Contents

Consolidated annual accounts

Accounting policies

Corporate information

The 2012 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 11, 2013 and will be submitted for adoption in the General Meeting of Shareholders on May 8, 2013.

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’s main activity consists of providing loans, guarantees and equity capital to the private sector in developing countries. 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’.

SERVICES IN RELATION TO GOVERNMENT FUNDS AND PROGRAMS

Apart from financing activities from its own resources, FMO provides loans, guarantees and equity finance from special government funds, within the conditions and objectives of those facilities. The funds consist of subsidies provided under the General Administrative Law Act regarding the Infrastructure Development Fund, MASSIF, Access to Energy Fund and FOM OS. The latter was started during 2012.

FMO incurs a risk in MASSIF as it has an equity share of 2.55% (2011: 2.66%). 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. 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.

IAS 1 Presentation of Financial Statements (effective date July 1, 2012)
From the effective date, there must be a distinction in the statement of other comprehensive income of items that may be reclassified to the profit and loss account and items that will not be reclassified to the profit and loss account. FMO's statement of other comprehensive income only includes items that will be reclassified to the profit and loss account.

IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective date January 1, 2012)
The amendment is focused on investment property using the fair value model in IAS 40 Investment property. Since FMO does not have investment property meeting these conditions, this amendment is not applicable.

Not effective, not adopted
The standards issued and endorsed by the European Union, but not yet effective up to the date of issuance of FMO financial statements, are listed below.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective date January 1, 2013)
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized. The amendment has no impact on FMO's financial position and performance.

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 is currently assessing the impact of this standard.

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.

IFRS 13 Fair Value Measurement (effective date January 1, 2013)
The standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 provides guidance on how to measure fair value. FMO is currently assessing the impact of this standard.

IAS 19 Revisions for Employee Benefits (effective date January 1, 2013)
The amendment removes the option to defer recognition of actuarial gains and losses (i.e. corridor approach). Because actuarial gains and losses are no longer deferred, both the net defined benefit liability or asset and the amounts recognized in profit and loss are affected. As a result all changes in the value of the defined plans will be recognized in other comprehensive income and profit or loss. The adoption of this amendment will require FMO to recognize:
- The re-measurement of pension assets and liabilities with actuarial gains and losses in other comprehensive income;
- Service cost and net interest income or expense in profit or loss.

The effective date of the amendment is January 1, 2013, and FMO has decided not to early adopt the amendment. FMO currently applies the "corridor" method. If the amended standard had been applied in 2012, this would have a negative impact (net of tax) of €8.3 million on FMO's total equity, based on the situation as at December 31, 2012, mainly due to the direct recognition of actuarial gains and losses. The actuarial gains and losses are, by their nature, highly volatile. Furthermore, the profit would have been €0.7 million less (net of tax).

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.

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. FMO is currently assessing the impact of this standard.

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.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective date January 1, 2013)
This standard has no impact on the financial statements of FMO.

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.

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., Blauser S.A. and Confoco S.A. are consolidated in these annual accounts.

- The activities of Nuevo Banco Comercial Holding B.V. and FMO Antillen N.V. consist of providing equity capital to companies in developing countries. Both are 100% owned by FMO.
- Blauser S.A. and Confoco S.A. are Ecuadorian fruit processors and exporters. In 2010 FMO acquired a stake in Blauser S.A. as a settlement in kind, which increased from 70.5% to 100% during 2012. Also, FMO acquired 100% of Confoco S.A. from Blauser S.A. by converting a loan into equity. For both companies 15% of future income received is pledged to a third party.

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 (distinguished by investment funds and other financial institutions)
2. Energy (sustainable)
3. Agribusiness, Food & Water

The sector Housing was discontinued in 2012 and reclassified to Financial Institutions and Diverse Sectors for comparative figures.

The business sectors are included in the segment reporting and further divided into i) Financial Institutions - excluding investment funds, ii) Financial Institutions - investment funds, iii) Energy, iv) Agribusiness, Food & Water, v) Diverse Sectors and vi) Treasury. The segment Financial Institutions – investment funds includes investments in private equity funds that provide financing to various sectors. The segment Diverse

Sectors operates in other sectors (e.g. telecom, infrastructure and manufacturing) by partnering with commercial banks and development finance institutions.

FISCAL UNITY

The company formed a fiscal unity for corporate income tax purposes with its fully-owned subsidiary Nuevo Banco Comercial Holding B.V. as from January 1, 1999. As a consequence, FMO is severally liable for all income tax liabilities for Nuevo Banco Commercial Holding B.V.

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 the issuance of 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 costs 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. 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, branch of industry (financial or non-financial institution), probabilities of default, country ratings and recovery rates, and taking into consideration the nature of the exposures based on product/country combined risk assessment.

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 certain 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 do 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
Buildings	Twenty 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.

DEBT ISSUED

Debt issued consists of:

1. *Debt securities:*
   Non-subordinated debt, which has not been identified as debentures and notes. In this category the following distinction is made:
   - Debt securities qualifying for hedge accounting (valued at amortized cost and adjusted for the fair value of the hedged risk);
   - Debt securities not qualifying for hedge accounting (valued at amortized cost).
2. *Debentures and notes:*
   Medium-term notes under FMO's GMTN program and public issues in the Swiss franc (CHF) market, Japanese yen (JPY) Samurai market, Australian dollar (AUD) market and Canadian dollar (CAD) market. 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).

Debt issued valued at amortized cost

Debt issued is 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.

Debt issued eligible for hedge accounting

When hedge accounting is applied to debt instruments, 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

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. This is except for employees born before January 1, 1950, who 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 21. FMO recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of ('corridor approach'):

- 10% of present value of the defined benefit obligation at that date; and
- 10% of the fair value of any plan assets at that date.

The liability in respect of defined benefit pension plans 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.

The net periodic pension cost is included in staff costs. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over employees' service lives.

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, 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.

Non-controlling interests

The non-controlling interest relates to the investment in Blauser S.A. and Confoco S.A. held by other investors.

Consolidated balance sheet at December 31

(before profit appropriation)	Notes	Page number	2012	2011
ASSETS				
Banks	(1)	120	22,507	42,114
Short-term deposits	(2)	120	678,126	498,787
Derivative financial instruments	(3)	120	280,195	334,062
Loans to the private sector	(4), (8)	121, 124	2,757,597	2,522,112
Loans guaranteed by the State	(5), (8)	122, 124	58,906	62,550
Equity investments	(6)	123	890,530	753,366
Investments in associates	(7)	123	23,156	42,073
Interest-bearing securities	(9)	125	729,816	671,578
Tangible fixed assets	(10)	125	11,685	9,383
Deferred income tax assets	(32)	135	3,393	3,682
Current income tax receivables	(32)	135	-	4,560
Current accounts with State funds and other programs	(11)	126	1,060	-
Other receivables	(12)	126	25,376	32,896
Accrued income	(13)	126	78,983	82,116
Total assets			**5,561,330**	**5,059,279**
LIABILITIES				
Banks	(14)	127	27,772	-
Short-term credits	(15)	127	240,445	557,660
Derivative financial instruments	(3)	120	89,560	66,038
Debt securities	(16)	127	15,143	22,429
Debentures and notes	(17)	128	3,276,507	2,656,111
Other liabilities	(18)	128	9,364	14,188
Current accounts with State funds and other programs	(19)	128	322	624
Current income tax liabilities	(32)	135	515	-
Wage tax liabilities			2,110	1,846
Deferred income tax liabilities	(32)	135	8,645	4,501
Accrued liabilities	(20)	128	53,576	55,099
Provisions	(21)	129	15,051	16,193
Total liabilities			**3,739,010**	**3,394,689**
SHAREHOLDERS’ EQUITY				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			893,184	753,989
Development fund			657,981	657,981
Available for sale reserve			193,009	176,201
Translation reserve			239	3,504
Other reserves			32,004	29,860
Undistributed profit			6,724	4,286
Shareholders’ equity (parent)			**1,821,489**	**1,664,169**
Non-controlling interests			831	421
Total shareholders’ equity	**(22)**	**131**	**1,822,320**	**1,664,590**
Total liabilities and shareholders’ equity			**5,561,330**	**5,059,279**
Contingent liabilities	(33)	137	92,392	129,489
Irrevocable facilities	(33)	137	1,281,687	1,188,756
Loans and equity investments managed for the risk of the State [1]			652,607	612,221

1) See segment reporting paragraph.

Consolidated profit and loss account

	Notes	Page number	2012	2011
INCOME				
Interest income			226,976	194,701
Interest expense			-73,152	-47,733
Net interest income	**(23)**	**133**	**153,824**	**146,968**
Fee and commission income			7,308	6,648
Fee and commission expense			-167	-165
Net fee and commission income	**(24)**	**133**	**7,141**	**6,483**
Dividend income			17,207	13,643
Results from equity investments	(25)	133	72,126	32,128
Results from financial transactions	(26)	134	199	13,282
Remuneration for services rendered	(27)	134	19,146	18,435
Other operating income	(28)	134	1,811	6,973
Total other income			**110,489**	**84,461**
Total income			**271,454**	**237,912**
OPERATING EXPENSES				
Staff costs	(29)	134	-43,249	-39,074
Other administrative expenses	(30)	135	-11,161	-10,393
Depreciation and impairment	(10)	125	-1,779	-1,891
Other operating expenses	(31)	135	-257	-140
Total operating expenses			**-56,446**	**-51,498**
Operating profit before value adjustments			**215,008**	**186,414**
VALUE ADJUSTMENTS ON				
Loans	(8)	124	-29,123	-36,901
Equity investments and associates	(6), (7)	123, 123	-22,797	-36,298
Guarantees issued	(8)	124	6,257	13,791
Total value adjustments			**-45,663**	**-59,408**
Share in the result of associates	(7)	123	4,033	-9,253
Profit before taxation			**173,378**	**117,753**
Income tax	(32)	135	-27,386	-24,362
Net profit			**145,992**	**93,391**
NET PROFIT ATTRIBUTABLE TO				
Owners of the parent company			145,919	93,102
Non-controlling interests			73	289
Net Profit			**145,992**	**93,391**

Consolidated statement of comprehensive income

(before profit appropriation)	Notes	Page number	2012	2011
Net profit			**145,992**	**93,391**
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating associates and subsidiaries			-3,265	1,209
Available for sale financial assets			20,952	59,349
Income tax relating to components of other comprehensive income			-4,144	-1,245
Total other comprehensive income, net of tax	**(36)**	**140**	**13,543**	**59,313**
Total comprehensive income			**159,535**	**152,704**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company			159,462	152,415
Non-controlling interests			73	289
Total comprehensive income			**159,535**	**152,704**

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Contrac-tual reserve	Develop-ment fund	Available for sale reserve	Trans-lation reserve	Other reserves	Undist-ributed profit	Non-con-trolling interests	Total
Balance at December 31, 2010	**9,076**	**29,272**	**665,173**	**657,981**	**118,097**	**2,295**	**25,515**	**6,209**	**174**	**1,513,792**
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	1,209	-	-	-	1,209
Available for sale financial assets	-	-	-	-	59,349	-	-	-	-	59,349
Income tax relating to components of other comprehensive income	-	-	-	-	-1,245	-	-	-	-	-1,245
Total other comprehen-sive income for the year	**-**	**-**	**-**	**-**	**58,104**	**1,209**	**-**	**-**	**-**	**59,313**
Changes in subsidiary Blauser S.A.	-	-	-	-	-	-	-	-	-42	-42
Undistributed profit 2010	-	-	-	-	-	-	4,345	-4,345	-	-
Net profit	-	-	88,816 [1)]	-	-	-	-	4,286	289	93,391
Dividend declared	-	-	-	-	-	-	-	-1,864	-	-1,864
Balance at December 31, 2011	**9,076**	**29,272**	**753,989**	**657,981**	**176,201**	**3,504**	**29,860**	**4,286**	**421**	**1,664,590**
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	-3,265	-	-	-	-3,265
Available for sale financial assets	-	-	-	-	20,952	-	-	-	-	20,952
Income tax relating to components of other comprehensive income	-	-	-	-	-4,144	-	-	-	-	-4,144
Total other comprehen-sive income for the year	**-**	**-**	**-**	**-**	**16,808**	**-3,265**	**-**	**-**	**-**	**13,543**
Changes in subsidiaries Blauser S.A. and Confoco SA.	-	-	-	-	-	-	-	-	337	337
Undistributed profit 2011	-	-	-	-	-	-	2,144	-2,144	-	-
Net profit	-	-	139,195	-	-	-	-	6,724	73	145,992
Dividend declared	-	-	-	-	-	-	-	-2,142	-	-2,142
Balance at December 31, 2012	**9,076**	**29,272**	**893,184**	**657,981**	**193,009**	**239**	**32,004**	**6,724**	**831**	**1,822,320**

