Annual Accounts 2005

Amounts in EUR 1,000

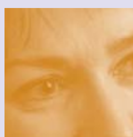
Consolidated Balance Sheet

December 31, 2005

(before profit appropriation)	Notes	2005	2005	2004	2004
Assets					
Banks	(6)	2,262		1,355	
Short-term deposits	(7)	370,969		147,179	
Derivative financial instruments	(8)	48,417		-	
Loans to the private sector	(9), (13)	991,770		885,280	
Loans guaranteed by the State	(10), (13)	18,281		16,958	
Equity investments	(11), (13)	114,293		80,560	
Investments in associates	(12), (13)	13,611		12,803	
Interest-bearing securities	(14)	631,448		592,074	
Subsidiaries	(15)	1,135		1,135	
Tangible fixed assets	(16)	6,078		9,348	
Deferred income tax assets	(38)	48,578		42,402	
Current accounts with State funds and programs	(17)	30,721		12,432	
Other receivables	(18)	2,970		1,298	
Accrued income	(19)	48,426		42,052	
Total assets			**2,328,959**		**1,844,876**
Liabilities					
Short-term credits	(20)	28,772		64,522	
Derivative financial instruments	(8)	57,374		-	
Debt securities	(21)	134,702		170,463	
Debentures and notes	(22)	1,004,700		724,781	
Other liabilities	(23)	21,619		21,527	
Current accounts with State funds and programs	(24)	27,276		14,660	
Current income tax liabilities	(38)	42,060		24,763	
Deferred income tax liabilities	(38)	15,019		1,591	
Accrued liabilities	(25)	29,435		18,168	
Provisions	(26)	17,845		20,064	
Total liabilities			**1,378,802**		**1,060,539**
Shareholders' equity					
Share capital		9,076		9,076	
Share premium reserve		29,272		29,272	
Contractual reserve		215,898		116,094	
Development fund		657,981		620,721	
Available for sale reserve		21,798		-	
Translation reserve		185		-754	
Other reserves		11,617		7,569	
Undistributed profit		4,330		2,359	
Total shareholders' equity	**(27)**		**950,157**		**784,337**
Total liabilities and shareholders' equity			**2,328,959**		**1,844,876**
Contingent liabilities	(39)		149,332		114,781
Irrevocable facilities	(39)		520,512		382,775
Loans and equity investments managed for the risk of the State	(5.3)		272,807		187,146

Consolidated Profit and Loss Account
2005

	Notes	2005	2005	2004	2004
Income					
Interest income		120,729		111,419	
Interest expense		-41,247		-31,460	
Net interest income	(28)		79,482		79,959
Fee and commission income		798		719	
Fee and commission expense		-200		-214	
Net fee and commission income	(29)		598		505
Dividend income	(30)	1,952		2,170	
Results from equity investments	(31)	9,393		13,716	
Results from financial transactions	(32)	17,330		6,738	
Remuneration for services rendered	(33)	22,669		19,085	
Other operating income	(34)	2,678		4,360	
			54,022		46,069
Total income			**134,102**		**126,533**
Operating expenses					
Staff costs	(35)	-27,154		-25,075	
Other administrative expenses	(36)	-8,490		-8,582	
Depreciation and impairment	(16)	-5,176		-2,064	
Other operating expenses	(37)	-285		-237	
Total operating expenses			**-41,105**		**-35,958**
Operating profit before value adjustments			**92,997**		**90,575**
Value adjustments on:					
- loans	(13)	12,346		-32,250	
- equity investments and associates	(13)	-5,027		-2,417	
- guarantees issued	(13)	613		-604	
			7,932		-35,271
Share in the result of subsidiaries	(15)		44		50
Profit before taxation			**100,973**		**55,354**
Income tax expense	(38)		-27,588		-18,006
Net profit			**73,385**		**37,348**



Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Share premium reserve	Contractual reserve	Development fund	Available for sale reserve	Translation reserve	Other reserves	Undistributed profit	Total
Balance at December 31, 2003	**9,076**	**29,272**	**101,074**	**583,461**	**-**	**-301**	**7,792**	**1,347**	**731,721**
First time adoption adjustment	-	-	-19,969	-	-	-	-1,402	60	-21,311
IFRS equity at January 1, 2004	**9,076**	**29,272**	**81,105**	**583,461**	**-**	**-301**	**6,390**	**1,407**	**710,410**
Arising in the period									
Currency translation differences	-	-	-	-	-	-453	-	-	-453
Net results not recognized in the profit and loss account	*-*	*-*	*-*	*-*	*-*	*-453*	*-*	*-*	*-453*
Contribution 2004	-	-	-	37,260	-	-	-	-	37,260
Appropriation undistributed profit	-	-	-	-	-	-	1,179	-1,179	-
Net profit	-	-	*34,989	-	-	-	-	2,359	37,348
Dividend	-	-	-	-	-	-	-	-228	-228
Balance at December 31, 2004	**9,076**	**29,272**	**116,094**	**620,721**	**-**	**-754**	**7,569**	**2,359**	**784,337**
First time adoption adjustment regarding IAS 32 & 39	-	-	*30,749	-	8,740	-	1,917	-	41,406
Balance at January 1, 2005	**9,076**	**29,272**	**146,843**	**620,721**	**8,740**	**-754**	**9,486**	**2,359**	**825,743**
Arising in the period									
Fair value changes in equity investments, net of tax	-	-	-	-	16,472	-	-	-	16,472
Fair value changes in interest-bearing securities, net of tax	-	-	-	-		-	-	-	
Currency translation differences	-	-	-	-	-	939	-	-	939
Realized									
Fair value changes in equity investments, net of tax	-	-	-	-	-1,852	-	-	-	-1,852
Fair value changes in interest-bearing securities, net of tax	-	-	-	-	-1,562	-	-	-	-1,562
Net results not recognized in the profit and loss account	*-*	*-*	*-*	*-*	*13,058*	*939*	*-*	*-*	*13,997*
Contribution 2005	-	-	-	37,260	-	-	-	-	37,260
Appropriation undistributed profit	-	-	-	-	-	-	2,131	-2,131	-
Net profit	-	-	*69,055	-	-	-	-	4,330	73,385
Dividend	-	-	-	-	-	-	-	-228	-228
Balance at December 31, 2005	**9,076**	**29,272**	**215,898**	**657,981**	**21,798**	**185**	**11,617**	**4,330**	**950,157**

* Under the agreement with the State of the Netherlands, it is required to add this part of the net result to the contractual reserve. Therefore this profit is not distributable.

