will have no impact on FMO.

#### IFRIC INTERPRETATION 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation has no significant impact on FMO.

#### Estimates and assumptions

In preparing the consolidated interim accounts in conformity with IFRS, management is required to make estimates and assumptions. The most relevant estimates and assumptions relate to the determination of the fair value of equity instruments based on generally accepted modeled valuation techniques and the determination of the counterparty-specific and group-specific value adjustments. The same methods for making estimates and assumptions have been followed in the consolidated interim accounts as were applied in the preparation of FMO's consolidated annual accounts as at December 31, 2016.

#### Segment reporting

FMO is active in the following sectors:

1. Financial Institutions
2. Energy
3. Agribusiness
4. Infrastructure, Manufacturing and Services

The business sectors are included in Note 5 Segment Information. In addition to these sectors, fund investments without a specific operating sector have been identified separately as Multi-Sector Fund Investments, since these are a substantial part of FMO's business. In the first half of 2017 there were no transactions between the operating segments.

### 3. Loans past due and value adjustments

Our non-performing loan portfolio remained stable and amounts to €373.3 million (2016: €361.3 million). The ratio of non-performing loans compared to our total loan portfolio increased in the course of 2017 from 7.5% to 8.4% as a result of a lower total loan portfolio caused by FX fluctuations. The coverage ratio (counterparty specific value adjustments divided by non-performing loans) decreased from 55.6% to 50.5% due to lower counterparty specific value adjustments.

#### Loans past due and value adjustments as at June 30, 2017

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counter-party specific value adjustment	Total
Loans not past due	4,072,556	27,727	4,100,283	-11,735	4,088,548
Loans past due:					
· Past due up to 30 days	7,847	33,176	41,023	-9,676	31,347
· Past due 30-60 days	950	7,832	8,782	-1,958	6,824
· Past due 60-90 days	-	1,946	1,946	-1,418	528
· Past due more than 90 days	33,398	269,247	302,645	-164,109	138,536
<b>Sub total</b>	<b>4,114,751</b>	<b>339,928</b>	<b>4,454,679</b>	<b>-188,896</b>	<b>4,265,783</b>
Less: amortizable fees	-42,960	-2,801	-45,761	-	-45,761
Less: group-specific value adjustments	-66,033	-	-66,033	-	-66,033
<b>Carrying value</b>	<b>4,005,758</b>	<b>337,127</b>	<b>4,342,885</b>	<b>-188,896</b>	<b>4,153,989</b>

#### Loans past due and value adjustments as at December 31, 2016

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counter-party specific value adjustment	Total
Loans not past due	4,377,672	80,513	4,458,185	-18,810	4,439,375
Loans past due:					
· Past due up to 30 days	79,347	24,214	103,561	-14,716	88,845
· Past due 30-60 days	4,122	-	4,122	-	4,122
· Past due 60-90 days	3,079	13,828	16,907	-7,189	9,718
· Past due more than 90 days	31,177	211,578	242,755	-160,143	82,612
<b>Sub total</b>	<b>4,495,397</b>	<b>330,133</b>	<b>4,825,530</b>	<b>-200,858</b>	<b>4,624,672</b>
Less: amortizable fees	-48,681	-2,746	-51,427	-	-51,427
Less: group-specific value adjustments	-103,297	-	-103,297	-	-103,297
<b>Carrying value</b>	<b>4,343,419</b>	<b>327,387</b>	<b>4,670,806</b>	<b>-200,858</b>	<b>4,469,948</b>

The lower group-specific value adjustments at June 30, 2017 is predominately due to implementation of revised LGD (impact €13.5 million lower provisioning), parameter adjustment driven by our ability to identify problem loans in earlier stage (impact €6 million) and FX changes in our portfolio.