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	2012	2011
OPERATIONAL ACTIVITIES				
Net profit			**145,992**	**93,391**
Adjusted for non-cash items:				
• Result of associates			-4,033	9,253
• Unrealized gains (losses)			9,748	19,710
• Value adjustments			49,007	60,369
• Depreciation and impairment of tangible fixed assets			1,779	1,891
• Income tax expense			27,386	24,362
Changes in:				
• Income tax paid			-22,022	-28,399
• Net movement (disbursements and repayments) in loans (including guaranteed by the State)			-324,596	-328,298
• Purchase of and proceeds from equity investments and associates			-131,945	-92,719
• Movement other assets and liabilities [1)]			22,188	73,090
• Movement in short-term credits [1)]			-317,201	279,807
Net cash flow from operational activities	**(37)**	**141**	**-543,697**	**112,457**
INVESTMENT ACTIVITIES				
Purchase of interest-bearing securities			-271,028	-130,845
Redemption/sale of interest-bearing securities			231,392	26,129
(Dis)investments in tangible fixed assets			-4,081	-2,782
Net cash flow from investment activities	**(38)**	**141**	**-43,717**	**-107,498**
FINANCING ACTIVITIES				
Proceeds from issuance of debt securities, debentures and notes			951,786	461,237
Redemption of debt securities, debentures and notes			-230,270	-275,304
Dividend paid			-2,142	-1,864
Net cash flow from financing activities	**(39)**	**141**	**719,374**	**184,069**
Net cash flow			**131,960**	**189,028**
CASH AND CASH EQUIVALENTS				
Banks and short-term deposits at January 1			540,901	351,873
Banks and short-term deposits at December 31			672,861	540,901
Total cash flow			**131,960**	**189,028**
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS				
Interest received			230,103	183,909
Interest paid			75,559	42,977
Dividend received			17,207	13,643

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

Financial risk management

Introduction

It is FMO's mission to take risks that commercial parties are not usually prepared to take. A glance at FMO's portfolio reveals the institution's development mission: investing in a diversified portfolio in emerging countries. The main financial risks FMO is potentially exposed to are credit risk, currency risk, equity risk, interest rate risk and liquidity risk. Reference is made to the annual report for information on operational risk and reputational 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 credit risk, equity risk, currency risk, interest rate risk, liquidity risk and FMO's capital management framework.

Risk profile

The only financial risk FMO is willing to take relates to credit risk stemming from debt and equity instruments to private institutions in developing countries. This credit 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 was 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.

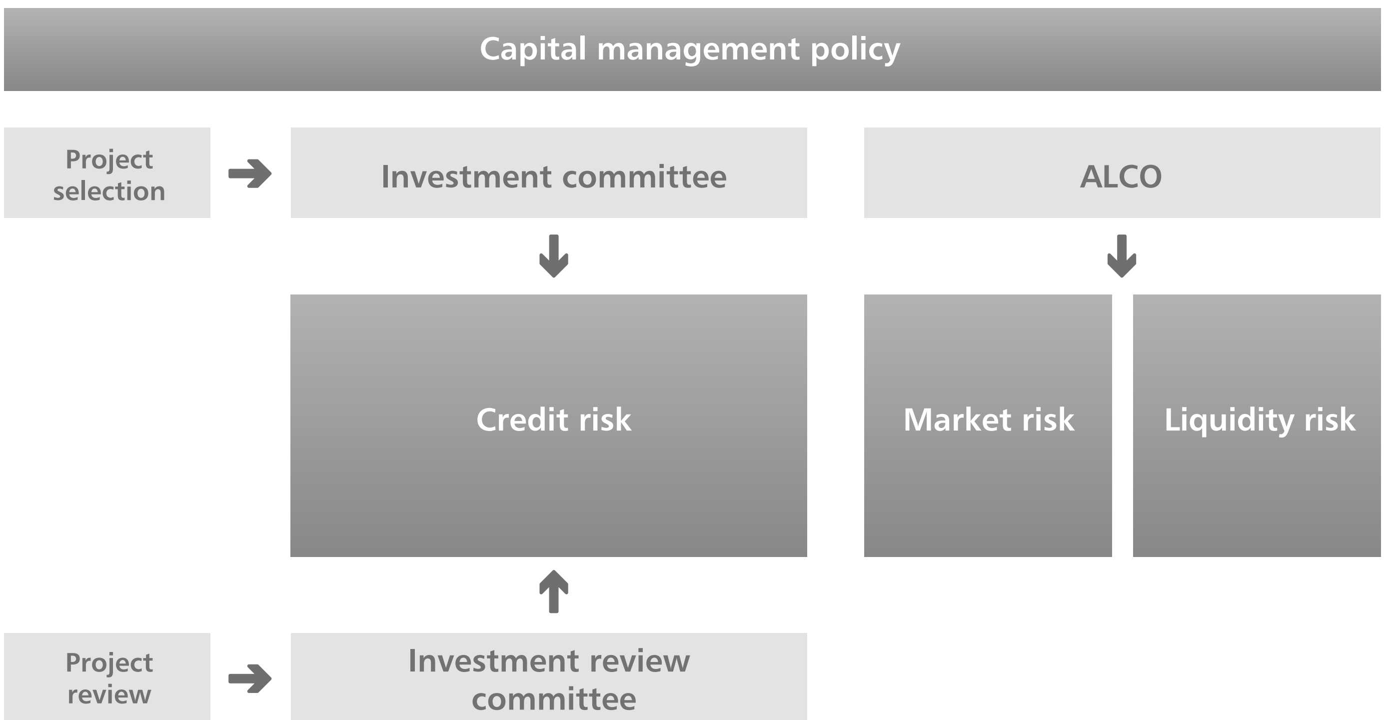
Organization of risk management

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 its 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 tends to increase awareness of the financial risks and the risk-return relationship. The team also developes and supports new financial services in emerging markets.

The figure below provides an overview of FMO's financial risk control framework. Note that it only contains the financial risks and does not include operational and reputational risks.

FINANCIAL RISK CONTROL FRAMEWORK



The Investment Committee, comprising of representatives of several departments, reviews financing proposals in emerging markets. 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 Investment Mission Review (IMR) 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, at least annually. Relevant exposures are reviewed by the Investment Review Committee. Its members consist of representatives of several departments. The large and higher risk exposures are accompanied by the advice of the IMR 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 are 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 is chaired by the CEO and complies with the recommendations of the Banking Code (see the annual report for more information on the Banking Code).

Each year FMO's risk appetite is reviewed. 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".

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 20% 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. The maximum exposure to credit risk increased during the year from €6,808 million at December 31, 2011 to €7,366 million at December 31, 2012.

Maximum exposure to credit risk, including derivatives

	2012	2011
ON-BALANCE		
Banks	22,507	42,114
Short-term deposits	294,874	198,790
Short-term deposits – Dutch central bank	383,252	299,997
Derivative financial instruments	280,195	334,062
Loans to the private sector	3,112,833	2,870,781
Loans guaranteed by the State	68,441	70,082
Equity investments	967,782	837,318
Investments in associates	23,156	42,073
Interest-bearing securities	729,816	671,578
Deferred income tax assets	3,393	3,682
Current income tax receivables	-	4,560
Current accounts with State funds and other programs	1,060	-
Other receivables	25,376	32,896
Accrued income	78,983	82,116
Total on-balance	**5,991,668**	**5,490,049**
OFF-BALANCE		
Credit risk exposures relating to off-balance sheet items are as follows:		
• Contingent liabilities	92,392	129,489
• Irrevocable facilities	1,281,687	1,188,756
Total off-balance	**1,374,079**	**1,318,245**
Total credit risk exposure	**7,365,747**	**6,808,294**

CREDIT RISK IN THE EMERGING MARKETS LOAN PORTFOLIO

FMO's loan portfolio is exposed to 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.

Gross exposure of loans distributed by region and sector

At December 31, 2012	Financial Institutions	Energy	Agribusiness, Food & Water	Diverse Sectors	Total
Africa	322,563	138,564	5,699	199,307	666,133
Asia	327,786	164,357	48,990	328,872	870,005
Europe & Central Asia	424,660	9,890	72,335	99,123	606,008
Latin America & the Caribbean	448,547	184,350	161,573	108,954	903,424
Non-region specific	21,456	-	30,336	15,471	67,263
Total	**1,545,012**	**497,161**	**318,933**	**751,727**	**3,112,833**

At December 31, 2011	Financial Institutions	Energy	Agribusiness, Food & Water	Diverse Sectors	Total
Africa	353,072	114,816	5,813	173,063	646,764
Asia	265,649	121,184	52,036	383,554	822,423
Europe & Central Asia	489,254	7,555	60,243	51,384	608,436
Latin America & the Caribbean	352,476	152,745	132,026	118,618	755,865
Non-region specific	18,583	-	-	18,710	37,293
Total	**1,479,034**	**396,300**	**250,118**	**745,329**	**2,870,781**

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 size of the facility 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), approximately equivalent to AAA to CCC ratings. Likewise, the recovery ratio is estimated by scoring on various dimensions of the product-specific risk.

As of January 1, 2012, a new internal rating methodology has been implemented. This methodology has been validated by one of the leading rating agencies. It uses new scorecards that are in line with regulations.

Gross exposure distributed by internal ratings

Indicative counterparty credit rating	2012	2011
BBB- and higher	143,857	187,582
BB-, BB, BB+	1,499,802	1,446,471
B-, B, B+	1,182,543	927,192
CCC+ and lower ratings	286,631	309,536
Total	**3,112,833**	**2,870,781**

Maximum exposure to credit risk of the gross loan portfolio increased to €3,113 million in 2012 (2011: €2,871 million). The largest sector within the loan portfolio is the sector Financial Institutions. For more details reference is made to the tables 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 or euros. 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 €92,392 (2011: €129,489). FMO has received guarantees for an amount of €100,710 (2011: €97,407). Provisions, amortized costs and obligations for guarantees add up to €8,387 (2011: €14,188).

Irrevocable facilities represent commitments to extend finance to clients. The irrevocable facilities increased to €1,282 million (2011: €1,189 million) corresponding to 35% (2011: 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 the case of commitments to equity funds, which have a contractual investment period of several years.

COLLATERAL, LOANS PAST DUE AND VALUE ADJUSTMENTS

In 2012, collateral was acquired on 35% (2011: 37%) 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 2012, the counterparty-specific value adjustments as a percentage of the gross loan portfolio equaled 3.4% (2011: 3.5%). The group-specific value adjustments equaled 7.0% (2011: 7.5%), resulting in total value adjustments of 10.4% (2011: 11.0%) 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 a refinement in the parameters of the provisioning model. A provision for information backlog used to be taken during the first two years of a loan. However, FMO's loss history has shown that no structural significant losses have occurred in the first two years after disbursement as a result of information backlog. Therefore this part of the provision has been released. This has led to a release of €32.4 million of the group-specific value adjustments.

Our Non-Performing Loan (NPL) ratio increased from 3.4% to 3.5% [1]. 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. This is reflected in the increase in NPLs from €47,213 in 2011 to €74,060 in 2012 within the Diverse Sectors portfolio.

When the terms and conditions of a loan have been modified significantly, FMO considers these loans as restructured. These 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. As result of our 2012 assessment no loans qualified for derecognition. The total amount of the loans under consideration was €46,340 (2011: €29,670).

In 2012, our (partial) write-offs were limited to two loans, corresponding to 0.5% of our portfolio. Looking at our overall portfolio and the limited number of non-performing loans, – although the number of restructured loans increased in 2012 – FMO sees no trend that would indicate a material deterioration of asset quality.

1) Note that the NPL ratio of 2012 is influenced by the recognition of a guaranteed amount which is thus deducted of the amount from the non-performing loans. When this guaranteed amount is not taken into account the overall NPL ratio increases to 3.9%.