Consolidated Cash Flow Statement
2005

		2005	2004
Operations			
Net profit		73,385	37,348
Adjusted for non-cash items included in result and other items shown separately:			
- Result on sale of equity investments		-9,393	-13,716
- Depreciation and impairment of tangible fixed assets		5,176	2,064
- Interest income		-120,729	-111,419
- Interest expenses		41,247	31,460
- Changes in fair value		16,385	-
- Value adjustments		-7,932	35,271
- Other non-cash items		-5,622	-4,781
- Changes in exchange rates		11,153	-1,903
- Movement in provisions		-2,219	355
Other movements in working capital (excluding State programs)		40,168	36,626
Interest received		114,657	107,795
Interest paid		-26,958	-22,588
Income taxes paid		-15,085	-5,451
Loan disbursements		-271,819	-436,541
Loan disbursements, guaranteed by the State		-7,916	-6,470
Loan repayments		283,696	292,570
Loan repayments, guaranteed by the State		6,497	6,523
Purchase of equity investments		-47,333	-20,107
Sale of equity investments		36,391	26,774
Purchase of and contributions in associates and subsidiaries		-1,448	-3,307
Sale of and repayments from associates and subsidiaries		1,579	112
Movement in short-term credits		-35,750	52,625
Other movements in working capital with State programs		-5,673	3,735
Net cash flow from operational activities	**(42)**	**72,457**	**6,975**
Investment activities			
Purchase of interest-bearing securities		-364,198	-377,127
Redemption/sale of interest-bearing securities		334,715	63,290
Dividends received from subsidiaries and associates		44	50
Investments in tangible fixed assets		-2,018	-3,260
Net cash flow from investment activities	**(43)**	**-31,457**	**-317,047**

Amounts in EUR 1,000

	Note	2005	2005	2004	2004
Financing activities					
Contribution to Development Fund		37,260		37,260	
Disbursement of debt securities		1,361		1,417	
Disbursement of debentures and notes		502,187		323,193	
Redemption of debt securities		-43,447		-122,021	
Redemption of debentures and notes		-313,020		-181,069	
Dividend paid		-228		-228	
Net cash flow from financing activities	**(44)**		**184,113**		**58,552**
Net cash flow			**225,113**		**-251,520**
Cash and cash equivalents					
Banks and short-term deposits at January 1		148,534		399,126	
Foreign exchange difference on cash and cash equivalents		-416		928	
Banks and short-term deposits at December 31		373,231		148,534	
			225,113		**-251,520**

Notes to the Consolidated Annual Accounts

1 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.

(a) Financing activities

FMO's main activity consists of providing loans, guarantees and equity capital in developing countries.

A minor part of the investment financing is guaranteed by the State of the Netherlands by the Investment Facility Emerging Markets (IFOM), in which FMO itself participates as a 5 percent to15 percent risk-partner. In case of a loss with respect to the guarantee elements, FMO recognizes a receivable under Accrued Income defined as "Receivable in connection with State guarantees".

(b) Services in relation to government funds and programs

Apart from financing activities from its own resources, FMO provides loan, guarantee and equity finance from special government funds, within the conditions and objectives of those facilities. The funds consist of civil-law agreements between the State and FMO regarding the Seed Capital Fund and the *Klein Bedrijf financierings-programma* (hereafter referred to as the Small-Scale Enterprise Fund), as well as subsidies provided under the General Administrative Law Act regarding the Minst Ontwikkelde Landen Infrastructure Fund (hereafter referred to as Least Developed Countries Infrastructure Fund - LDC Infrastructure Fund), the Nederlands Investerings Matching Fund (hereafter referred to as NIMF Fund) and the Balkan Fund. FMO incurs a risk in the Seed Capital Fund and the NIMF Fund as it has an equity share of 13 percent and 15 percent respectively. With respect to the remaining interest in the Seed Capital Fund and the NIMF Fund, and the full risk in the remaining government funds, FMO has a contractual right and obligation to settle the results arising from the funds' activities with the State. Therefore, with the exception of FMO's equity share in the Seed Capital Fund and the NIMF Fund, the funds' assets and the funds' liabilities are not included in the annual accounts. Note 5.3 provides more detail on the loans and equity investments managed for the risk of the State.
FMO operates the Technische Assistentie Opkomende Markten (hereafter referred to as Technical Assistance Emerging Markets - TAEM) on behalf of the State. FMO executes the Investment Promotion and Technical Assistance Program (hereafter referred to as IPTA) under civil law agreement with the State. FMO receives an agreed remuneration for these services.

(c) Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.

FMO's subsidiary, De Nederlandse Investeringsbank voor Ontwikkelingslanden N.V. (hereafter referred to as NIO), has been established to administer certain grants and loans funded by the State to governments of developing countries. Apart from this bilateral financial development assistance, NIO also administers a portfolio of concessional loans. The repayments of interest and redemption of bonds and private loans contracted by NIO are guaranteed by the State of the Netherlands. NIO is reimbursed by the State for operating expenses and is compensated for the difference between the interest income on loans provided by NIO to developing countries and the interest charges on the funds raised by NIO under government guarantee in order to finance those loans.

Since March 25, 2002, NIO has been administering the Ontwikkelings-Relevante Export Transacties Programma (hereafter referred to as the ORET program) on behalf of the Dutch State. The ORET program is a subsidy scheme operated on behalf of the Ministry of Foreign Affairs. NIO's tasks consist of executing the program within the conditions and objectives of this program, making disbursements and monitoring, as well as performing post-implementation evaluation of the projects.

Up to and including the financial year 2004, the wholly owned subsidiary NIO was included in the consolidated annual accounts. The activities of NIO are entirely at the expense and risk of the Ministry of Foreign Affairs. The government sets the policies and conditions of the NIO activities and FMO has no effective control over these activities. Therefore, consolidation of NIO has not taken place as of the financial year 2005. The remuneration for services rendered and the net asset value of the subsidiary have been included in the accounts of FMO. The comparative figures have been adjusted where necessary.

2 First Time Adoption (FTA) to IFRS

As of January 1, 2005 FMO reports under International Financial Reporting Standards (IFRS) as adopted by the EU. Until financial year 2004, FMO applied generally accepted accounting principles in the Netherlands ('Dutch GAAP'). The transition to IFRS has been performed using the transitional requirements imposed by IFRS 1 *"First Time adoption of IFRS"* which has become effective for accounting periods beginning on or after January 1, 2004. The 2005 annual accounts include 2004 financial data restated under IFRS, except for the standards IAS 39 and IAS 32. Due to the delay in approving IAS 32 *(Financial Instruments: Disclosure and Presentation)* and IAS 39 *(Financial Instruments: Recognition and Measurement)*, the European Commission has allowed companies not to apply them to the 2004 comparative figures in the 2005 annual accounts. The effects of adopting IFRS at January 1, 2004 have been recorded in shareholders' equity in the 2004 opening balance sheet. The subsequent adoption of the standards IAS 32 and IAS 39 at January 1, 2005 has been recorded in shareholders' equity in the 2005 opening balance sheet.
At January 1, 2004, equity under IFRS decreases by EUR 21,311 (3.0 percent) compared to Dutch GAAP. At January 1, 2005, shareholders' equity as determined under IFRS is EUR 21,810 (2.7 percent) higher than the equity as determined under Dutch GAAP.

2.1 IFRS adoption effects on the opening equity at January 1, 2004

The adoption effects at January 1, 2004 are included in the schedule below and explained in the indicated paragraphs. The amounts in the schedules and paragraphs below are exclusive of any tax effects. The tax effects are summarized as a standalone adjustment.