#### 4. Capital management

FMO complies with the Basel III requirements and reports its Common Equity Tier 1 ratio to the Dutch central bank on a quarterly basis. At the end of June 2017 the Common equity Tier 1 ratio improved to 23.7% from 22.7% as per December 2016. This improvement was mainly due to improvement in capital position driven by inclusion of the profit for last quarter 2016 in CET 1 capital in 2017 and due to decline in risk weighted assets caused by the depreciation of USD.

	At June 30, 2017	At December 31, 2016
IFRS shareholders' equity	2,768,952	2,773,535
Tier 2 capital	175,000	175,000
Regulatory adjustments:		
· Interim profit not included in CET 1 capital	-155,542	-65,674
· Other adjustments (deducted from CET 1)	-102,471	-157,913
· Other adjustments (deducted from Tier 2)	-25,489	-43,429
<b>Total capital</b>	<b>2,660,450</b>	2,681,519
Of which common equity Tier 1 capital	2,510,939	2,549,948
Risk weighted assets	10,605,676	11,214,531
Total capital ratio	25.1%	23.9%
Common equity Tier 1 ratio	23.7%	22.7%

#### 5. Segment information

At June 30, 2017	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
<b>Loans &amp; guarantees</b>						
Interest & fee income	43,798	29,593	9,030	564	21,322	104,307
Other income	2,403	-1,264	-320	-377	1,684	2,126
Value adjustments	15,358	-10,055	-727	-1,174	5,989	9,391
Other comprehensive income	-1,413	-892	-354	-	-572	-3,231
<b>Total loans &amp; guarantees</b>	<b>60,146</b>	<b>17,382</b>	<b>7,629</b>	<b>-987</b>	<b>28,423</b>	<b>112,593</b>
<b>Equity investments (including associates and subsidiaries)</b>						
Results from equity investments, associates and subsidiaries	77,964	867	-	9,071	1,006	88,908
Dividend income	13,923	4,849	-	1,235	401	20,408
Impairments	-2,071	-	-1,000	-7,278	-1,941	-12,290
Other comprehensive income	-122,294	2,556	-6,295	-20,073	-9,242	-155,348
<b>Total equity investments</b>	<b>-32,478</b>	<b>8,272</b>	<b>-7,295</b>	<b>-17,045</b>	<b>-9,776</b>	<b>-58,322</b>
<b>Remuneration for services rendered</b>						
Managed government funds	5,264	2,238	769	1,246	985	10,502
Syndicated & parallel transactions	768	554	188	168	213	1,891
<b>Total remuneration for services rendered</b>	<b>6,032</b>	<b>2,792</b>	<b>957</b>	<b>1,414</b>	<b>1,198</b>	<b>12,393</b>
<b>Other</b>						
Operating expenses	-19,221	-12,137	-4,817	-6,007	-7,766	-49,948
Income tax expenses	-7,601	-4,800	-1,905	-2,376	-3,071	-19,753
Other comprehensive income	1,707	1,077	428	533	690	4,435
<b>Total other</b>	<b>-25,115</b>	<b>-15,860</b>	<b>-6,294</b>	<b>-7,850</b>	<b>-10,147</b>	<b>-65,266</b>
<b>Total comprehensive income</b>	<b>8,585</b>	<b>12,586</b>	<b>-5,003</b>	<b>-24,468</b>	<b>9,698</b>	<b>1,398</b>
<b>Total other comprehensive net of tax</b>	<b>-122,000</b>	<b>2,741</b>	<b>-6,221</b>	<b>-19,540</b>	<b>-9,124</b>	<b>-154,144</b>
<b>Net profit</b>	<b>130,585</b>	<b>9,845</b>	<b>1,218</b>	<b>-4,928</b>	<b>18,822</b>	<b>155,542</b>