Loans past due and value adjustments 2012

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	2,953,638	24,615	2,978,253	-17,249	2,961,004
Loans past due:	-	-	-	-	-
• Past due up to 30 days	-	-	-	-	-
• Past due 30-60 days	1,779	-	1,779	-	1,779
• Past due 60-90 days	5,530	19,305	24,835	-4,826	20,009
• Past due more than 90 days	-	107,966	107,966	-83,870	24,096
Sub total	**2,960,947**	**151,886**	**3,112,833**	**-105,945**	**3,006,888**
Less: amortizable fees	-31,788	-889	-32,677	-	-32,677
Less: group-specific value adjustments	-216,614	-	-216,614	-	-216,614
Carrying value	**2,712,545**	**150,997**	**2,863,542**	**-105,945**	**2,757,597**

Loans past due and value adjustments 2011

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	2,695,653	60,632	2,756,285	-34,245	2,722,040
Loans past due:					
• Past due up to 30 days	-	-	-	-	-
• Past due 30-60 days	-	-	-	-	-
• Past due 60-90 days	1,564	15,582	17,146	-11,686	5,460
• Past due more than 90 days	-	97,350	97,350	-54,529	42,821
Sub total	**2,697,217**	**173,564**	**2,870,781**	**-100,460**	**2,770,321**
Less: amortizable fees	-28,997	-3,655	-32,652	-	-32,652
Less: group-specific value adjustments	-215,557	-	-215,557	-	-215,557
Carrying value	**2,452,663**	**169,909**	**2,622,572**	**-100,460**	**2,522,112**

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

At December 31, 2012	Financial Institutions	%	Energy	%	Agribusiness, Food & Water	%	Diverse Sectors	%	Total	%
Africa	-	-	2,466	2	4,042	71	5,670	3	12,178	2
Asia	-	-	-	-	7,481	15	39,812	12	47,293	5
Europe & Central Asia	11,376	3	-	-	-	-	28,578	29	39,954	7
Latin America & the Caribbean	6,520	1	-	-	-	-	-	-	6,520	1
Non-region specific	-	-	-	-	-	-	-	-	-	-
Total	**17,896**	**1**	**2,466**	**-**	**11,523**	**4**	**74,060**	**10**	**105,945**	**3**

At December 31, 2011	Financial Institutions	%	Energy	%	Agribusiness, Food & Water	%	Diverse Sectors	%	Total	%
Africa	11,686	3	656	1	2,375	41	5,618	3	20,335	3
Asia	-	-	976	1	2,698	5	24,095	6	27,769	3
Europe & Central Asia	16,289	3	-	-	-	-	17,500	34	33,789	6
Latin America & the Caribbean	11,050	3	3,855	3	3,662	3	-	-	18,567	2
Non-region specific	-	-	-	-	-	-	-	-	-	-
Total	**39,025**	**3**	**5,487**	**1**	**8,735**	**3**	**47,213**	**6**	**100,460**	**3**

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. In order to calculate group-specific value adjustments, country-specific provisions 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 2012.

Overview country ratings

Indicative external rating equivalent	2012 (%)	2011 (%)
BBB and higher ratings	19.1	18.1
BBB-	10.7	12.5
BB+	5.8	3.5
BB	6.8	10.2
BB-	12.5	11.1
B+	14.7	17.6
B	9.4	11.0
B-	9.2	7.6
CCC+ and lower ratings	11.8	8.4
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.

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 the case of FMO the accepted collateral is cash (USD or EUR).

FMO pursues a conservative investment policy. The majority of the interest-bearing securities have a AAA rating.

Overview interest-bearing securities

At December 31	2012	2011
AAA	510,286	453,586
AA- to AA+	219,530	217,992
A+ or lower	-	-
Total	**729,816**	**671,578**

Geographical distribution interest-bearing securities

At December 31	2012 (%)	2011 (%)
Austria	7	-
Australia	-	8
Belgium	6	2
Finland	7	-
France	3	7
Germany	3	8
Great Britain	12	12
Netherlands	34	34
Supra-nationals	28	27
United States of America	-	2
Total	**100**	**100**

In 2012 FMO sold interest-bearing securities for a principal amount of €95.6 million which no longer complied with the investment policy.

Overview short-term deposits

At December 31	Rating (short-term)	2012	2011
Dutch central bank		383,251	299,997
Financial Institutions	A-1	94,166	74,530
	A-2	9,700	1,050
Money market funds	AAAmmf	191,009	53,964
Supra-nationals	A-1	-	69,246
Total		**678,126**	**498,787**

The increase of the money market funds is related to our increased liquidity position. The low risk profile and a high liquidity of these money market funds fit well in our liquidity and investment policy.

Derivative financial instruments distributed by rating 1)

	2012		2011	
Derivative financial instruments (based on long-term rating)	**Net exposure**	**CSA (%)**	**Net exposure**	**CSA (%)**
AAA	6	-	90	-
AA- to AA+	37,940	94	60,661	96
A to A+	195,565	100	221,190	100
Total	**233,511**	**99**	**281,941**	**99**

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 after several 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, 2012, amounted to €890,530 (2011: €753,366) of which €693,728 (2011: €592,433) 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, €191,924 (2011: €171,513) of the equity portfolio is valued at cost minus impairment, of which a high share is quoted in US dollars: 49% (2011: 48%). 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, 2012	Financial Institutions Investment funds	Financial Institutions Other	Energy	Agribusiness, Food & Water	Diverse Sectors	Total
Africa	119,712	73,333	21,937	-	32,930	247,912
Asia	137,376	25,852	34,397	8,748	2	206,375
Europe & Central Asia	176,599	10,669	18	-	4,563	191,849
Latin America & the Caribbean	88,599	12,837	10,717	17,753	10,281	140,187
Non-region specific	88,148	8,746	7,313	-	-	104,207
Total	**610,434**	**131,437**	**74,382**	**26,501**	**47,776**	**890,530**

At December 31, 2011	Financial Institutions Investment funds	Financial Institutions Other	Energy	Agribusiness, Food & Water	Diverse Sectors	Total
Africa	90,598	46,862	22,133	-	32,620	192,213
Asia	112,894	16,308	32,767	7,569	2	169,540
Europe & Central Asia	156,268	5,525	175	-	3,012	164,980
Latin America & the Caribbean	71,572	12,902	6,825	14,141	17,905	123,345
Non-region specific	88,165	6,703	8,420	-	-	103,288
Total	**519,497**	**88,300**	**70,320**	**21,710**	**53,539**	**753,366**

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 size and the timing of the cash flows are uncertain. 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.

Since 2006, FMO has increasingly offered loans in emerging market currencies. This aims to better match the needs of local banks and corporates, thereby reducing their currency risk. At December 31, 2012, 13% (2011: 15%) 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.

Currency risk exposure (at carrying values)

At December 31, 2012	€	US$	¥	CHF	Other	Total
ASSETS						
Banks	2,642	17,912	-	-	1,953	22,507
Short-term deposits	518,882	159,244	-	-	-	678,126
Derivative financial instruments 1)	50,368	-527,394	343,148	692,618	-278,545	280,195
Loans to the private sector	256,838	2,128,626	-	-	372,133	2,757,597
Loans guaranteed by the State	34,893	24,013	-	-	-	58,906
Equity investments	202,234	585,105	-	-	103,191	890,530
Investments in associates	1,511	21,645	-	-	-	23,156
Interest-bearing securities	729,816	-	-	-	-	729,816
Tangible fixed assets	5,376	6,309	-	-	-	11,685
Deferred income tax assets	3,393	-	-	-	-	3,393
Current income tax receivables	-	-	-	-	-	-
Current accounts with State funds and other programs	1,060	-	-	-	-	1,060
Other receivables	6,882	17,735	-	-	759	25,376
Accrued income	21,354	34,389	6,610	6,744	9,886	78,983
Total assets	**1,835,249**	**2,467,584**	**349,758**	**699,362**	**209,377**	**5,561,330**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Banks	3,356	25,518	-52	-6	-1,044	27,772
Short-term credits	240,445	-	-	-	-	240,445
Derivative financial instruments 1)	-229,296	993,193	-536,962	-	-137,375	89,560
Debt securities	15,143	-	-	-	-	15,143
Debentures and notes	653,547	851,690	863,043	674,250	233,977	3,276,507
Other liabilities	3,805	2,774	-	-	2,785	9,364
Current accounts with State funds and other programs	322	-	-	-	-	322
Current income tax liabilities	515	-	-	-	-	515
Wage tax liabilities	2,110	-	-	-	-	2,110
Deferred income tax liabilities	8,645	-	-	-	-	8,645
Accrued liabilities	12,487	-20,559	23,854	26,582	11,212	53,576
Provisions	14,906	145	-	-	-	15,051
Shareholders' equity	1,822,320	-	-	-	-	1,822,320
Total liabilities and shareholders' equity	**2,548,305**	**1,852,761**	**349,883**	**700,826**	**109,555**	**5,561,330**
Currency sensitivity gap 2012		**614,823**	**-125**	**-1,464**	**99,822**	
Currency sensitivity gap 2012 excluding equity investments and investments in associates		**8,073**	**-125**	**-1,464**	**-3,369**	

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, 2011	€	US$	¥	CHF	Other	Total
Total assets	1,844,543	1,680,250	792,434	535,633	206,419	5,059,279
Total liabilities and shareholders' equity	2,450,903	1,158,573	792,306	535,203	122,294	5,059,279
Currency sensitivity gap 2011		**521,677**	**128**	**430**	**84,125**	
Currency sensitivity gap 2011 excluding investments in equity and associates		**-4,298**	**128**	**430**	**-20,847**	

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

	At December 31, 2012		At December 31, 2011	
Change of value relative to the euro [1]	**Sensitivity of income**	**Sensitivity of shareholders' equity** [2]	**Sensitivity of income**	**Sensitivity of shareholders' equity** [2]
US$ value increase of 10%	808	50,755	-430	38,638
US$ value decrease of 10%	-808	-50,755	430	-38,638
¥ value increase of 10%	-13	13	13	13
¥ value decrease of 10%	13	-13	-13	-13
CHF value increase of 10%	-147	-147	43	43
CHF value decrease of 10%	147	147	-43	-43

1) The sensitivities are illustrative only and employ simplified scenarios. The sensitivity of 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, excluding 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; and to generate stable income on FMO's capital by investing in fixed bonds and loans.

FMO manages its interest position through the Price Value per Basis Point (PVBP). The PVBP expresses the impact on the fair value of the financial instruments by a basis point change in yield. The capital of FMO is included in the portfolio with an assigned duration of 4.5 years. Measured this way, the interest position per end 2012 was a PVBP of €40. This is within the limits set in FMO's interest policy, with the lower (EUR -50) and upper PVBP limit (EUR +50).

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, 2012	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
ASSETS						
Banks	22,507	-	-	-	-	22,507
Short-term deposits	678,126	-	-	-	-	678,126
Derivative financial instruments [1)]	-1,317,846	-229,980	1,686,917	132,004	9,100	280,195
Loans to the private sector	1,275,033	718,376	378,232	385,956	-	2,757,597
Loans guaranteed by the State	5,543	3,577	37,955	11,831	-	58,906
Equity investments	-	-	-	-	890,530	890,530
Investments in associates	-	-	-	-	23,156	23,156
Interest-bearing securities	-	35,568	694,248	-	-	729,816
Tangible fixed assets	-	-	-	-	11,685	11,685
Deferred income tax assets	-	-	-	-	3,393	3,393
Current income tax receivables	-	-	-	-	-	-
Current accounts with State funds and other programs	-	-	-	-	1,060	1,060
Other receivables	-	-	-	-	25,376	25,376
Accrued income	-	-	-	-	78,983	78,983
Total assets	**663,363**	**527,541**	**2,797,352**	**529,791**	**1,043,283**	**5,561,330**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Banks	27,772	-	-	-	-	27,772
Short-term credits	240,445	-	-	-	-	240,445
Derivative financial instruments1)	-459,496	207,711	339,341	2,004	-	89,560
Debt securities	15,143	-	-	-	-	15,143
Debentures and notes	1,074,954	287,576	1,751,339	162,638	-	3,276,507
Other liabilities	-	-	-	-	9,364	9,364
Current accounts with State funds and other programs	-	-	-	-	322	322
Current income tax liabilities	-	-	-	-	515	515
Wage tax liabilities	-	-	-	-	2,110	2,110
Deferred income tax liabilities	-	-	-	-	8,645	8,645
Accrued liabilities	-	-	-	-	53,576	53,576
Provisions	-	-	-	-	15,051	15,051
Shareholders' equity	-	-	-	-	1,822,320	1,822,320
Total liabilities and shareholders' equity	**898,818**	**495,287**	**2,090,680**	**164,642**	**1,911,903**	**5,561,330**
Interest sensitivity gap 2012	**-235,455**	**32,254**	**706,672**	**365,149**	**-868,620**	**-**

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, 2011	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
Total assets	597,817	604,726	2,221,974	692,147	942,615	5,059,279
Total liabilities and shareholders' equity	421,977	796,032	1,850,502	233,727	1,757,041	5,059,279
Interest sensitivity gap 2011	**175,840**	**-191,306**	**371,472**	**458,420**	**-814,426**	**-**

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

	Sensitivity of net	Sensitivity of shareholders' equity				
At December 31, 2012	**interest income [1]**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Increase of 100 basis points	-2,032	927	2,897	-10,827	1,023	-5,980
Decrease of 100 basis points	2,032	-927	-2,897	10,827	-1,023	5,980

	Sensitivity of net	Sensitivity of shareholders' equity				
At December 31, 2011	**interest income [1]**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Increase of 100 basis points	-155	1,187	989	-6,879	-4,208	-8,911
Decrease of 100 basis points	155	-1,187	-989	6,879	4,208	8,911

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 capital base is primarily invested in our private equity portfolio and a sizeable fixed bond portfolio. Low USD and EUR interest rate levels have generated increased demand by FMO's emerging market clients for fixed rate loan facilities, mostly in USD. This increase of fixed rate USD loans ensures a stable interest income. Therefore, holding a fixed bond portfolio becomes redundant from an interest rate point of view.