Equity at December 31, 2003 under Dutch GAAP		**731,721**
(1) Pensions and other retirement benefits (IAS 19)	-16,296	
(3) Loans and guarantees issued (IAS 18)	-15,412	
(5) Deferred taxes on the IFRS transition adjustments 2004	10,397	
		-21,311
Equity at January 1, 2004 under IFRS excluding IAS 32 and 39		**710,410**

The net profit 2004 under IFRS is EUR 1,715 (4.8 percent) higher than under Dutch GAAP. The reconciliation of net profit 2004 between IFRS and Dutch GAAP is summarized as follows:

Net profit 2004 under Dutch GAAP		**35,633**
(1) Pensions and other retirement benefits (IAS 19)	761	
(2) Investments under equity method (associates)	-	
(3) Loans and guarantees issued (IAS 18)	-3,102	
(4) Value adjustments on equity investments	3,380	
(5) Deferred taxes on the IFRS transition adjustments 2005	676	
		1,715
Net profit 2004 under IFRS		**37,348**

(1) Pensions and other retirement benefits (IAS 19)

FMO sponsors a number of retirement benefit plans for its employees. The pension scheme in place includes components of both defined benefit and defined contribution plans. The scheme is funded through payments to an insurance company as determined by periodic actuarial calculations. Under Dutch GAAP the periodic amounts due to the insurance company, including amounts due in connection with back service funding, were treated as defined contributions and accordingly accounted for as pension costs. Up to the end of 2004 the unfunded vested early retirement rights were included as liabilities under Dutch GAAP.

Under *IAS 19 Employee Benefits* it is not allowed to account only for defined contribution schemes. The actuarial method to measure pension obligations at balance sheet date in accordance with IAS 19 differs from that used under Dutch GAAP. For the implementation of IAS 19, FMO calculates its net present value obligation at balance sheet date in respect of defined benefit pension plans separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in prior periods. The discount rate is the interest rate at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of FMO's obligations. A qualified actuary using the projected unit credit method performs the calculation.

The transition adjustment at January 1, 2004 has been determined by recognizing the present value of the defined benefit obligation so far as underlying plan assets at January 1, 2004 and provisions in the Dutch GAAP balance sheet did not cover the obligation.

	2004
Present value of funded defined benefit obligations	40,666
Fair value of plan assets	-20,576
Initial transition obligation	**20,090**
Existing provisions under Dutch GAAP	-3,794
Adoption adjustment with regard to IAS 19	**16,296**

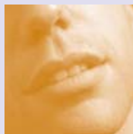
The transition adjustment of EUR 16,296 (before taxes) has been charged against equity. In accordance with the exemption of paragraph 20 of IFRS 1, FMO has elected to charge all cumulative actuarial gains and losses at the date of transition to IAS 19 as an adjustment to equity.

Actuarial gains and losses that arise subsequent to January 1, 2004 are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan, using the corridor method. Included in the charge to the profit and loss account are actuarial gains and losses in excess of a 10 percent corridor. The 10 percent corridor is the higher of 10 percent of the present value of the defined benefit obligation or the fair value of the plan assets. The 2004 pension cost under IFRS amounts to EUR 4,137 and is EUR 761 lower than the pension costs recorded in the Dutch GAAP profit and loss account (EUR 4,898).

(2) Investments under equity method (associates) (IAS 28)

An associate is an entity in which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Under Dutch GAAP the equity investments were recorded at their historical cost less any value adjustment due to a structural diminution of value. The results from equity investments were not taken into account, with the exception of dividends received and the value adjustments for structural diminution of value referred to above.



Dividends, costs claimed and proceeds from the sale of shares have been accounted for on a cash basis, in view of the circumstances related to their settlement. Value adjustments due to structural diminution of value were determined based upon indications in accordance with European Venture Capital Association ('EVCA') guidelines.

Under *IAS 28 Investments in Associates*, equity investments in which FMO has a significant influence are accounted for as an associate under the equity method unless the financial statements of the associate are outdated or insufficiently reliable. In this case, the associates are valued at cost less impairment, which is in line with the valuation of equity investments. The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

For transition purposes FMO applies the exemption of paragraph 15 of IFRS 1. All investments in associates performed before January 1, 2004 are not restated to align with the conditions of IAS 28. Therefore, the previous accounting and accompanying carrying values remain unchanged at January 1, 2004. As from the transition date new acquisitions in associates and further accounting of existing associates is performed in accordance with IAS 28. As a result, no adjustment has been made to shareholders' equity at January 1, 2004.

The reclassification on the balance sheet between Associates and Equity investments at December 31, 2004 amounts to EUR 12,803. The differences on the 2004 profit and loss account between Dutch GAAP and IFRS are nil since all associates were valued at cost (less value adjustments).

(3) Loans and guarantees issued (IAS 18)

Loans issued by FMO were accounted for in line with Dutch GAAP at nominal value less value adjustments with respect to uncollectability. The transactions costs and transaction fees were charged and recognized in income at transaction date.

IAS 18 Revenue Recognition (later renamed *Revenue*) has been effective for financial years started before January 1, 2004 and therefore applies to the adoption for the year 2004. IAS 18 requires FMO to allocate certain fees and costs to the income statement in line with the term of the related loan.

IFRS 1 states in BC (Basis for Conclusion) 72 and 73 that the transaction costs should be reversed for any costs or fees which have been included in the result in years prior to the first time adoption of IFRS. With regard to the transition adjustment in accordance with IFRS 1, FMO determined the transaction costs incurred when the loans and guarantees were originated and subsequently calculated the unamortized portion of transaction costs at the date of transition.

The following table details the transition adjustment in shareholders' equity at January 1, 2004:

	Loans	Guarantees (off balance)	Total
Nominal value (Dutch GAAP)	840,326	137,935	978,261
Amortized cost value (IFRS)	826,443	136,406	962,849
Adoption adjustment IAS 18 in equity at January 1, 2004	**-13,883**	**-1,529**	**-15,412**

The nominal value at January 1, 2004 under Dutch GAAP is composed as follows:

	Loans	Guarantees (off-balance)	Total
Loan portfolio FMO	819,974	137,935	957,909
Loans guaranteed by the State (IFOM)	20,352	-	20,352
Nominal value (Dutch GAAP)	**840,326**	**137,935**	**978,261**

The following table details the transition effect of IAS 18 on the 2004 net income compared to Dutch GAAP:

	Dutch GAAP	IAS 18	Adjustment
Interest income on loans and guarantees	**114,521**	**111,419**	**-3,102**

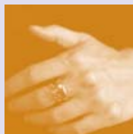
(4) Value adjustments on Equity investments

Under Dutch GAAP, FMO uses an EVCA (European Venture Capital Association) based model to determine the value adjustment of equity investments. The transition resulted in a reversal of value adjustments amounting to EUR 3,380 due to a stricter evaluation of value adjustments.

(5) Deferred taxes on the IFRS transition adjustments 2004

The transition adjustments have impact on the deferred tax position. The following table specifies the deferred tax effects on the transition adjustments at January 1, 2004:

	Current	Non-current	Total
Deferred tax assets			
Pensions and other retirement benefits (IAS 19)	228	5,111	5,339
Amortized cost of loans and guarantees issued (IAS 18)	2,174	2,884	5,058
	2,402	**7,995**	**10,397**
Deferred tax liabilities	-	-	-
	2,402	**7,995**	**10,397**



2.2 IFRS adoption (IAS 39 and IAS 32) effects on the opening equity at January 1, 2005

The transition adoption effects at January 1, 2005 are included in the schedule below and explained in the indicated paragraphs. The amounts mentioned in the schedules and paragraphs below are exclusive of any tax effects. The tax effects are summarized as a standalone adjustment.