Segment assets At June 30, 2017	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Loans (incl. guaranteed by the State)	1,798,648	1,192,670	435,806	58,986	722,035	4,208,145
Equity investments and investments in associates	507,269	266,703	142,123	661,675	209,708	1,787,478
Other assets	940,428	593,835	235,698	293,909	379,994	2,443,864
<b>Total assets</b>	<b>3,246,345</b>	<b>2,050,208</b>	<b>813,627</b>	<b>1,014,570</b>	<b>1,311,737</b>	<b>8,439,487</b>
Contingent liabilities – effective guarantees issued	46,625	-	-	-	7,942	54,567
Assets under management (loans and equity investments) managed for the risk of the State	361,405	245,342	76,609	104,202	137,173	924,731

At June 30, 2016	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
<b>Loans &amp; guarantees</b>						
Interest & fee income	47,801	29,056	9,837	17	23,630	110,341
Other income	-1,261	-431	-41	-229	-321	-2,283
Value adjustments	2,929	-6,847	16,066	359	-25,565	-13,058
Other comprehensive income	4,400	2,462	946	-	1,834	9,642
<b>Total loans &amp; guarantees</b>	<b>53,869</b>	<b>24,240</b>	<b>26,808</b>	<b>147</b>	<b>-422</b>	<b>104,642</b>
<b>Equity investments (including associates and subsidiaries)</b>						
Results from equity investments, associates and subsidiaries	16,173	-	-	3,541	-83	19,631
Dividend income	5,793	681	-	1,410	-87	7,797
Impairments	-7,060	-5,428	-2,004	-9,901	-839	-25,232
Other comprehensive income	20,095	1,376	1,233	4,255	5,084	32,043
<b>Total equity investments</b>	<b>35,001</b>	<b>-3,371</b>	<b>-771</b>	<b>-695</b>	<b>4,075</b>	<b>34,239</b>
<b>Remuneration for services rendered</b>						
Managed government funds	5,702	1,676	937	1,033	959	10,307
Syndicated & parallel transactions	1,073	1,145	24	-	-	2,242
<b>Total remuneration for services rendered</b>	<b>6,775</b>	<b>2,821</b>	<b>961</b>	<b>1,033</b>	<b>959</b>	<b>12,549</b>
<b>Other</b>						
Operating expenses	-16,903	-9,456	-3,629	-4,983	-7,045	-42,016
Income tax expenses	-5,991	-2,912	-4,894	776	2,048	-10,973
Other comprehensive income	-4,131	-2,312	-887	-1,218	-1,722	-10,270
<b>Total other</b>	<b>-27,025</b>	<b>-14,680</b>	<b>-9,410</b>	<b>-5,425</b>	<b>-6,719</b>	<b>-63,259</b>
<b>Total comprehensive income</b>	<b>68,620</b>	<b>9,010</b>	<b>17,588</b>	<b>-4,940</b>	<b>-2,107</b>	<b>88,171</b>
<b>Total other comprehensive net of tax</b>	<b>20,364</b>	<b>1,526</b>	<b>1,292</b>	<b>3,037</b>	<b>5,196</b>	<b>31,415</b>
<b>Net profit</b>	<b>48,256</b>	<b>7,484</b>	<b>16,296</b>	<b>-7,977</b>	<b>-7,303</b>	<b>56,756</b>

Segment assets At December 31, 2016	Financial Institutions	Energy	Agri-business	Multi-Sector Fund Investments	Infrastructure, Manufacturing, Services	Total
Loans (incl. guaranteed by the State)	1,899,787	1,285,647	412,711	46,004	882,567	4,526,716
Equity investments and investments in associates	558,167	260,656	128,196	662,599	218,554	1,828,172
Other assets	850,098	534,799	187,076	245,075	380,829	2,197,877
<b>Total assets</b>	<b>3,308,052</b>	<b>2,081,102</b>	<b>727,983</b>	<b>953,678</b>	<b>1,481,950</b>	<b>8,552,765</b>
Contingent liabilities – effective guarantees issued	50,922	-	-	-	10,128	61,050
Assets under management (loans and equity investments) managed for the risk of the State	381,732	251,947	83,185	100,957	167,529	985,350

## 6. 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.

### Fair value hierarchy

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

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

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

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

### Valuation processes

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

FMO's fair value methodology and governance over its methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the Investment Risk Committee (IRC). The IRC approves the fair values measured including the valuation techniques and other significant input parameters used.