Starting in 2013 FMO will bring its policy in line with the changed composition of the balance sheet. Moreover, the method of measuring the interest rate risk will be aligned to market practices. As a result FMO's capital is excluded from the interest rate sensitivity calculation. FMO's capital will primarily be used to fund equity investments and fixed rated USD loans instead of liquid fixed rate EUR bonds. This means the duration of equity is determined by the fixed rate USD loan portfolio. The USD interest rate exposure that arises is swapped to EUR interest rate exposure. The EUR duration is kept within a bandwidth of 3 to 5 years.

Liquidity risk

Liquidity risk is the risk that insufficient funds are available to meet financial commitments. FMO's policy is to have matched funding, that is the tenor of its funding is matched to its assets, 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 that our funding sources are diversified in terms of geography and instrument type. And fourthly, FMO maintains a minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Levels of these ratios are already comfortably above the new requirements of Basel III that are expected to be put by the regulator in the upcoming years. 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 the 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. This can be used as collateral to obtain short-term loans from the European Central Bank.

The liquidity position is well within FMO's limits and even under various stress tests the liquidity position is still within limits. 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 funding of almost €1 billion during 2012:
In February 2012, FMO successfully issued its first USD benchmark bond – a US$500 million (€380 million), 3 year floating rate note. This transaction fits the strategic goal of FMO to widen its institutional investor base beyond the typical Japanese yen and Swiss franc deals it has issued throughout prior years.

FMO successfully tapped the Samurai market for the third time with a transaction of JPY 20 billion (€330 million). Furthermore, the joint lead managers managed to distribute FMO's paper to a diversified group of investors including a number of new regional accounts.
Also funding was raised via a CHF 175 million public transaction (€130 million) which was taken up by banks, corporate treasuries and pension funds in particular.

In addition to these public deals, FMO issued a number of private placements at attractive funding levels (€177 million in total). FMO found some initial demand for Sustainability Bonds which FMO started issuing after having obtained ratings from two of the leading sustainability rating agencies. This creates a starting point for further marketing efforts towards investors that attach specific value to these aspects.

The following table shows the categorization of the balance sheet per maturity bucket. For those instruments that have a fixed cash flow schedule, undiscounted cash flows are shown, including interest cash flows. For all other instruments the balance sheet amounts are shown. Expected cash flows resulting from irrevocable facilities being drawn are not included in the liquidity gap. In the aforementioned stress scenario the irrevocable facilities are included.

Categorization of the balance sheet per maturity bucket

At December 31, 2012	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
ASSETS						
Banks	22,507	-	-	-	-	22,507
Short-term deposits	642,518	-	-	-	35,608	678,126
Derivative financial instruments	68,192	3,877	126,676	24,909	-	223,654
Loans to the private sector	105,011	339,149	1,745,790	680,958	-	2,870,908
Loans guaranteed by the State	4,949	7,490	40,562	7,449	-	60,450
Equity investments	-	-	-	-	890,530	890,530
Investments in associates	-	-	-	-	23,156	23,156
Interest-bearing securities	-	35,000	644,900	-	-	679,900
Tangible fixed assets	-	-	-	-	-	-
Deferred income tax assets	-	-	-	-	3,393	3,393
Current income tax receivables	-	-	-	-	-	-
Current accounts with State funds and other programs	1,060	-	-	-	-	1,060
Other receivables	25,376					25,376
Accrued income	78,983	-	-	-	-	78,983
Total assets	**948,596**	**385,516**	**2,557,928**	**713,316**	**952,687**	**5,558,043**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Banks	27,772	-	-	-	-	27,772
Short-term credits	-	-	-	-	240,445	240,445
Derivative financial instruments	24,487	4,499	50,784	115	-	79,885
Debt securities	-	15,223	-	-	-	15,223
Debentures and notes	47,306	347,603	2,670,179	167,190	-	3,232,278
Other liabilities	-	-	-	-	9,364	9,364
Current accounts with State funds and other programs	322	-	-	-	-	322
Current income tax liabilities	515	-	-	-	-	515
Wage tax liabilities	2,110	-	-	-	-	2,110
Deferred income tax liabilities	-	-	-	-	8,645	8,645
Accrued liabilities	53,576	-	-	-	-	53,576
Provisions	-	-	-	-	15,051	15,051
Shareholders' equity	-	-	-	-	1,822,320	1,822,320
Total liabilities and shareholders' equity	**156,088**	**367,325**	**2,720,963**	**167,305**	**2,095,825**	**5,507,506**
Liquidity gap 2012	**792,508**	**18,191**	**-163,035**	**546,011**	**-1,143,138**	**50,537**

At December 31, 2011	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Total assets	804,940	490,794	2,525,893	915,076	824,254	5,560,957
Total liabilities and shareholders' equity	143,405	457,007	2,345,141	217,720	1,996,352	5,159,625
Liquidity gap 2011	**661,535**	**33,787**	**180,752**	**697,356**	**-1,172,098**	**401,332**

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, 2012	< 3 months	3-12 months	1-5 years	>5 years	Total
Contingent liabilities	34,310	25,573	17,548	6,574	84,005
Irrevocable facilities	67,501	560,539	272,197	381,450	1,281,687
Total off-balance [1)]	**101,811**	**586,112**	**289,745**	**388,024**	**1,365,692**

At December 31, 2011	< 3 months	3-12 months	1-5 years	>5 years	Total
Contingent liabilities	91,844	5,517	11,754	6,186	115,301
Irrevocable facilities	145,371	249,442	403,666	390,277	1,188,756
Total off-balance [1)]	**237,215**	**254,959**	**415,420**	**396,463**	**1,304,057**

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

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 II regulation and takes credit, market and operational 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, interest rate, concentration, reputation and model risk. Economic capital is calculated using a conservative confidence interval of 99.99%. This level is chosen to support FMO's AAA rating and the bank's actual growth is steered to ensure that this will remain to be 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 II requirements and reports its BIS-ratio to the Dutch central bank on a quarterly basis. FMO calculates its 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), 12% to market risk and 5% to operational risk. FMO mainly has tier-1 capital; its tier-2 capital consists of the AFS reserve for equity investments including regulatory adjustments. The BIS-ratio equaled 29.0% at the end of 2012 (2011: 29.4%) and the tier-1 ratio stood at 26.1% (2011:26.7%). Under Basel III the leverage ratio will become a mandatory reporting requirement in 2018. The minimum leverage ratio is set at 3%, FMO's leverage ratio equals 25.7%.

At December 31	2012	2011
Core capital (tier-1)	1,592,648	1,462,643
Additional capital (tier-2)	172,723	150,693
Total capital	**1,765,371**	**1,613,336**
Risk-weighted assets	6,092,238	5,484,025
Tier-1 ratio	26.1%	26.7%
BIS-ratio	29.0%	29.4%
Leverage ratio	25.7%	25.6%

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 and operational risk fall under pillar 1. As part of pillar 2, model risk, reputation 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%. The economic capital at the end of 2012 amounted to €1,038 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 14.2% at the end of 2012 (2011: 14.0%).

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. For quantifying the credit risk in FMO's treasury portfolio, the market and operational risk, the Basel II standardized approach is used.

At December 31	2012	2011
PILLAR 1		
Credit risk emerging market portfolio (99.99% interval)	824	753
Credit risk treasury portfolio	26	27
Market risk	57	47
Operational risk	26	24
Total pillar 1	**933**	**851**
PILLAR 2		
Concentration risk	30	30
Interest rate risk in the banking book	41	41
Reputation risk	32	32
Model risk	2	2
Economic capital (pillar 1 & 2)	**1,038**	**956**
AVAILABLE CAPITAL		
Tier-1 & 2	1,765	1,613
Surplus provisioning (capped at 0.6% RWA) 1)	70	64
Total available capital	**1,835**	**1,677**

1) Surplus provisioning for the loan portfolio is only calculated at total provisioning (€339 million) minus total expected loss (€139 million), which equals €200 million. The amount to be included in the available capital is according to the BIS-guidelines capped at 0.6% risk weighted assets (RWA), which equals €70 million at December 31, 2012.

Only for comparative purposes FMO calculates its internal capital ratio at a 99.9% confidence level (for pillar 1 only). Under the A-IRB model this ratio equaled 18.6% at December 31, 2012 (2011: 18.8%).

Segment information

Segment reporting by operating segments

FMO's primary goal is development impact. A sector based approach on Financial Institutions, Energy and Agribusiness, Food & Water 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 segments Diverse Sectors and Treasury are distinguished for segment information reporting purposes as well. For information about the performance of the different product and services reference is made to the paragraph 'Information about products and services'.

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, the interest free shareholders' equity is allocated as funding to the company's equity investments and interest-bearing securities portfolio. The company holds an interest-bearing securities portfolio for liquidity purposes and therefore the related interest income is allocated to the segment Treasury.

In 2012, there were no transactions between the operating segments. During 2011, the company decided to add an additional sector Agribusiness, Food & Water to the focus sectors. The sector Housing was discontinued in 2012 and reclassified to Financial Institutions and Diverse Sectors for comparative figures. The segment Diverse Sectors includes financing of projects outside the focus sectors mainly via partnerships. The segments include diverse products and services. The segment Financial Institutions includes (private equity) investment funds, which are reported separately in the following table.

At December 31, 2012	Financial Institutions Investment funds	Financial Institutions Other	Energy	Agribusiness, Food & Water	Diverse Sectors	Treasury	Total
Net interest income	**455**	**49,554**	**25,187**	**17,639**	**32,395**	**28,594**	**153,824**
Fee and commission income	1,294	1,962	1,341	462	2,249	-	7,308
Fee and commission expense	-	-	-	-	-	-167	-167
Net fee and commission income	**1,294**	**1,962**	**1,341**	**462**	**2,249**	**-167**	**7,141**
Dividend income	13,042	4,019	146	-	-	-	17,207
Results from equity investments	27,075	10,090	9,005	-	25,956	-	72,126
Results from financial transactions	-	3,175	-	290	-5,812	2,546	199
Remuneration for services rendered	3,470	9,970	3,958	653	1,095	-	19,146
Other operating income	-	785	-	460	515	51	1,811
Total other income	**43,587**	**28,039**	**13,109**	**1,403**	**21,754**	**2,597**	**110,489**
Share in the results of associates	5,464	-1,431	-	-	-	-	4,033
Total revenue	**50,800**	**78,124**	**39,637**	**19,504**	**56,398**	**31,024**	**275,487**
Value adjustments on loans and guarantees - additions	72	6,760	-11,501	-7,108	-33,058	-	-44,835
Value adjustments on loans and guarantees - releases	862	6,997	5,386	3,895	4,829	-	21,969
Value adjustments on equity investments and associates	-3,681	-2,536	-10,223	-	-6,357	-	-22,797
Total value adjustments	**-2,747**	**11,221**	**-16,338**	**-3,213**	**-34,586**	**-**	**-45,663**
Operating expenses	-10,567	-20,826	-10,781	-3,708	-10,564	-	-56,446
Total expenses	**-13,314**	**-9,605**	**-27,119**	**-6,921**	**-45,150**	**-**	**-102,109**
Income tax	743	-15,684	-5,330	-3,218	3,859	-7,756	-27,386
Net profit	**38,229**	**52,835**	**7,188**	**9,365**	**15,107**	**23,268**	**145,992**
SEGMENT ASSETS							
Loans (incl. guaranteed by the State)	35,688	1,385,809	432,684	319,469	642,853	-	2,816,503
Equity investments and investments in associates (excl. associates using equity method)	610,434	131,437	74,382	26,501	47,776	-	890,530
Associates using equity method	23,156	-	-	-	-	-	23,156
Other assets	-	-	-	-	-	1,831,141	1,831,141
Total assets	**669,278**	**1,517,246**	**507,066**	**345,970**	**690,629**	**1,831,141**	**5,561,330**