Equity at December 31, 2004 under Dutch GAAP		**803,933**
Adoption effects of IFRS at January 1, 2004		-21,311
Net income effects of IFRS during 2004		1,715
Equity at December 31, 2004 under IFRS excluding IAS 32 and 39		**784,337**
(6) Equity Investments (IAS 39)	1,953	
(7) Derivatives in the asset portfolio (IAS 39)	7,547	
(8) Fair value measurement of debentures and notes (IAS 39)	23,182	
(9) Fair value measurement of debt securities qualifying for hedge accounting (IAS 39)	-8,976	
(10) Fair value measurement of (funding) derivatives (IAS 39)	22,073	
(12) Fair value measurement of interest-bearing securities and short-term deposits (IAS 39)	9,415	
(13) Deferred taxes on the above adoption effects	-13,788	
		41,406
Equity at January 1, 2005 under IFRS		**825,743**

(6) Equity investments (IAS 39)

Under Dutch GAAP the investments were typically held at cost (less value adjustments where required). Under IFRS equity investments are initially measured at fair value. 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 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 fair value.

If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the instrument at fair value.

Due to the nature of FMO's private equity investments, FMO deals with valuation difficulties and uncertainties. As a result the fair value of the investments cannot be measured reliably. Therefore, non-quoted investments or those quoted investments in an inactive market, are recorded at cost less value adjustments where required. With regard to quoted investments in an active market, unrealized gains and losses are included in the available for sale reserve except for value adjustments which are included in the profit and loss account. Foreign exchange differences on the equity investments are included in the available for sale reserve under equity.

The following adjustments have been included in the available for sale reserve at January 1, 2005 as unrecognized results:

	Dutch GAAP	IFRS	Adjustment
Value of quoted equity investments in an active market	8,599	10,552	1,953
Value of other investments and associates	81,797	81,797	-
	90,396	**92,349**	**1,953**

(7) Derivatives in the asset portfolio (IAS 39)

Under Dutch GAAP, instruments issued or purchased with embedded features were not separately accounted for and recognized on the balance sheet. Based on IAS 39.11, AG 33 and AG 35 the derivatives are not closely related to the host contract. As a result thereof the derivative should be separated, classified as a derivative and recorded at fair value.

The derivatives in the asset portfolio are marked as a financial asset or financial liability at fair value through the profit or loss account as it is not a designated and effective hedging instrument. The derivative should be included at fair value in accordance with IAS 39.46 whereby the changes in fair value are recognized in the profit and loss account (IAS 39.55). The fair value of the derivatives is determined twice a year using an external advanced mathematical pricing model. At January 1, 2005 the fair value of derivatives amounted to EUR 7,547.
The difference between this fair value and the carrying value under Dutch GAAP (which was nil) has been included in the Contractual reserve and Other reserves.

(8) Fair value measurement of debentures and notes (IAS 39)

The debentures and notes consist of Medium Term Notes under the FMO EMTN program. The carrying value represents the reported value of the funding liabilities under Dutch GAAP. As part of the risk management procedures, FMO uses derivative instruments to hedge interest rate risks and foreign exchange rate risks. Under Dutch GAAP, the liabilities hedged for foreign exchange risks were recorded against the agreed forward exchange rates as the hedging swaps were kept off-balance. Under IFRS, the hedging swaps are valued on-balance and as a consequence the liabilities are recognized at the year-end exchange rate. The total (unrealized) exchange rate adjustment originating from the difference between the year-end exchange rate and the forward exchange rate amounts to EUR 45,800 at December 31, 2004.

The following table specifies FMO's EMTN liabilities at January 1, 2005 under Dutch GAAP. The transition effects to IAS 39 only relate to the EMTN structured funding and the EMTN hedged funding. There is no difference in value between Dutch GAAP and IFRS with regard to the remaining EMTN funding.

	Carrying value	Foreign exchange adjustments (derivatives)	Value at year-end exchange rates
EMTN-structured (a)	525,518	45,800	571,318
EMTN-hedged (b)	111,328	-	111,328
EMTN-other	88,105	-	88,105
Total debentures and notes	**724,951**	**45,800**	**770,751**

(a) EMTN structured funding

The Euro Medium Term Notes (EMTN) characterizes mainly as structured funding. These host contracts include integrally embedded derivatives containing several features. Under Dutch GAAP these contracts were reported at redemption value including, if relevant, the appropriate adjustments for foreign exchange derivatives. *IAS 39 Financial Instruments: Recognition and Measurement* and the amendments made in June 2005 enable the company to recognize certain categories of liabilities at "fair value through profit and loss". If no designation at "fair value through profit and loss" is performed, a significant measurement and recognition inconsistency ('accounting mismatch') will be the result. In addition, the embedded derivatives are an important part of the structured EMTN notes and modify the associated cash flows significantly. Therefore the EMTN structured funding qualifies as and falls in the restricted categories allowing this fair value option.

(b) EMTN hedged funding

Besides structured notes under the EMTN program, FMO hedges a certain level of the EMTN funding. These fair value hedges for the interest rate exposures qualify under the strict conditions of *IAS 39 Financial Instruments: Recognition and Measurement* for fair value hedge accounting. Changes in the fair value of derivatives that are designated and that qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged EMTN funding, that are attributable to the hedged risk. Under hedge accounting the changes in the fair values of the hedging instrument and the hedged item are offset in the profit and loss account. Any ineffectiveness of hedges is reflected automatically in profit and loss as well.

The following table shows the adoption adjustment of the EMTN funding in the Contractual reserve and Other reserves at January 1, 2005:

	2005
Carrying value of EMTN structured funding under Dutch GAAP	525,518
Carrying value of EMTN hedged funding under Dutch GAAP	111,328
	636,846
Reclassification of unrecognized gains due to foreign exchange derivatives (see 10)	45,800
	682,646
Fair value of EMTN (structured and hedged) funding – IAS 39	659,464
Adoption adjustment (gain)	**23,182**

The unrecognized gains due to foreign exchange derivatives related to EMTN funding (merely cross currency interest rate swaps) comprise of the difference between the forward exchange rates and year-end exchange rates. Under Dutch GAAP the EMTN funding was recorded against the agreed foreign exchange rates and accordingly that value (EUR 45,800) of derivates was not separately shown on the balance sheet. Under IFRS the derivates are separately valued and include the unrecognized foreign exchange gains.

(9) Fair value measurement of debt securities qualifying for hedge accounting (IAS 39)

FMO uses derivative instruments for fair value hedging purposes on the interest rate exposure of fixed rate debt securities. These funding liabilities are not part of the notes in the EMTN program and are separately hedged. Under Dutch GAAP the fair value of the interest rate component of the derivative was kept off balance. The interest differential between the floating interest leg and fixed interest leg of the derivative was recorded in earnings on an accrual basis. Any changes in the fair value of the positions were not recorded unless the prudence principle required the recognition of pending (unrecognized) losses on onerous contracts.

Under *IAS 39 Financial Instruments: Recognition and Measurement* all derivatives are recognized as either assets or liabilities and are measured at fair value. Hedge accounting is only allowed if strict conditions and measurement criteria of IAS 39 are met. If the derivative qualifies as a hedge, changes in fair value of the corresponding liability attributable to the hedged risk and the designated derivate, are included directly in the profit and loss account. Under hedge accounting the changes in the fair values of the hedging instrument and the hedged item are offset in the profit and loss account. Any ineffectiveness of hedges is reflected automatically in profit and loss as well.