### Valuation techniques

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

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

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

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

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

Equity investments are measured at fair value when a quoted market price in an active market is available or when fair value can be estimated reliably by using a valuation technique. The main part of the fair value measurement related to equity investments (level 3) is based on net asset values of investment funds as reported by the fund manager and are based on advanced valuation methods and practices. When available, these fund managers value the underlying investments based on quoted prices, if not available multiples are applied as input for the valuation. For the valuation process of the equity investments we further refer to the accounting policies as well as the Equity Risk section of the chapter Financial Risk Management of the Annual Accounts 2016. The determination of the timing of transfers is embedded in the quarterly valuation process.

FMO uses internal valuation models to value its OTC derivative 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 June 30, 2017, the unamortized accrual amounts to €22,995 (December 31, 2016: €21,950). An amount of €2,916 was recorded as an expense in the profit and loss (June 30, 2016: €6,156).

The carrying values in the financial asset and liability categories approximate their fair values, except for loans to the private sector 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 June 30, 2017, the fair value of the loans to the private sector was €88,630 (December 31, 2016: €82,013) 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 €51 million (December 31, 2016: €55 million).

The unhedged funding is valued at amortized cost. The difference between the fair value and the carrying cost value amounts to €23,354 as per June 30, 2017 (December 31, 2016: €13,902).

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

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

At June 30, 2017	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss</b>				
Short-term deposits	-	1,467,390	-	1,467,390
Derivative financial instruments	-	199,673	5,331	205,004
<b>Available for sale financial assets</b>				
Equity investments	21,810	-	1,576,033	1,597,843
Interest-bearing securities	531,939	-	-	531,939
<b>Total financial assets at fair value</b>	<b>553,749</b>	<b>1,667,063</b>	<b>1,581,363</b>	<b>3,802,176</b>

<b>Financial liabilities at fair value through profit and loss</b>				
Derivative financial instruments	-	202,183	-	202,183
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>202,183</b>	<b>-</b>	<b>202,183</b>

At December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss</b>				
Short-term deposits	-	1,242,604	-	1,242,604
Derivative financial instruments	-	180,857	5,653	186,510
<b>Available for sale financial assets</b>				
Equity investments	61,431	-	1,650,681	1,712,112
Interest-bearing securities	575,117	-	-	575,117
<b>Total financial assets at fair value</b>	<b>636,548</b>	<b>1,423,461</b>	<b>1,656,334</b>	<b>3,716,343</b>

<b>Financial liabilities at fair value through profit and loss</b>				
Derivative financial instruments	-	423,981	-	423,981
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>423,981</b>	<b>-</b>	<b>423,981</b>

Movements in financial instruments measured at fair value based on level 3	Derivative financial instruments	Equity investments	Total
<b>Balance at January 1, 2016</b>	981	1,423,821	1,424,802
Total gains or losses			
· In profit and loss (changes in fair value and value adjustments)	4,672	-35,851	-31,179
· In other comprehensive income (changes in fair value available for sale reserve)	-	105,578	105,578
Purchases	-	281,645	281,645
Sales	-	-118,328	-118,328
Transfers into level 3	-	-	-
Transfers out of level 3	-	-6,184	-6,184
<b>Balance at December 31, 2016</b>	<b>5,653</b>	<b>1,650,681</b>	<b>1,656,334</b>
Total gains or losses			
· In profit and loss (changes in fair value and value adjustments)	-322	-12,290	-12,612
· In other comprehensive income (changes in fair value available for sale reserve)	-	-111,316	-111,316
Purchases	-	99,576	99,576
Sales	-	-50,618	-50,618
Transfers into level 3	-	-	-
Transfers out of level 3	-	-	-
<b>Balance at June 30, 2017</b>	<b>5,331</b>	<b>1,576,033</b>	<b>1,581,364</b>