At December 31, 2011	Financial Institutions Investment funds	Financial Institutions Other	Energy	Agribusiness, Food & Water	Diverse Sectors	Treasury	Total
Net interest income	**1,430**	**48,304**	**16,529**	**15,897**	**31,424**	**33,384**	**146,968**
Fee and commission income	1,188	2,261	929	570	1,700	-	6,648
Fee and commission expense	-	-	-	-	-	-165	-165
Net fee and commission income	**1,188**	**2,261**	**929**	**570**	**1,700**	**-165**	**6,483**
Dividend income	9,202	3,252	1,146	43	-	-	13,643
Results from equity investments	10,654	11,758	-	-	9,716	-	32,128
Results from financial transactions	7	1,795	-	54	8,343	3,083	13,282
Remuneration for services rendered	3,277	9,033	3,483	634	2,008	-	18,435
Other operating income	-	114	-	4,016	925	1,918	6,973
Total other income	**23,140**	**25,952**	**4,629**	**4,747**	**20,992**	**5,001**	**84,461**
Share in the results of associates	-9,238	-15	-	-	-	-	-9,253
Total revenue	**16,520**	**76,502**	**22,087**	**21,214**	**54,116**	**38,220**	**228,659**
Value adjustments on loans and guarantees – additions	183	-19,600	-10,156	-6,358	-23,987	-	-59,918
Value adjustments on loans and guarantees – releases	-303	10,625	1,598	3,956	20,932	-	36,808
Value adjustments on equity investments and associates	-12,261	-4,218	-6,686	-	-13,133	-	-36,298
Total value adjustments	**-12,381**	**-13,193**	**-15,244**	**-2,402**	**-16,188**	**-**	**-59,408**
Operating expenses	-9,706	-19,160	-8,918	-2,893	-10,821		-51,498
Total expenses	**-22,087**	**-32,353**	**-24,162**	**-5,295**	**-27,009**	**-**	**-110,906**
Income tax	1,194	-7,396	-823	-3,686	-4,680	-8,971	-24,362
Net profit	**-4,373**	**36,753**	**-2,898**	**12,233**	**22,427**	**29,249**	**93,391**
SEGMENT ASSETS							
Loans (incl. guaranteed by the State)	41,112	1,281,696	341,462	262,759	657,633	-	2,584,662
Equity investments and investments in associates (excl. associates using equity method)	519,497	88,300	70,320	21,710	53,539	-	753,366
Associates using equity method	33,831	8,242	-	-	-	-	42,073
Other assets	-	-	-	-	-	1,679,178	1,679,178
Total assets	**594,440**	**1,378,238**	**411,782**	**284,469**	**711,172**	**1,679,178**	**5,059,279**

Information about products and services

The table shows the revenue derived from FMO's products and services. For the measurement of the profit and loss items per product and service FMO followed its accounting policies, which are stated under the 'accounting policies' paragraph. The company product range includes (commercial) loans, equity investments and guarantees. The remuneration for services rendered is related to funds managed on behalf of the Dutch State and catalyzing funds (such as syndications) and is distinguished in the table as well. In addition the share in the result of associates is reported.

Revenues related to loans include interest margin income and fees. Revenues related to equity investments include realized exit results, dividends and fees. The unrealized fair value changes are included in the available for sale reserve, which is part of the company's shareholders' equity and are therefore not reported as revenues.

At December 31, 2012	Loans	Equity investments	Guarantees	Remuneration for services rendered	Share in the result of associates	Other	Total
Income	157,841	90,427	4,040	19,146	-	-	271,454
Share in the results of associates	-	-	-	-	4,033	-	4,033
Total revenue	**157,841**	**90,427**	**4,040**	**19,146**	**4,033**	**-**	**275,487**

At December 31, 2011	Loans	Equity investments	Guarantees	Remuneration for services rendered	Share in the result of associates	Other	Total
Income	167,703	48,131	3,643	18,435	-	-	237,912
Share in the results of associates	-	-	-	-	-9,253	-	-9,253
Total revenue	**167,703**	**48,131**	**3,643**	**18,435**	**-9,253**	**-**	**228,659**

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 interest income on interest-bearing securities has been allocated to 'Treasury'.

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, 2012	Africa	Asia	Europe & Central Asia	Latin America & Caribbean	Non-region specific	Treasury	Total
Income	70,740	39,829	67,539	55,661	6,661	31,024	271,454
Share in the results of associates	268	3,935	-151	-19	-	-	4,033
Total revenue	**71,008**	**43,764**	**67,388**	**55,642**	**6,661**	**31,024**	**275,487**

At December 31, 2011	Africa	Asia	Europe & Central Asia	Latin America & Caribbean	Non-region specific	Treasury	Total
Income	65,480	35,137	37,632	55,707	5,736	38,220	237,912
Share in the results of associates	725	-8,463	-1,510	-5	-	-	-9,253
Total revenue	**66,205**	**26,674**	**36,122**	**55,702**	**5,736**	**38,220**	**228,659**

Information about major customers

In 2012 and 2011, 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 the case of MASSIF, FMO has an equity stake of 2.55% (2011: 2.66%). 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.

	2012 Gross exposure	2011 Gross exposure
Loans	389,612	360,606
Equity investments	262,995	251,615
Total	**652,607**	**612,221**

LOANS MANAGED FOR THE RISK OF THE STATE

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

	2012 Gross exposure	2011 Gross exposure
MASSIF	163,827	152,176
Infrastructure Development Fund	189,410	174,453
Access to Energy Fund	35,025	33,977
FOM OS	1,350	-
Total	**389,612**	**360,606**

EQUITY INVESTMENTS MANAGED FOR THE RISK OF THE STATE

The equity investments have been made by the following funds.

	2012 Gross exposure	2011 Gross exposure
MASSIF	170,841	160,998
Infrastructure Development Fund	83,547	80,571
Access to Energy Fund	3,697	4,989
European Investment Bank	4,910	5,057
Total	**262,995**	**251,615**

Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured either at fair value or at amortized cost on an ongoing 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.

At December 31, 2012	Held for trading	Designated at fair value	Loans and receivables at amortized cost	Available for sale	Financial liabilities at amortized cost	Derivatives at fair value used as hedging instruments	Other	Total
ASSETS								
Banks	-	-	22,507	-	-	-	-	22,507
Short-term deposits	-	678,126	-	-	-	-	-	678,126
Derivative financial instruments	220,805	-	-	-	-	59,390	-	280,195
Loans to the private sector	-	-	2,757,597	-	-	-	-	2,757,597
Loans guaranteed by the State	-	-	58,906	-	-	-	-	58,906
Equity investments	-	-	-	890,530	-	-	-	890,530
Investments in associates	-	-	-	-	-	-	23,156	23,156
Interest-bearing securities	-	-	-	729,816	-	-	-	729,816
Tangible fixed assets	-	-	-	-	-	-	11,685	11,685
Deferred income tax assets	-	-	-	-	-	-	3,393	3,393
Current income tax receivables	-	-	-	-	-	-	-	-
Current accounts with State funds and other programs	-	-	1,060	-	-	-	-	1,060
Other receivables	-	-	25,376	-	-	-	-	25,376
Accrued income	-	-	78,983	-	-	-	-	78,983
Total assets	**220,805**	**678,126**	**2,944,429**	**1,620,346**	**-**	**59,390**	**38,234**	**5,561,330**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Banks	-	-	-	-	27,772	-	-	27,772
Short-term credits	-	-	-	-	240,445	-	-	240,445
Derivative financial instruments	89,432	-	-	-	-	128	-	89,560
Debt securities	-	14,455	-	-	688	-	-	15,143
Debentures and notes	-	1,881,142	-	-	1,395,365	-	-	3,276,507
Other liabilities	-	-	-	-	9,364	-	-	9,364
Current accounts with State funds and other programs	-	-	-	-	322	-	-	322
Current income tax liabilitiy	-	-	-	-	515	-	-	515
Wage tax liabilities	-	-	-	-	2,110	-	-	2,110
Deferred income tax liabilities	-	-	-	-	-	-	8,645	8,645
Accrued liabilities	-	-	-	-	53,576	-	-	53,576
Provisions	-	-	-	-	-	-	15,051	15,051
Shareholders' equity	-	-	-	-	-	-	1,822,320	1,822,320
Total liabilities and shareholders' equity	**89,432**	**1,895,597**	**-**	**-**	**1,730,157**	**128**	**1,846,016**	**5,561,330**

At December 31, 2011	Held for trading	Designated at fair value	Loans and receivables at amortized cost	Available for sale	Financial liabilities at amortized cost	Derivatives at fair value used as hedging instruments	Other	Total
ASSETS								
Banks	-	-	42,114	-	-	-	-	42,114
Short-term deposits	-	498,787	-	-	-	-	-	498,787
Derivative financial instruments	273,437	-	-	-	-	60,625	-	334,062
Loans to the private sector	-	-	2,522,112	-	-	-	-	2,522,112
Loans guaranteed by the State	-	-	62,550	-	-	-	-	62,550
Equity investments	-	-	-	753,366	-	-	-	753,366
Investments in associates	-	-	-	-	-	-	42,073	42,073
Interest-bearing securities	-	-	-	671,578	-	-	-	671,578
Tangible fixed assets	-	-	-	-	-	-	9,383	9,383
Deferred income tax assets	-	-	-	-	-	-	3,682	3,682
Current income tax receivables	-	-	4,560	-	-	-	-	4,560
Other receivables	-	-	32,896	-	-	-	-	32,896
Accrued income	-	-	82,116	-	-	-	-	82,116
Total assets	**273,437**	**498,787**	**2,746,348**	**1,424,944**	**-**	**60,625**	**55,138**	**5,059,279**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Short-term credits	-	-	-	-	557,660	-	-	557,660
Derivative financial instruments	66,038	-	-	-	-	-	-	66,038
Debt securities	-	15,622	-	-	6,807	-	-	22,429
Debentures and notes	-	1,919,296	-	-	736,815	-	-	2,656,111
Other liabilities	-	-	-	-	14,188	-	-	14,188
Current accounts with State funds and other programs	-	-	-	-	624	-	-	624
Wage tax liabilities	-	-	-	-	1,846	-	-	1,846
Deferred income tax liabilities	-	-	-	-	-	-	4,501	4,501
Accrued liabilities	-	-	-	-	55,099	-	-	55,099
Provisions	-	-	-	-	-	-	16,193	16,193
Shareholders' equity	-	-	-	-	-	-	1,664,590	1,664,590
Total liabilities and shareholders' equity	**66,038**	**1,934,918**	**-**	**-**	**1,373,039**	**-**	**1,685,284**	**5,059,279**

Fair value of financial assets and liabilities

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. When available an instrument's fair value is measured using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis (level 1).

If a market for a financial instrument is not active, the fair value is established using a valuation technique. 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 carrying values in the financial asset and liability categories approximate their fair values, except private sector loans with a fixed interest rate, 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, 2012, the fair value of these loans was €158,295 (2011: €145,696) above their carrying value. The funding non-hedged is valued at amortized cost. The difference between the carrying value and the amortized cost value amounts to €20,830 (2011: €10,987).

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, 2012, the unamortized accrual amounts to €4,316 (2011: €3,265). An amount of €1,401 was recorded as a loss in the profit and loss (2011: €3,050).

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. Please note that the fair value hedges have not been included in the following table.

At December 31, 2012	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
• Short-term deposits	-	678,126	-	678,126
• Derivative financial instruments	-	280,195	-	280,195
AVAILABLE FOR SALE FINANCIAL ASSETS				
• Equity investments	58,860	-	639,746	698,606
• Interest-bearing securities	729,816	-	-	729,816
Total financial assets at fair value	**788,676**	**958,321**	**639,746**	**2,386,743**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivative financial instruments	-	89,560	-	89,560
Total financial liabilities at fair value	**-**	**89,560**	**-**	**89,560**

At December 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
• Short-term deposits	-	498,787	-	498,787
• Derivative financial instruments	-	334,062	-	334,062
AVAILABLE FOR SALE FINANCIAL ASSETS				
• Equity investments	36,439	-	545,414	581,853
• Interest-bearing securities	671,578	-	-	671,578
Total financial assets at fair value	**708,017**	**832,849**	**545,414**	**2,086,280**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivative financial instruments	-	66,038	-	66,038
Total financial liabilities at fair value	**-**	**66,038**	**-**	**66,038**

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

Available for sale financial assets: equity investments

	2012	**2011**
Balance at January 1	**545,414**	**424,522**
Total gains or losses		
• In profit and loss	-1,405	-12,053
• In other comprehensive income	9,984	61,344
Purchases	102,338	113,339
Sales	-35,947	-63,935
Transfers into level 3	19,362	22,197
Balance at December 31	**639,746**	**545,414**

There are no financial liabilities measured at fair value based on level 3.