The following table indicates the debt securities at January 1, 2005 and the resulting transition adjustment in the Contractual reserve and Other reserves:

	2005
Carrying value under Dutch GAAP of debt securities - qualified for hedge accounting	153,522
Fair value of debt securities qualifying for hedge accounting	162,498
Adoption adjustment (loss)	**-8,976**

(10) Fair value measurement of (funding) derivatives (IAS 39)

The derivative instruments used by FMO are principally for fair value hedging purposes in respect of interest rate risk exposures and foreign exchange exposures. No trading positions are assumed. The risk management and use of the derivatives are either on portfolio basis or on individual basis.

Under Dutch GAAP the derivatives were off balance sheet instruments. Only the differences between the foreign exchange rate at contract moment and the year-end exchange rate were recognized as unrealized gains or losses in the profit and loss account. The interest differential between the floating interest leg and fixed interest leg of the derivative was recorded in earnings on an accrual basis. Any changes in the fair value of the interest rate positions were not recorded unless the prudence principle required the recognition of pending (unrecognized) losses on onerous contracts.

Under *IAS 39 Financial Instruments: Recognition and Measurement* all derivatives are recognized as either assets or liabilities and are measured at fair value. Changes in the fair value of derivatives related to fair value hedges are recorded directly in the profit and loss account. Changes in the fair value of derivatives related to cash flow hedges are recorded directly in equity. As stated hedge accounting is only allowed if strict conditions and measurement criteria of IAS 39 are met. With regard to certain derivatives that were intended to be cash flow hedge relations, these conditions were not met.

At the date of transition to IAS 39, the relevant derivatives are measured at fair value on the balance sheet against opening equity. The following table shows the fair values of all derivatives, other than derivatives related to the asset portfolio, and the resulting adoption adjustment at January 1, 2005 in the Contractual reserve and Other reserves:

	2005
Dutch GAAP (standalone) valuation of derivatives	-
Fair value of derivatives; identified as hedges (related to EMTN and debt securities)	12,218
Fair value of derivatives; related to EMTN structured funding	28,045
Fair value of derivatives; not identified as hedges	27,610
	67,873
Reclassification of unrecognized gains due to foreign exchange derivatives (see 8)	-45,800
Adoption adjustment (gain) in equity at January 1, 2005	**22,073**

(11) Amortized cost of loans and guarantees issued (IAS 18, IAS 37 and IAS 39)

At January 1, 2005 FMO adopted *IAS 39 Financial Instruments: Recognition and Measurement*. With regard to the measurement of and the accounting for amortized cost for loans and guarantees, the previous accounting does not differ from IAS 39. Therefore no additional transition adjustment to IAS 39 with material effects to shareholders' equity at January 1, 2005 are made.

(12) Fair value measurement of interest-bearing securities and short-term deposits (IAS 39)

Under Dutch GAAP bonds and similar interest-bearing securities included in the investment portfolio were recorded at redemption value less any diminution in value deemed necessary. Premiums and discounts at acquisition were recognized under Accrued income/liabilities and were amortized over the term of the investment portfolio. Net capital gains and losses realized prior to maturity date in connection with replacement operations were recognized as deferred interest and amortized over the remaining term of the investment portfolio.

For IFRS purposes, FMO classifies the interest-bearing securities as available for sale. IAS 39 requires that investment securities classified as available for sale be stated at fair value. Unrealized gains and losses on the interest-bearing securities are reported in a separate component of shareholders' equity. The amounts reported in this available for sale reserve are net of taxes. Realized gains and losses on disposal are recognized in the profit and loss account.

The difference between Dutch GAAP and IFRS with regard to the interest-bearing securities is presented below:

	2005
Carrying value of interest-bearing securities under Dutch GAAP	592,074
Reclassification of accrued premiums on interest-bearing securities as reported under accrued income	6,167
	598,241
Fair value measurement of interest-bearing securities under IFRS	607,646
Allocated to shareholders' equity at January 1, 2005	**9,405**

The difference between Dutch GAAP and IFRS with regard to the short-term deposits is presented below:

	Dutch GAAP	**IFRS**	**Adjustment**
Short-term deposits	147,179	147,189	10
Allocated to available for sale reserve at January 1, 2005	**147,179**	**147,189**	**10**

(13) Deferred taxes on the IFRS transition adjustments 2005

The following table specifies the deferred tax effects on the transition adjustments at January 1, 2005:

	Total
Deferred tax assets	
Fair value measurement of debt securities - qualifying for hedge accounting	2,692
	2,692
Deferred tax liabilities	
Fair value measurement of (funding) derivatives	-6,623
Fair value measurement of debentures and notes	-6,955
Fair value measurement of interest-bearing securities and short-term deposits	-2,902
	-16,480
	-13,788

The deferred taxation effects on the adoption adjustments resulting from fair value measurement are assumed to be non-current.

3 Significant accounting policies

(a) Basis of preparation

The consolidated annual accounts of FMO (the "Annual accounts") have been prepared in accordance with International Financial Reporting Standards as adopted by the EU in EG 1606/2002 directive ("IFRS").
The consolidated annual accounts are prepared under the historical cost convention and modified by the revaluation options to fair value for available for sale investment securities, cash and cash equivalents, applicable funding items and all derivative contracts. The comparative financial information has been prepared in accordance with IFRS with the allowed exception of the application of IAS 39 and 32. See further Note 2 regarding the first time adoption ("FTA") by FMO.

(b) 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.

(c) Group accounting

Scope

The annual accounts of FMO N.V. and the annual accounts of the subsidiaries FMO Participaties B.V. and FMO Antillen N.V. are integrally included in the Consolidated Annual Accounts. The balances and results of intergroup transactions are eliminated in preparing the Consolidated Annual Accounts.

Change

In financial year 2004, the wholly-owned subsidiary (NIO) was included in the consolidated accounts. The activities of NIO are entirely at the expense and risk of the Dutch Ministry of Foreign Affairs. The government sets the policies and conditions of the NIO activities and FMO has no effective control over these activities. Therefore consolidation of NIO has not taken place. The remuneration for services rendered and the net asset value of the subsidiary have been included in the accounts of FMO. The comparative figures for 2004 have been adjusted where necessary.

In financial year 2004, the activities of the government funds were included in the company accounts. An adjustment has been made in the accounting principles for these government funds. FMO is not entitled to the economic benefits of these funds and the losses of the funds are not to the expense of FMO. Therefore only the remuneration for services rendered and FMO's share in the funds Seed Capital and NIMF Fund (13 percent and 15 percent respectively) have been included in the annual accounts. The comparative figures have been adjusted where necessary.

(d) Fiscal unity

As from January 1, 2002 the company has formed a fiscal unity with its wholly owned subsidiary NIO for corporate income tax purposes.

(e) Foreign currency translation

FMO uses the Euro as the unit for presenting its annual accounts. All amounts are denominated in thousand Euros' unless otherwise stated. Foreign currency transactions are translated to Euro, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities 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.

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

When preparing the consolidated annual accounts, assets and liabilities of foreign entities 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 balance at closing rate are recognized directly in the translation reserve within shareholders' equity.