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

Type of equity investment	Fair value at June 30, 2017	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	872,688	Net Asset Value	n/a	n/a
Private equity direct investments	186,102	Recent transactions	Based on at arm's length recent transactions	n/a
	174,706	Book multiples	Range of book value 1.0 – 2.6	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €18 million. To be recorded in other comprehensive income.
	117,334	Earning multiples	Depends on several unobservable data such as EBITDA multiples (range 5 - 13), EV/EBITDA (range 5 -11)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €12 million. To be recorded in other comprehensive income.
	102,114	DCF	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €10 million. To be recorded in other comprehensive income.
	91,157	Put option based on guaranteed floor	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €9 million. To be recorded in other comprehensive income
	31,932	Firm offers	Range of book value 1.0 – 1.4	n/a
<b>Total</b>	<b>1,576,033</b>			

## 7. Commitments and contingent liabilities

During the first half year of 2017 the irrevocable facilities decreased mainly as a result of disbursements and lower production of new contracts.

	June 30, 2017	December 31, 2016
<b>Contingent liabilities</b>		
Effective guarantees issued	54,567	61,050
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-5,055	-6,726
<b>Total contingent liabilities</b>	<b>49,512</b>	<b>54,324</b>
Effective guarantees received	220,480	224,754
<b>Total guarantees received</b>	<b>220,480</b>	<b>224,754</b>

## 8. Debentures and notes

Debentures and notes increased with €86 million to €5.3 billion (December 31, 2016: €5.2 billion). During the first half of 2017 an amount of €1,146 million was issued and €885 million was redeemed.

## 9. Results from equity investments

In the first six months our results from equity investments increased with €72 million to €92 million (2016: €19 million). The higher results were predominantly driven by two private equity direct investment exits in Asia and Eastern Europe which contributed €81 million to our results.

## 10. Dividends

In the General Meeting of Shareholders in May 2017 the proposal for appropriation of profit 2016 was approved. The distributable amount of the net profit amounts to €6.6 million which has been fully distributed as cash dividend.

## 11. Income tax

Income tax of €19.8 million increased compared to 2016 due to higher profit before tax whilst the average weighted annual rate of 11.5% declined (first half year 2016: 16.2%). The lower tax rate is mainly due to significant higher results from equity investments for which participation exemption is applicable. Current income tax receivables amount to €25.5 million (December 31, 2015: tax liability of €16.4 million) and is mainly due to payments to tax authorities.

## 12. Events after the end of the reporting period

We are not aware of events occurred after the end of the reporting which needs to be reflected in this interim report 2017.

## 13. Related parties

FMO defines the Dutch State, subsidiaries, associated companies, the Management Board and Supervisory Board as related parties. This is in line with the Annual Report 2016.

In the first half of 2017 no significant related parties transaction outside the normal course of business occurred.

## REVIEW REPORT

To: the Management Board of Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V.

### Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V., The Hague, which comprises the consolidated balance sheet as at 30 June 2017, the consolidated profit and loss account, consolidated statement of comprehensive income, condensed statement of changes in shareholder's equity and condensed consolidated statement of cash flows for the 6-month period then ended 30 June 2017, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management Board is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on the interim financial information based on our review.

### Scope

We conducted our review in accordance with Dutch law, including Standard 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the 6-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 21 August 2017

Ernst & Young Accountants LLP

Signed by N.Z.A. Ahmed-Karim



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### Layout

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### Reporting scope

This interim report covers activities that took place or had effect on the first six months of 2017.

FMO publishes its integrated annual report in April. This report is audited by the external auditor. Please read the 2016 auditor's report for detailed information on the scope and result of their work. Previous reports are available on [www.fmo.nl](http://www.fmo.nl) or via [annualreport.fmo.nl](http://annualreport.fmo.nl)



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