Notes to the consolidated annual accounts

Notes to the consolidated balance sheet: assets

1. BANKS

	2012	2011
Banks	20,047	38,909
Mandatory reserve deposit with Dutch central bank	2,460	3,205
Balance at December 31	**22,507**	**42,114**

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

2. SHORT-TERM DEPOSITS

	2012	2011
Collateral delivered (related to derivative financial instruments)	35,608	15,750
Commercial paper	68,258	69,246
Money market funds	191,009	113,794
Dutch central bank	383,251	299,997
Balance at December 31	**678,126**	**498,787**

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, 2012	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedging instruments:			
• Currency swaps	373,466	832	-375
• Interest rate swaps	1,347,861	407	-2,500
• Cross-currency interest rate swaps	2,760,541	210,466	-86,557
Sub-total	**4,481,868**	**211,705**	**-89,432**
Embedded derivatives related to asset portfolio	-	9,100	-
Total derivative assets (/liabilities) other than hedging instruments	**4,481,868**	**220,805**	**-89,432**

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, 2012	Notional amounts	Fair value assets	Fair value Liabilities
Derivatives designated as fair value hedges:			
• Interest rate swaps	1,838,482	59,390	-128
Total derivatives designated as fair value hedges	**1,838,482**	**59,390**	**-128**
Total derivative financial instruments assets (/liabilities)	**6,320,350**	**280,195**	**-89,560**

For the year ended December 31, 2012, FMO recognized an ineffectiveness of €0.3 million net profit (2011: €0.3 million net profit) on the fair value hedges. The loss on the hedging instruments amounted to €0.2 million (2011: €19.9 million loss). The profit on hedged items attributable to the hedged risk amounted to €0.5 million (2011: €19.6 million profit).

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

At December 31, 2011	Notional amounts	Fair value assets	Fair value Liabilities
Derivatives other than hedging instruments:			
• Currency swaps	35,495	360	-806
• Interest rate swaps	544,583	524	-2,029
• Cross-currency interest rate swaps	2,880,657	258,014	-63,069
• Forward Rate Agreements	385,460	-	-134
Sub-total	**3,846,195**	**258,898**	**-66,038**
Embedded derivatives related to asset portfolio	-	14,539	-
Total derivative assets (/liabilities) other than hedging instruments	**3,846,195**	**273,437**	**-66,038**

At December 31, 2011	Notional amounts	Fair value assets	Fair value Liabilities
Derivatives designated as fair value hedges:			
• Interest rate swaps	1,883,788	60,625	-
Total derivatives designated as fair value hedges	**1,883,788**	**60,625**	**-**
Total derivative financial instruments assets (/liabilities)	**5,729,983**	**334,062**	**-66,038**

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:

	2012	2011
Balance at January 1	2,838,129	2,509,157
Disbursements	828,608	867,363
Re-class to equity investments	-3,940	-4,787
Repayments	-504,680	-545,421
Write-offs	-15,042	-18,433
Changes in amortizable fees	-24	-896
Changes in fair value	-25	856
Exchange rate differences	-62,870	30,290
Balance at December 31	**3,080,156**	**2,838,129**
Value adjustments	-322,559	-316,017
Net balance at December 31	**2,757,597**	**2,522,112**

The following table summarizes the loans segmented by sector.

	2012	2011
Financial Institutions	1,421,497	1,322,807
Energy	432,684	341,462
Agribusiness, Food & Water	283,446	218,710
Diverse Sectors	619,970	639,133
Net balance at December 31	**2,757,597**	**2,522,112**

	2012	2011
Gross amount of loans to companies in which FMO has equity investments	176,086	189,896
Gross amount of subordinated loans	519,244	496,712
Gross amount of non-performing loans	107,966	97,350

A loan is classified as non-performing when payments of interest or principal are past due by 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:

	2012	2011
Balance at January 1	69,354	62,475
Disbursements	11,202	14,821
Repayments	-10,534	-8,465
Write-offs	-1,930	-526
Changes in amortizable fees	35	200
Exchange rate differences	-379	849
Balance at December 31	**67,748**	**69,354**
Value adjustments	-8,842	-6,804
Net balance at December 31	**58,906**	**62,550**

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

	2012	2011
Financial Institutions	-	-
Energy	-	-
Agribusiness, Food & Water	36,022	44,050
Diverse Sectors	22,884	18,500
Net balance at December 31	**58,906**	**62,550**
Gross amount of subordinated loans	33,396	40,479
Gross amount of non-performing loans	8,842	6,139

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.

	2012	2011
Net balance at January 1	753,366	637,802
Purchases and contributions	182,278	179,488
Re-class from loans	3,940	4,787
Re-class from associates	20,480	-
Sales	-51,114	-86,521
Value adjustments	-22,797	-36,298
Changes in fair value	4,377	54,108
Net balance at December 31	**890,530**	**753,366**

	2012	2011
Equity investments at fair value	698,606	581,853
Equity investments at cost less impairment	191,924	171,513
Net balance at December 31	**890,530**	**753,366**

The following table summarizes the equity investments segmented by sector.

	2012	2011
Financial Institutions – of which investment funds: €610,434 (2011: €519,497)	741,871	607,797
Energy	74,382	70,320
Agribusiness, Food & Water	26,501	21,710
Diverse Sectors	47,776	53,539
Net balance at December 31	**890,530**	**753,366**

7. INVESTMENTS IN ASSOCIATES

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

	2012	2011
Net balance at January 1	42,073	50,385
Purchases and contributions	8,151	9,886
Re-class to equity investments	-20,480	-
Sales	-7,370	-10,134
Share in net results	4,033	-9,253
Translation differences	-3,251	1,189
Net balance at December 31	**23,156**	**42,073**

	2012	2011
Associates at cost	-	12
Associates at equity method	23,156	42,061
Net balance at December 31	**23,156**	**42,073**

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	Associates at cost less impairment	Total
Total assets	23,358	-	23,358
Total liabilities	202	-	202
Total income	590	-	590
Total profit/loss	4,033	-	4,033

The associates valued at cost less impairment have incurred no cumulative impairment losses (2011: €0).

8. MOVEMENT IN VALUE ADJUSTMENTS

Movement in value adjustments FMO portfolio

	Guarantees	Loans	Total
Balance at January 1, 2011	27,495	296,444	323,939
Additions	-	59,592	59,592
Reversals	-13,791	-22,877	-36,668
Exchange rate differences	-160	1,291	1,131
Write-offs	-	-18,433	-18,433
Balance at December 31, 2011	**13,544**	**316,017**	**329,561**
Additions	-	44,225	44,225
Reversals	-6,257	-15,712	-21,969
Exchange rate differences	390	-6,929	-6,539
Write-offs	-	-15,042	-15,042
Balance at December 31, 2012	**7,677**	**322,559**	**330,236**

The reversal of the value adjustments comprises amongst others the release of the group-specific value adjustments as a result of the improved parameters related to the information backlog. For more information see the Financial risk management paragraph – Credit risk.

The value adjustments related to guarantees are included in other liabilities (see note 18).

Movement in value adjustments on loans guaranteed by the State

	2012	2011
Balance at January 1	6,804	6,183
Additions	4,074	1,287
Reversals	-	-140
Exchange rate differences	-106	-
Write-offs	-1,930	-526
Balance at December 31	**8,842**	**6,804**

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 €3,464 (2011: €961) for the value adjustment recognized in 2012.

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.

	2012	2011
Bonds (listed)	729,816	666,660
Private loans	-	4,918
Balance at December 31	**729,816**	**671,578**

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

	2012	2011
Balance at January 1	671,578	563,710
Amortization premiums/discounts	2,027	-2,089
Purchases	271,028	130,845
Sale and redemption	-231,392	-26,129
Revaluation	16,575	5,241
Balance at December 31	**729,816**	**671,578**

The interest-bearing securities have been issued by:

	2012	2011
Private parties:		
• Credit institutions	361,264	521,169
• Other	17,380	41,821
Public institutions	351,172	108,588
Balance at December 31	**729,816**	**671,578**

10. TANGIBLE FIXED ASSETS

	Furniture	ICT equipment	Leasehold improvement	Land and buildings due to business combination	Total 2012	Total 2011
Historical cost price at January 1	6,451	4,420	123	6,131	17,125	34,405
Accumulated depreciation at January 1	-5,879	-1,457	-59	-347	-7,742	-25,913
Balance at January 1	**572**	**2,963**	**64**	**5,784**	**9,383**	**8,492**
Investments	1,087	1,968	9	1,017	4,081	2,877
Depreciation	-206	-1,055	-26	-492	-1,779	-1,891
Accumulated depreciation on divestments	-	-	-	-	-	20,062
Divestments historical cost price	-	-	-	-	-	-20,157
Balance at December 31	**1,453**	**3,876**	**47**	**6,309**	**11,685**	**9,383**
Historical cost price at December 31	7,538	6,388	132	7,148	21,206	17,125
Accumulated depreciation at December 31	-6,085	-2,512	-85	-839	-9,521	-7,742
Balance at December 31	**1,453**	**3,876**	**47**	**6,309**	**11,685**	**9,383**

The land, buildings and equipment due to business combinations (€6,309) relate to Blauser S.A and Confoco S.A.

11. CURRENT ACCOUNTS WITH STATE FUNDS AND OTHER PROGRAMS

	2012	2011
Current account Infrastructure Development Fund	1,049	-
Current account FOM OS	11	-
Balance at December 31	**1,060**	**-**

12. OTHER RECEIVABLES

	2012	2011
Debtors related to sale of equity investments	5,029	2,231
Taxes and social premiums	747	380
To be declared on State guaranteed loans	2,868	5,948
Accrued management fees State funds	4,326	4,235
Other receivables	12,406	20,102
Balance at December 31	**25,376**	**32,896**

13. ACCRUED INCOME

	2012	2011
Accrued interest on loans	41,615	37,828
Accrued interest on swaps and other assets	37,368	43,983
Other accrued income	-	305
Balance at December 31	**78,983**	**82,116**

Notes to the consolidated balance sheet: liabilities

14. BANKS

	2012	2011
Banks	27,772	-
Balance at December 31	**27,772**	**-**

15. SHORT-TERM CREDITS

	2012	2011
Collateral received (related to derivative financial instruments)	240,445	296,880
Deposits placed by Financial Institutions	-	260,780
Balance at December 31	**240,445**	**557,660**

16. DEBT SECURITIES

Debt securities include all non-subordinated debt, not identified as debentures or other notes payable to banks. Debt securities do not include savings deposits.

Debt securities consist of loans and deposits raised in the international capital market from professional counterparties. The movements of debt securities are summarized as follows:

	2012	2011
Balance at January 1	22,429	51,667
Amortization of premiums/discounts	795	-2,631
Proceeds from issuance	681	681
Redemptions	-8,247	-27,335
Changes in fair value	-515	-887
Exchange rate differences	-	934
Balance at December 31	**15,143**	**22,429**

The following table summarizes the carrying value of the debt securities.

	2012	2011
Debt securities valued at fair value under hedge accounting	14,455	15,622
Debt securities valued at amortized costs	688	6,807
Balance at December 31	**15,143**	**22,429**

The nominal amounts of the debt securities are as follows:

	2012	2011
Debt securities valued at fair value under hedge accounting	9,529	10,289
Debt securities valued at amortized costs	688	6,807
Balance at December 31	**10,217**	**17,096**

17. DEBENTURES AND NOTES

Debentures and notes consist of medium-term notes under the GMTN program and public issues in the Swiss franc (CHF) public market, the Japanese yen (JPY) Samurai market, the Australian dollar (AUD) market, and the Canadian dollar (CAD) market. The movements can be summarized as follows:

	2012	2011
Balance at January 1	2,656,111	2,313,600
Amortization of premiums/discounts	3,633	2,964
Proceeds from issuance	951,105	460,556
Redemptions	-222,023	-247,969
Changes in fair value	-1,468	22,193
Exchange rate differences	-110,851	104,767
Balance at December 31	**3,276,507**	**2,656,111**

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

	2012	2011
Debentures and notes valued at fair value under hedge accounting	1,881,142	1,919,296
Debentures and notes valued at amortized costs	1,395,365	736,815
Balance at December 31	**3,276,507**	**2,656,111**

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

	2012	2011
Debentures and notes valued at fair value under hedge accounting	1,819,110	1,845,135
Debentures and notes valued at amortized costs	1,395,365	736,815
Balance at December 31	**3,214,475**	**2,581,950**

18. OTHER LIABILITIES

	2012	2011
Amortized costs related to guarantees	710	644
Liabilities for guarantees	7,677	13,544
Other liabilities	977	-
Balance at December 31	**9,364**	**14,188**

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

19. CURRENT ACCOUNTS WITH STATE FUNDS AND OTHER PROGRAMS

	2012	2011
Current account MASSIF	87	-
Current account European Investment Bank	235	624
Balance at December 31	**322**	**624**

20. ACCRUED LIABILITIES

	2012	2011
Accrued interest on banks, debt securities and debentures and notes	42,641	45,049
Other accrued liabilities	10,935	10,050
Balance at December 31	**53,576**	**55,099**

21. PROVISIONS

The amounts recognized in the balance sheet are as follows.