(f) 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. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices, time to expiry, yield curves and volatility of the underlying instrument. Inputs used in pricing models are generally market observable or can be derived from market observable data.

Market prices are not, however, available for certain financial assets and liabilities held and issued by FMO. Therefore, where no active market price or rate is available, fair values are estimated using present value or other valuation techniques and input on market conditions existing at the balance sheet dates.

The carrying values approximate the fair values in all financial asset and liability categories except for the loans to the private sector with a fixed interest rate and the funding non-hedged. FMO does not apply hedge accounting for the loans to the private sector with fixed interest rate and the underlying changes to the fair value of these assets are not recognized in the balance sheet. At December 31, 2005, the fair value of these loans was EUR 15,902 above the current balance sheet value.

The funding non-hedged is valued at amortized costs. The carrying value does not materially differ from the fair value and the difference amounts to EUR 200.

(g) 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 off set the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(h) Derivative instruments and hedging

Derivative financial instruments are initially recognized at fair value on the date, which a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative instruments related to funding

FMO uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rates and foreign currency. FMO applies either fair value hedge accounting or cash flow hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment. At the time 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”, is highly negatively correlated to the change in value of the other, the “hedged item”. To qualify for hedge accounting, this correlation must be within 80 to 125 percent, with any ineffectiveness within these boundaries recognized in the profit and loss account.

FMO discontinues hedge accounting when it is determined that:

- a derivative is not, or has ceased to be, highly effective as a hedge;
- when the derivative expires, is sold, terminated, or exercised;
- when the hedged item matures, is sold or repaid;
- or when a forecast transaction is no longer deemed highly probable.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument or not. FMO designates three kinds of derivatives:

1. *Fair value hedges*

   Changes in the fair value of derivatives that are designated and that qualify as fair value hedges 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 and the changes in the fair value of the designated derivative are recorded in the profit and loss account.

   If the 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 or loss over the remaining term of the original hedge.
   - in case of non-interest-bearing instruments, that amount is immediately recognized in earnings.

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

2. *Cash flow hedges*

   Changes in the fair value of derivatives that are designated and that qualify as cash flow hedges are recognized initially in shareholders’ equity as hedge reserve. When the cash flows that the derivative is hedging (including cash flows from transactions that were only forecasted when the derivative hedge was effected) materialize,

resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from shareholders' equity to the corresponding income or expense line item.
If a cash flow hedge for a forecast transaction is deemed to be no longer effective, or the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative previously reported in shareholders' equity remains in shareholders' equity until the committed or forecast transaction occurs, at which point it is transferred from shareholders' equity to the profit and loss account.

3. *Derivatives that do not qualify for hedge accounting*
   Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of derivative instruments that does not qualify for hedge accounting are recognized immediately in the profit and loss account.

Derivatives related to the asset portfolio
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 the profit and loss account.

(i) 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 actual purchase price. Interest income and expense includes accrued discount and premium on treasury instruments. Interest income and expense include interest related to derivatives.

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

(j) Fee and commission income
FMO earns fees from a diverse range of services it provides to its customers. The recognition of revenue 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 to the profit and loss account. Fee income that is part of a financial instrument carried at amortized costs can be divided into three categories:

- *Fees that are an integral part of the effective interest rate of a financial instrument*
  These fees (such as commitment fee and 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 then the commitment fee is recognized upon 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.

- *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.

- *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.

(k) Dividend income

Dividends are included and recognized in dividend income when a dividend is declared taking into account the uncertainties of the receipt of these amounts.

(l) Cash and cash equivalents

Cash and cash equivalents consist of banks and short-term deposits that mature in less than three months. Short-term deposits are classified as available for sale and carried at fair value. Unrealized gains or losses of short-term deposits (except for foreign exchange results) are reported in the available for sale reserve, part of shareholders' equity.

(m) Loans to the private sector

Loans originated by FMO include:

- Loans to the private sector in developing countries for the account and risk of FMO;
- 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. The interest on loans includes front end and commitment fees. 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. Loan syndication fees where FMO does not retain a portion of the syndicated loan are credited to fee and commission income.

(n) Value adjustments on loans and guarantees

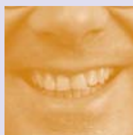
FMO assesses at each balance sheet date whether there is objective evidence for value adjustments on loans or guarantees. Value adjustments are recorded if there is objective evidence that FMO will be unable to collect all amounts due according to the original contractual terms or the equivalent value.

The value adjustments are evaluated at a counterparty-specific and group-specific level based on the following principles:

Counterparty-specific:
Individual credit exposures are evaluated based upon the borrower's character, 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.

Group-specific:
All loans and guarantees that have no counterparty-specific value adjustment are included in groups of financial assets with similar credit risk characteristics and are collectively assessed for value adjustments. The credit exposures are evaluated based upon local political and economical developments, branch of industry (financial or non-financial institution), probabilities of default, country ratings, information deprivation 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 carrying value of the asset on the balance sheet, whereas for an off-balance sheet item (such as a guarantee) a value adjustment is reported in Other liabilities. All loans and guarantees are reviewed and analysed 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 be charged or credited to value adjustment. A value adjustment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with



the original contractual terms. Reversals of value adjustments are credited to the profit and loss account on line item Value adjustments.

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.

(o) Interest-bearing securities

Interest-bearing securities include bonds and loans and are meant to be held as available for sale investments.

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

The 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.

FMO uses settlement date accounting when recording available for sale portfolio transactions. When FMO becomes party to a sales contract of interest-bearing securities, it derecognizes the asset on the day of its transfer.

(p) Equity investments

Equity investments in which FMO has no significant influence are carried:

- *At fair value when a quoted market price in an active market is available.*
  Unrealized gains or losses are reported in the available for sale reserve, part of shareholders' equity, 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 separately reported in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealized gain or loss included in shareholders' equity is transferred to net profit or loss for the period.

  All equity investments with a fair value below original cost are reviewed and analyzed at least annually. If an equity investment is determined to be impaired, the cumulative loss is included in net loss for the period and reported in Value adjustments. The impairment loss includes the unrealized loss previously recognized in shareholders' equity. An equity investment is considered impaired if its carrying value exceeds the recoverable amount for an amount that is considered significant and for a period that is considered prolonged. The impairment losses shall not be reversed through the profit and loss account except at realisation. Accordingly, any subsequent unrealized gains are reported through shareholders' equity.

- *At cost less impairment when the fair value cannot be determined 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 fair value.

  The nature of FMO's private equity investments in developing countries causes important valuation difficulties and uncertainties. As a result hereof the fair value of the investments can not be measured reliably and

non-quoted investments or those quoted investments in an inactive market, are recorded at cost less impairment where required. For the equity investments valued at cost, no foreign exchange differences are either recognized in income or shareholders' equity.

If an equity investment is determined to be impaired, the cumulative loss is included in net loss for the period and reported in Value adjustments. The impairment losses shall not be reversed through the profit and loss account.

(q) Investments in associates

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

- FMO is not involved in the operational and/or strategic management of the company by participation in the management, supervisory board or investment committee, and
- There are no material transactions between FMO and the company, and
- FMO makes no essential technical assistance available.