	2012	2011
Pension schemes	15,051	16,141
Other provisions	-	52
Balance at December 31	**15,051**	**16,193**

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. Most of the pension schemes are average salary-defined benefit plans. 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, 2012.

The amounts recognized in the balance sheet are as follows:

	2012	2011
Present value of funded defined benefit obligations	122,558	88,224
Fair value of plan assets	-99,255	-88,531
	23,303	**-307**
Unrecognized actuarial gains/(losses)	-8,252	16,448
Liability in the balance sheet	**15,051**	**16,141**

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

	2012	2011
Fair value at January 1	-88,531	-74,023
Expected return on plan assets	-4,445	-3,795
Employer contribution	-4,480	-3,924
Plan participants' contributions	-1,003	-906
Actuarial (gains) / losses	-2,651	-7,670
Benefits paid	1,855	1,787
Fair value at December 31	**-99,255**	**-88,531**

Determination of expected return on assets

An important element for financial reporting is the assumption for return on assets (ROA). The ROA is updated at least annually, taking into consideration the pension plan's asset allocation, historical returns on the types of assets held in the fund and the current economic environment. Based on these factors, it is expected that the fund's assets will earn an average percentage per year over the long-term. This estimate takes into account a deduction for administrative expenses and investment manager's fees paid from the fund. For estimation purposes, it is assumed the long-term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the plan, and the need for future cash contributions. The actual return on plan assets was 9.9% (2011: 14.4%).

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

	2012 (%)	2011 (%)
Equities	20	19
Fixed income	80	81
Total	**100**	**100**

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

	2012	2011
Present value at January 1	88,224	83,344
Service cost	5,205	4,442
Interest cost	4,163	3,883
Actuarial (gains)/losses	26,821	-1,658
Benefits paid	-1,855	-1,787
Present value at December 31	**122,558**	**88,224**

The actuarial loss on the defined benefit obligation amounts to €26,821 (2011: €1,658 gain) and is mainly due to the change in discount rate (2012: 3.4% and 2011: 4.5%).

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

	2012	2011
Current service cost	6,119	4,817
Interest cost	4,163	3,883
Actuarial (gains)/losses	-529	-
Expected return on plan assets	-4,445	-3,795
	5,308	**4,905**
Contribution by plan participants	-1,003	-906
Total annual expense	**4,305**	**3,999**

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

	2012	2011
Balance at January 1	16,141	16,704
Annual expense	4,305	3,999
Contributions paid	-5,092	-4,092
Other payments	-303	-470
Balance at December 31	**15,051**	**16,141**

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

	2012 (%)	2011 (%)
Discount rate	3.4	4.5
Expected return on plan assets	3.9	4.9
Expected long-term wage inflation	2.0	2.0
Future pension increases	2.2	2.1

The assumption for future pension increases is based on all pension schemes included in FMO's pension liability.

Other provisions

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

	2012	2011
Balance at January 1	52	383
Addition	-	52
Release	-27	-8
Paid out	-25	-375
Balance at December 31	**-**	**52**

22. 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.

	2012	2011
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

	2012	2011
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 on the financial restructuring	21,211	21,211
Balance at December 31	**29,272**	**29,272**

Other reserves

Dividend distributed in 2012 to shareholders of A shares and B shares was equal and amounted to €5.36 (2011: €4.66) 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 (€37,260) 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, 2011	108,589	9,508	118,097
Fair value changes	60,201	5,241	65,442
Foreign exchange differences	12,224	-	12,224
Transfers due to sale	-22,103	-	-22,103
Transfers due to impairment	3,786	-	3,786
Tax effect	-	-1,245	-1,245
Balance at December 31, 2011	**162,697**	**13,504**	**176,201**
Fair value changes	41,001	23,537	64,538
Foreign exchange differences	-10,550	-	-10,550
Transfers due to sale	-27,437	-6,962	-34,399
Transfers due to impairment	1,363	-	1,363
Tax effect	-	-4,144	-4,144
Balance at December 31, 2012	**167,074**	**25,935**	**193,009**

Included in the available for sale reserve is an amount of €7,793 (2011: €10,136) for fair value changes in equity investments that were previously impaired.

Translation reserve

	2012	2011
Balance at January 1	3,504	2,295
Change	82	1,209
Release due to reclassification to equity	-3,347	-
Balance at December 31	**239**	**3,504**

Non-controlling interests

Blauser S.A. and Confoco S.A.	2012	2011
Balance at January 1	421	174
Acquisition by third party of non-controlling share	346	-13
Share in net profit	73	289
Currency translation movement	-9	-29
Balance at December 31	**831**	**421**

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

23. NET INTEREST INCOME

Interest income

	2012	2011
Interest on loans valued at amortized cost	205,975	173,491
Interest on banks	29	-235
Interest on short-term deposits	1,481	2,245
Interest on available for sale interest-bearing securities	19,491	19,200
Total interest income	**226,976**	**194,701**

Included in the interest on loans is €7,741 (2011: €9,455) related to loans for which value adjustments have been recorded.

Interest expense

	2012	2011
Interest on debt securities valued at fair value	-856	-1,512
Interest on debt securities valued at amortized cost	-129	-699
Interest on debentures and notes valued at fair value	-36,965	-38,511
Interest on debentures and notes valued at amortized cost	-20,122	-14,098
Interest on derivatives	-11,248	10,011
Interest on short-term credits	-3,832	-2,924
Total interest expense	**-73,152**	**-47,733**

24. NET FEE AND COMMISSION INCOME

	2012	2011
Prepayment fees	1,778	823
Other fees (like arrangement, cancellation and waiver fees)	5,530	5,825
Total fee and commission income	**7,308**	**6,648**
Custodian fees and charges for the early repayment of debt securities	-167	-165
Total fee and commission expense	**-167**	**-165**
Net fee and commission income	**7,141**	**6,483**

25. RESULTS FROM EQUITY INVESTMENTS

	2012	2011
Result from the sale of equity investments at cost	36,253	8,440
Result from the sale of equity investments at fair value	33,982	23,831
Result from the sale of associates	1,891	-143
Total results from equity investments	**72,126**	**32,128**

The carrying amount of the equity investments valued at cost at the time of sale was €12,450 (2011: €18,717). The carrying amount of the equity investments valued at fair value at the time of sale was €38,664 (2011: €67,804). The release from the available for sale reserve at the time of the sale of equity investments at fair value was €27,437 (2011: €22,103); as a result the net result from sale of equity investments at fair value amounted to a gain of €6,545 (2011: gain of €1,728).

26. RESULTS FROM FINANCIAL TRANSACTIONS

	2012	2011
Result on valuation of hedged items	473	-19,605
Result on sale and valuation of derivatives designated at fair value (hedging instruments)	-211	19,857
	262	**252**
Result on sale and valuation of derivatives designated at fair value	-	41
Result on sale and valuation of medium-term notes	-	65
	-	**106**
Result on sale and valuation of derivatives held for trading [1]	-2,641	2,712
Result on sale and valuation of embedded derivatives related to asset portfolio	-1,816	9,064
Result on sale of interest-bearing securities	6,962	-
Foreign exchange results	-2,718	1,256
Other	150	-108
Total results from financial transactions	**199**	**13,282**

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

27. REMUNERATION FOR SERVICES RENDERED

	2012	2011
Funds and programs managed on behalf of the State:		
• MASSIF	12,729	10,508
• Infrastructure Development Fund	2,899	3,696
• Capacity Development	-	900
• Access to Energy Fund	1,316	1,836
• FOM OS	236	-
Syndication fees, remuneration from directorships and others	1,966	1,495
Total remuneration for services rendered	**19,146**	**18,435**

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

28. OTHER OPERATING INCOME

	2012	2011
Interest on corporate tax	15	1,981
Other operating income	1,796	4,992
Total other operating income	**1,811**	**6,973**

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

29. STAFF COSTS

	2012	2011
Salaries	-25,953	-23,822
Social security costs	-3,111	-2,486
Pension costs	-4,305	-3,999
Temporaries	-1,584	-1,398
Travel and subsistence allowances	-3,417	-3,079
Other personnel expenses	-4,879	-4,290
Total staff costs	**-43,249**	**-39,074**

The number of FTEs at December 31, 2012 amounted to 310 (2011: 294 FTEs).

30. OTHER ADMINISTRATIVE EXPENSES

	2012	2011
Other administrative expenses	**-11,161**	**-10,393**

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, 2012, the Supervisory Board consisted of six members (2011: six). The members of the Supervisory Board were paid a total remuneration of €117 (2011: €125).

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	**2012**	**2011**
Statutory audit of annual accounts	205	209
Other assurance services	113	105
Tax advisory services	-	-
Other non-audit services	16	10
Total	**334**	**324**

31. OTHER OPERATING EXPENSES

	2012	2011
Other operating expenses	**-257**	**-140**

The other operating expenses include bank charges and capital tax paid.

32. INCOME TAXES

Income tax by type

	2012	2011
Current income taxes	-27,097	-23,847
Deferred income taxes	-289	-515
Total income tax	**-27,386**	**-24,362**

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

	2012	2011
Profit before taxation	173,378	117,753
Income taxes at statutory rate of 25.0% (2011: 25.0%)	-43,345	-29,438
Increase/decrease resulting from:		
• Settlement with local withholding taxes	1,891	1,434
• Non-taxable income and expense (participation exemption facility)	14,209	3,867
• Tax adjustments to prior periods	-88	-52
• Other	-53	-173
Income tax	**-27,386**	**-24,362**
Effective income tax rate	15.8%	20.7%

Current income tax liabilities

The company paid €21,843 (2011: €28,246) to tax authorities. The remaining current income tax liabilities amount to €515 (current income tax receivables 2011: €4,560). Per year-end 2012 there were no unused tax losses and the unused tax credits amount to €338 (2011: €496).

Deferred tax

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

	2012	2011
DEFERRED TAX ASSETS		
Pension provision	3,001	3,204
Depreciation fixed assets	392	478
Total deferred tax assets	**3,393**	**3,682**
DEFERRED TAX LIABILITIES		
Fair value measurement of interest-bearing securities	-8,645	-4,501
Total deferred tax liabilities	**-8,645**	**-4,501**
Net balance at December 31	**-5,252**	**-819**

Off-balance sheet information

33. 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, 2012 and December 31, 2011.

	2012	2011
CONTINGENT LIABILITIES		
Effective guarantees issued	92,392	129,489
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-8,387	-14,188
Total contingent liabilities	**84,005**	**115,301**
Effective guarantees received	-100,710	-97,407
Total net contingent liabilities	**-16,705**	**17,894**

Of the liabilities for guarantees €0 (2011: €0) is covered by a counter guarantee of the State.

	2012	2011
IRREVOCABLE FACILITIES		
Contractual commitments for disbursements of:		
• Loans	689,892	738,348
• Equity investments	430,669	380,468
• Contractual commitments for guarantees	161,126	69,940
Total irrevocable facilities	**1,281,687**	**1,188,756**

34. LEASE AND RENTAL COMMITMENTS

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

2012	**≤ 1 year**	**>1 - ≤ 5 years**	**> 5 years**	**Total**
Buildings	2,246	9,423	6,257	17,926
Cars	628	678	-	1,306
Total lease and rental commitments	**2,874**	**10,101**	**6,257**	**19,232**

2011	**≤ 1 year**	**>1 - ≤ 5 years**	**> 5 years**	**Total**
Buildings	2,204	9,246	8,680	20,130
Cars	578	559	-	1,137
Total lease and rental commitments	**2,782**	**9,805**	**8,680**	**21,267**

35. RELATED PARTIES

FMO defines the Dutch State, subsidiaries, 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 banks and others. In 2005, FMO received its last contribution to the development fund from the Dutch State for the amount of €37,260. 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 Economic Affairs. 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 2.55% (2011: 2.66%) stake in this fund. For 2012, FMO received a fixed remuneration of €12,729.
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 2012, FMO received a fixed remuneration of €2,899 in accordance with the subsidy order.
3. *Access to Energy Fund (AEF)*
   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 2012, FMO received a fixed remuneration of €1,316.
4. *FOM OS*
   In 2012 FOM OS has been developed in cooperation with the Ministry of Development Cooperation, and will finance private sector companies with a strong focus on food security and water. For 2012, FMO received a fixed remuneration of €236.

Subsidiaries

The consolidated subsidiaries FMO Antillen N.V. and Nuevo Banco Comercial Holding B.V. are used for intermediate holding purposes. The consolidated subsidiaries Blauser S.A. and Confoco S.A. are Ecuadorian fruit processors and exporters.

During 2012, FMO's stake in Blauser S.A. increased from 70.5% to 100%. Also, FMO acquired 100% of Confoco S.A. from Blauser S.A.. For both companies 15% of future income received is pledged to a third party. In the segment reporting paragraph, Blauser S.A. and Confoco S.A. are presented under Agribusiness, Food & Water.