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

FMO operates in developing countries that do not particularly have advanced accounting standards and practices comparable to those in developed countries. Financial information of companies in those developing countries may not always be comparable to the quality under IFRS standards and may not be presented timely. Inherent to this situation, FMO will account the associates according to the equity method if underlying financial data is prepared under international accounting standards, audited and not older than three months.

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 net loss for the period.

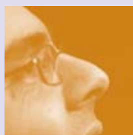
(r) Tangible fixed assets

Computer software
Costs associated with maintaining software programs are recognized as expenses as incurred. Costs that are directly associated with identifiable and unique software products controlled by FMO and will probably generate economic benefits exceeding costs beyond one year, are recognized as tangible fixed assets. Direct costs include staff costs. 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 other equipment
Furniture and other equipment 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:

Furniture	5 years
Computer hardware and software	3 years
IT equipment	3 years
Other equipment	8 years



Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances 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.

(s) Debt issued

Debt issued consist of:

- Debt securities: Non-subordinated debt, which has not been identified as debentures and notes.
  Among this category FMO distinguishes between:
  - Debt securities that qualify for hedge accounting (valued at fair value)
  - Debt securities that do not qualify for hedge accounting (valued at amortized costs)
- Debentures and notes: Medium-term notes under the FMO EMTN Program.
  Debentures and notes can be divided into:
  - EMTN notes that qualify for amendment to IAS 39 – the fair value option (valued at fair value)
  - EMTN notes that qualify for hedge accounting (valued at fair value)
  - EMTN notes that do not qualify for hedge accounting (valued at amortized costs)

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. With respect to combined debt instruments, derivatives are separated from the host contract and accounted for as a stand-alone derivative if the criteria for separation are met. The host contract is measured at amortized cost.

Hedge accounting

When hedge accounting is applied to debt instruments, the carrying values of debt issued are adjusted for changes in fair value related to the hedged exposure. The fair value changes are brought to the profit and loss account. See paragraph 3(h) Derivative instruments and hedging.

Fair value option

It is FMO's policy to hedge the currency and interest rate risk with regard to debentures and notes under the EMTN program. These transactions do not meet the specified criteria for hedge accounting. FMO designates the EMTN medium-term notes at "fair value through profit or loss" (amendment to IAS 39 – the fair value option) to reduce a measurement inconsistency ("accounting mismatch") that would otherwise arise from measuring the EMTN medium-term note at amortized cost and the derivative at fair value.

(t) Provisions

Provisions are recognized when:

- FMO has a present legal or constructive obligation as a result of past events; and
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- 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. For more information reference is made to note 3(w) Retirement benefits.

(u) Leases

FMO entered into operating leases. The total payments made 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.

FMO has not entered into financial leases over group assets.

(v) Guarantees

The guarantees are recorded off balance unless a provision is recognized due to incurred losses. The guarantee fee is recognized as revenue on an accrual basis over the commitment period.

(w) Retirement benefits

FMO sponsors a number of early-pension and retirement benefit plans for its employees. These plans include components of both final pay defined benefit and defined contribution plans. The schemes are funded through payments to insurance companies as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, as a function of one or more factors such as age, years of service or compensation. The principal actuarial assumptions used by the actuary are set out in Note 26. 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:

- 10 percent of present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10 percent 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 using the projected unit credit method to calculate the defined benefit obligation annually. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability. 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 the service lives of the related employees.

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

(x) 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 which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized. The principal temporary differences arise from the fair value and amortized cost valuation of certain financial assets and liabilities including derivative contracts, the provision for post retirement benefits and the group-specific provision for credit losses.

Deferred tax assets and liabilities are measured at the tax rates that are 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:

- deferred taxes recognized or disposed of upon the acquisition or disposal of a subsidiary; and
- unrealized gains or losses on available for sale investments and changes in fair value of derivative instruments designated as cash flow hedges, which are recorded net of taxes directly in shareholders' equity.

(y) Shareholders' equity

Contractual reserve

The contractual reserve consists of part of the yearly profits that FMO is obliged to reserve under the Agreement with the State. 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.

Dividends

Dividends are recognized in equity in the period in which they are declared. Dividends for the year that are declared after the balance sheet date are mentioned as subsequent events.

4 Financial risk management

In its operating environment and daily activities, FMO encounters various risks. In the process of identification, measurement, monitoring and mitigation of these risks, the company maintains comprehensive and strict procedures and controls. The main risks identified by FMO are:

- *Credit risk* - the risk that a change in the credit quality of a counterparty will affect the value of FMO's positions. Adverse changes in credit quality can occur due to specific counterparty risk or risks relating to the country in which the counterparty conducts its business.

- *Market risk* - this risk is split into four types:
  a) Currency risk - the risk that the value of FMO's positions will fluctuate due to changes in foreign currency exchange rates.
  b) Interest rate risk - the risk that the changes in market interest rates will cause fluctuations in the value of FMO's positions.
  c) Equity risk - the risk that the value of FMO's positions will fluctuate due to changes in the value of equity investments.
  d) Commodity price risk - the risk that the value of FMO's positions will fluctuate due to changes in commodity prices. This risk is of limited relevance to FMO's operations.

- *Liquidity risk* - the risk that FMO will encounter difficulty in raising funds to meet commitments associated with its financial instruments. This definition includes the risk that FMO will be unable to sell a financial asset quickly at a price close to its fair value.

- *Operational risk* - the risks that can arise from inadequate procedures, information systems and/or actions by staff.

FMO has defined these risks on a clear and consistent basis. The most significant risks are the credit and equity risks related to the company's investment activities, as a result of taking risks that commercial market parties are usually not prepared to take. Therefore, all individual financing proposals are assessed by the company's Investment Committee in terms of specific counterparty as well as country risk. In addition, all financial exposures

are subject to a periodic review process in the Investment Review Committee. Management of FMO's risks on a portfolio level is the responsibility of the Asset and Liability Management Committee (ALCO). Key duties of the ALCO include setting policies on credit, country, currency, interest rate and liquidity risks, and capital adequacy. In its monthly meeting, the ALCO assesses risk reports and advises on new products and limits. The Risk Management department acts as secretary to the ALCO, for which it prepares the Treasury Risk Monitor and the Region Risk Monitor. The Treasury Risk Monitor covers capital adequacy and counterparty risk for treasury activities as well as liquidity, currency and interest rate risk. Capital adequacy for investment activities and country risk are covered by the Region Risk Monitor.

4.1 Credit Risk

Credit risk is defined as the risk that adverse movements in the credit quality of FMO's counterparties will affect the value of the company's positions. Credit risk can arise due to specific counterparty risk, in the form of defaults or adverse changes in credit quality, or due to country risks. FMO is exposed to credit risk in both its investment and treasury operations.

Investment credit risk

FMO manages investment credit risks by pursuing a rigorous acceptance policy with regard to obligor and project risk. The policies employed to control credit risk includes organizational and administrative procedures, investment criteria, and limits per country, sector, debtor and group. These limits are designed to avoid credit risk concentrations, and are monitored periodically. The credit risk policy is to a significant extent determined by the agreement that FMO has concluded with the State, which restricts the company from engaging in a number of activities, sectors and countries. These are laid down in a strictly applied exclusion list. The lending process works on the basis of a formalized and strict system of procedures and decision-making competencies.
These competencies have been differentiated according to both the size of the facility sought and the risk profile of the financing instrument in question. In this regard, FMO has decided to restrict individual mandates and authorities, and to take all but minor investment decisions in committees. All financing proposals are assessed by the Investment Committee in terms of specific counterparty as well as country risk.