The transactions during the year are summarized in note 3 of the company balance sheet. At December 31, 2012, FMO has a loan exposure to Confoco S.A. of €4,993 (2011: €8,452).

Remuneration of the Management Board

On December 31, 2012, the Management Board consisted of three statutory members (2011: three). The members of the Management Board have no options or loans related to the company. One of the members of the Management Board held 500 shares (0.1% of the total shares) in the company (2011: 0). The acquired shares are not related to the remuneration and are a private transaction. As of 2012, the performance-related pay has been converted into an increased fixed salary. The performance-related pay of 2011 in the following table relates to the performance year (i.e. 2011) and not to the year in which they are paid. Payments regarding the general profit-sharing scheme, social security, company car and life-course savings scheme are included in other instead of fixed remuneration and performance-related pay.

On July 18, 2012, the Budget Agreement 2013 Tax Measures Implementation Act came into effect. This Act will amend a number of tax laws as of January 1, 2013. One of the amendments concerns a one-off 'crisis levy' of 16% of the wages from current employment (including any bonuses) that employers paid their employees during 2012, as far as such wages exceeded €150. The crisis charges (of total €53) are not included in the remuneration of the Management Board.

The total remuneration of the Management Board in 2012 amounts to €1,163 (2011: €1,105) and is specified as follows:

	Fixed remuneration	Performance-related pay	Pension	Other [2]	Total 2012
Nanno Kleiterp	297	abolished	121	59	477
Nico Pijl	227	abolished	106	36	369
Jürgen Rigterink	227	abolished	50	40	317
Total	**751**	**n.a.**	**277**	**135**	**1,163**

	Fixed remuneration	Performance-related pay [1]	Pension	Other [2]	Total 2011
Nanno Kleiterp	265	51	76	37	429
Nico Pijl	202	39	63	51	355
Jürgen Rigterink	202	39	40	40	321
Total	**669**	**129**	**179**	**128**	**1,105**

1) The reported performance-related pay related to 2011 is partly deferred in line with the guidelines on remuneration policies and practices.
2) 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.

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

	Remuneration 2012	Committees 2012	Total 2012	Total 2011
Jean Frijns [1], Chairman	22.5	5.0	27.5	24.8
Bert Bruggink	15.0	3.7	18.7	19.0
Dolf Collee [2]	5.4	1.0	6.4	18.0
Agnes Jongerius	15.0	3.0	18.0	17.0
Alexandra Schaapveld [4]	9.6	1.6	11.2	-
Pier Vellinga	15.0	2.7	17.7	18.0
Rein Willems	15.0	2.7	17.7	18.0
Willy Angenent [3]	-	-	-	10.0
Total	**97.5**	**19.7**	**117.2**	**124.8**

1) Jean Frijns was appointed to the Supervisory Board in 2010, and appointed as chairman of the Supervisory Board in May 2011.
2) Dolf Collee resigned his position in May 2012.
3) Willy Angenent resigned his position in May 2011.
4) Alexandra Schaapveld was appointed to the Supervisory Board in May 2012.

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

Notes to the consolidated statement of comprehensive income

36. OTHER COMPREHENSIVE INCOME

Other comprehensive income

		2012		2011
Exchange differences on translating foreign operations		-3,265		1,209
Available for sale interest-bearing securities:				
Unrealized results during the year	23,537		5,241	
Less: reclassification adjustments for results included in profit and loss	-6,962		-	
Total available for sale interest-bearing securities		**16,575**		**5,241**
Available for sale equity investments:				
Unrealized results during the year	41,001		60,201	
Foreign exchange results	-10,550		12,224	
Reclassification adjustments for results included in profit and loss	-26,074		-18,317	
Total available for sale equity investments		**4,377**		**54,108**
Total other comprehensive income before tax		**17,687**		**60,558**
Tax effect		-4,144		-1,245
Balance at December 31		**13,543**		**59,313**

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	-3,265	-	-3,265
Available for sale interest-bearing securities	16,575	-4,144	12,431
Available for sale equity investments	4,377	-	4,377
Balance at December 31, 2012	**17,687**	**-4,144**	**13,543**

	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	1,209	-	1,209
Available for sale interest-bearing securities	5,241	-1,245	3,996
Available for sale equity investments	54,108	-	54,108
Balance at December 31, 2011	**60,558**	**-1,245**	**59,313**

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.

37. 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.

38. 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.

39. 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	2012	2011
ASSETS				
Banks			9,197	29,987
Short-term deposits			678,126	498,633
Derivative financial instruments			280,195	334,062
Loans to the private sector			2,762,590	2,530,564
Loans guaranteed by the State			58,906	62,550
Equity investments	(1)	145	890,525	753,366
Investments in associates	(2)	145	23,156	41,061
Interest-bearing securities			729,816	671,578
Subsidiaries	(3)	145	20,008	15,438
Tangible fixed assets			5,376	3,599
Deferred income tax assets			3,393	3,682
Current income tax receivables			-	4,560
Current accounts with State funds and other programs			1,060	-
Other receivables			20,825	27,216
Accrued income			78,983	82,116
Total assets			**5,562,156**	**5,058,412**
LIABILITIES				
Banks			27,772	-
Short-term credits			240,445	557,660
Derivative financial instruments			89,560	66,038
Debt securities			15,143	22,429
Debentures and notes			3,276,507	2,656,111
Other liabilities			12,151	15,051
Current accounts with State funds and other programs			322	624
Current income tax liabilities			515	-
Wage tax liabilities			2,110	1,846
Deferred income tax liabilities			8,645	4,501
Accrued liabilities			52,591	53,909
Provisions			14,906	16,074
Total liabilities			**3,740,667**	**3,394,243**
SHAREHOLDERS' EQUITY				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			893,184	753,989
Development fund			657,981	657,981
Available for sale reserve			193,009	176,201
Translation reserve			239	3,504
Other reserves			32,004	29,860
Undistributed profit			6,724	4,286
Total shareholders' equity	**(4)**	**146**	**1,821,489**	**1,664,169**
Total liabilities and shareholders' equity			**5,562,156**	**5,058,412**
Contingent liabilities			92,392	129,489
Irrevocable facilities			1,281,687	1,188,756

Company profit and loss account

	Notes	Page number	2012	2011
Profit after taxation			144,957	89,435
Income from subsidiaries, after tax	(3)	145	962	3,667
Net profit			**145,919**	**93,102**

Notes to the company annual accounts

Notes to the specific items of the balance sheet

1. EQUITY INVESTMENTS

	2012	2011
Balance at January 1	753,366	630,205
Purchases and contributions	182,273	179,488
Re-class from loans	3,940	4,787
Re-class from associates	20,480	-
Sales	-51,114	-78,924
Value adjustments	-22,797	-36,298
Changes in fair value	4,377	54,108
Balance at December 31	**890,525**	**753,366**

	2012	2011
Equity investments at fair value	698,606	581,853
Equity investments at cost less impairment	191,919	171,513
Balance at December 31	**890,525**	**753,366**

2. INVESTMENTS IN ASSOCIATES

	2012	2011
Balance at January 1	41,061	49,503
Purchases and contributions	8,151	9,775
Re-class to equity investments	-20,480	-
Sales	-6,059	-10,134
Share in net results	4,051	-9,248
Translation differences	-3,568	1,165
Balance at December 31	**23,156**	**41,061**

3. SUBSIDIARIES

	2012	2011
Balance at January 1	15,438	11,727
Purchases and contributions	3,313	-
Share in results	962	3,667
Translation differences	295	44
Balance at December 31	**20,008**	**15,438**

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. Blauser S.A.: 100%.
4. Confoco S.A.: 100%.

The following table summarizes the carrying value of the subsidiaries.

	2012	2011
Nuevo Banco Comercial Holding B.V.	12,090	12,272
FMO Antillen N.V.	3,208	2,159
Blauser S.A. and Confoco S.A.	4,710	1,007
Balance at December 31	**20,008**	**15,438**

During 2012, FMO's stake in Blauser S.A. increased from 70.5% to 100%. Also, FMO acquired 100% of Confoco S.A. from Blauser S.A.. For both companies 15% of future income received is pledged to a third party.

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.

	2012	2011
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**

	2012	2011
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

	2012	2011
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State on 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 on 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 (€37,260) 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, 2012 and December 31, 2011.

	2012	2011
GROSS GAINS AND LOSSES IN THE AFS RESERVE		
Equity investments at fair value	167,074	162,697
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	34,584	18,009
	201,658	**180,706**
DEFERRED TAXES ON GAINS AND LOSSES		
Equity investments at fair value	-	-
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	-8,649	-4,505
	-8,649	**-4,505**
NET GAINS AND LOSSES IN THE AFS RESERVE		
Equity investments at fair value	167,074	162,697
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	25,935	13,504
Total available for sale reserve	**193,009**	**176,201**

The statement of changes in the shareholders' equity details the movements in the available for sale reserve during 2012. 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 €145,919 was recorded in 2012. Under the Agreement State-FMO of November 16, 1998, FMO is required to add €139,195 to the contractual reserve. Therefore this profit is not completely distributable. The distributable element of the net profit amounts to €6,724 (2011: €4,286). The Management Board and the Supervisory Board propose distributing a sum of €6,724 (2011: €2,143) as cash dividend equaling €16.81 per A and B share (2011: €5.36 per A and B share).

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: FMO's commitments in respect of:
- (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, 2012, the fund amounted (rounded) to €1,138,198 (2011: €997,433).

Annexes

List of abbreviations

GENERAL ABBREVIATIONS:
ACC: Audit, Compliance & Control
AGM: Annual General Meeting of Shareholders
ALCO: Asset and Liability Management Committee
AUD: Australian dollar
Basel II: Basel Committee on Banking Supervision
Basel III: Basel Committee on Banking Supervision
CG: Corporate Governance
CPP: Campaign's Client Protection Principles
DFI: Development Finance Institution
DII: Development Impact Indicator
EDIS: Economic Development Impact Score
E&S: Environmental and Social
ESG: Environmental, Social and Corporate Governance
FTE: Full-Time Equivalent
IRB: International Ratings Based
K&I: Knowledge & Innovation
LCR: Liquidity Coverage Ratio
LICs: Low-income Countries
MW: Megawatt
NGOs: non-governmental organizations
NPL: Non-Performing Loan
PVBP: Price Value per Basis Point
QIs: Quantative indicators
REDD: Reduced Emissions from Deforestation and Degradation of forests scheme
RSPO: Roud Table and Sustainable Oil
SMART: specific, measurable, achievable, realistic and time-bound;
SME: small and medium-sized enterprises
SHIFT: Strategic Horizon for Impact and Footprint Transition
STUOP: Student Entrepreneur Prize
Wft: Wet op het financieel toezicht (Dutch Act on Financial Supervision)
MSMEs: Micro, small and medium enterprises

ORGANIZATIONS:
BIS: Bank for International Settlements
CDC: Colonial Development Corporation, a development finance institution owned by the UK Government's Department for International Development
DEG: Deutsche Investitions- und Entwicklungsgesellschaft mbH (German Investment Corporation)
DNB: De Nederlandsche Bank (Dutch Central Bank)
EDFI: European Development Finance Institutions
EIB: European Investment Bank
EBRD: European Bank for Reconstruction and Development
IFC: International Finance Corporation
IFRS: International Financial Reporting Standard(s)
ISS: Institute for Social Studies
FMO: Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Netherlands Development Finance Company)
GRI: Global Reporting Initiative
KfW: Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute) Bankengruppe
KPMG: KPMG N.V.
NCDO: National Community Development Organization
OECD: Organization for Economic Co-operation and Development
PIIF: Principles for Investors in Inclusive Finance
Proparco: Promotion et Participation pour la Coopération économique (Promotion and Participation for Economic Cooperation)
SID: Society for International Development
UNPRI: United Nations Principles for Responsible Investment
WWF: World Wildlife Fund

FUNDS:
IDF: Infrastructure Development Fund
AEF: Acces to Energy Fund
CD: Capacity Development
FOM: Faciliteit Opkomende Markten (Facility Emerging Markets)
FOM OS: Fonds Opkomende Markten Ontwikkelings Samenwerking

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 April. 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 or via http://annualreport.fmo.nl.

CONTACT INFORMATION

For copies of FMO publications contact
FMO N.V.

Mailing address
P.O. Box 93060
2509 AB The Hague
The Netherlands

Street address
Anna van Saksenlaan 71
2593 HW The Hague
The Netherlands

Contact details
T +31 (0)70 314 9696
E info@fmo.nl
W www.fmo.nl

COLOPHON

Copy
Stampa
FMO N.V.

Webdesign
Procurios

Layout
Scribbledesign

Printing
Veenman Drukkers