Counterparty risk

Specific counterparty risk is determined by scoring counterparties on various dimensions of financial strength and risk mitigating arrangements. The company typically seeks to protect its interest in direct loans to enterprises by calling for security in the form of collateral, third party guarantees, or both. The company does, however, provide loans to certain financial institutions and enterprises either without security or with security that does not fully cover the value of its loans, provided that (i) it deems such institutions and enterprises to be sufficient creditworthy, (ii) all other lenders take the same position and (iii) satisfactory covenants, pari-passu clauses, cross-default clauses and negative pledges are given and acceptable agreements are made with the obligor and co-lenders. The company's Investment Review Committee reviews all financing at least once a year and the valuation of all financing activities is assessed semi-annually. Management of investments in need of restructuring is transferred to the Special Operations Department.

Apart from its on-balance finance activities, the company also has off-balance credit related commitments. Guarantees, which represent irrevocable commitments that FMO will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risks as loans. Guarantees on export facilities are collateralized by the underlying letters of credit to which they relate, and therefore carry less credit risk than a direct borrowing. Commitments to provide loans at a specific interest rate during a fixed period of time are accounted for as derivatives unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they are accounted for as "regular" transactions.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, FMO is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total

unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. FMO monitors the term to maturity of credit commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

Country risk

Country risk arising from country specific events adversely impacts the company's exposure in a specific country, such as events on a political or macro-economic level. All investments in developing countries involve country risk. The assessment of country risk is based on a benchmark of external rating agencies and other external information exposure. Limits per country range from 2 percent to 18 percent of shareholders' equity based on this country risk assessment. In addition, FMO recognizes that the impact of country risk differs across the financial products it is offering. In order to approximate group-specific value adjustment losses, country specific provisions are established on the investment credit portfolio based on country risk and estimated recovery rates. With respect to the geographic diversification in the portfolio, reference is made to note 5.2 Segment reporting by Geographic Location. With respect to the sectoral diversification in the portfolio, reference is made to notes 9,10 and 11 of the Notes to the Consolidated Balance sheet.

Treasury credit risk

In addition to credit risk resulting from its investment activities in developing countries, the company is exposed to credit risk in connection with the liquid assets maintained by it, its treasury investment portfolio and the positive fair value of derivative instruments. FMO's treasury investment policy aims to limit such risks. This policy pursues a selective procedure with regard to the acceptance of counterparties and only deals with financially strong parties. In addition, concentration risks are managed by setting limits per country, industry sector, debtor, and type of transaction. Limits per debtor depend in particular on the independent rating of the counterparty, which must satisfy certain minimum Standard & Poor's and Moody's ratings (AA-/AA3 rating for long-term loans; A2/P2 rating for short-term loans). The credit quality of the treasury investment portfolio is monitored on a daily basis.

4.2 Market Risk

Market risk is defined as the risk that the value of the company's positions will fluctuate due to market movements. Market movements can be split into movements of foreign currency exchange rates, interest rates, equity prices and commodity prices. The latter is of limited relevance to the company, as FMO is only exposed to commodity risk regarding the value of collateral in trade finance transactions.

Currency risk

Currency risk is defined as the potential loss that could result from adverse changes in foreign currency exchange rates. Currency risks are minimised and, where possible, eliminated by requiring assets to be funded by liabilities that have matching currency characteristics. Foreign currency positions are monitored on a frequent basis. FMO's placements are denominated mostly in US Dollars, while the majority of borrowings in the capital markets are in other currencies. This currency mismatch is mitigated by means of derivatives instruments, such as (cross) currency swaps and currency forwards. The table on the next page summarizes FMO's year-end exposure to currency risk at carrying values.

December 31, 2005	EUR	USD	JPY	Other	Total
Assets					
Banks	1,952	-223	-	533	2,262
Short-term deposits	346,577	24,392	-	-	370,969
Derivative financial instruments *	-208,108	195,013	13,021	48,491	48,417
Loans to the private sector	229,082	753,832	-	8,856	991,770
Loans guaranteed by the State	18,281	-	-	-	18,281
Equity investments	40,783	60,156	-	13,354	114,293
Investments in associates	1,776	11,239	-	596	13,611
Interest-bearing securities	631,448	-	-	-	631,448
Subsidiaries	1,135	-	-	-	1,135
Tangible fixed assets	6,078	-	-	-	6,078
Deferred income tax assets	48,578	-	-	-	48,578
Current accounts with State funds and programs	30,721	-	-	-	30,721
Other receivables	2,970	-	-	-	2,970
Accrued income	30,888	13,928	2,271	1,339	48,426
Total assets	**1,182,161**	**1,058,337**	**15,292**	**73,169**	**2,328,959**
Liabilities and shareholders' equity					
Shareholders' equity	950,157	-	-	-	950,157
Short-term credits	20,325	8,447	-	-	28,772
Derivative financial instruments *	-20,158	469,526	-402,293	10,299	57,374
Debt securities	112,292	-	22,410	-	134,702
Debentures and notes	69,920	497,780	392,904	44,096	1,004,700
Other liabilities	6,359	15,260	-	-	21,619
Current accounts with State funds and programs	27,276	-	-	-	27,276
Current income tax liabilities	42,060	-	-	-	42,060
Deferred income tax liabilities	15,019	-	-	-	15,019
Accrued liabilities	12,925	12,275	2,271	1,964	29,435
Provisions	17,845	-	-	-	17,845
Total liabilities and shareholders' equity	**1,254,020**	**1,003,288**	**15,292**	**56,359**	**2,328,959**
Currency sensitivity gap	**-71,859**	**55,049**	**-**	**16,810**	**-**

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

The currency sensitivity gaps reported mainly relate to equity investments and investments in associates. For these activities the company runs currency risks that are not covered, as future cash flows are unknown. When equity investments are made, the expected returns in local currencies are assessed in terms of their sufficiency to compensate for the currency risk. For risk management purposes, currency risk exposures are also measured based on future cash flows. FMO's risk management policy remained unchanged during 2005 and 2004. As IAS 32/39 is applied per January 1, 2005, no comparative figures have been presented.

Interest rate risk

Interest rate risk is defined as the risk that the value of FMO's positions will fluctuate as a result of changes in market interest rates. The length of time for which the interest rate of a financial instrument is fixed indicates to what extent it is exposed to this risk. Interest rate risk is managed by making the interest rate terms of the company's liabilities correspond as closely as possible to the interest rate terms of its assets. For this purpose, the company uses derivative instruments such as interest rate swaps and forward rate agreements. FMO's interest rate risk exposures are monitored periodically.

The table below summarizes the interest repricing characteristics for FMO's assets and liabilities. Included in the table are FMO's assets and liabilities at carrying values, categorised by the earlier of contractual repricing or maturity dates.

December 31, 2005	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Assets						
Banks	2,262	-	-	-	-	2,262
Short-term deposits	272,356	98,613	-	-	-	370,969
Derivative financial instruments *	-58,338	-100,096	88,429	94,700	23,722	48,417
Loans to the private sector	440,930	459,865	16,066	74,909	-	991,770
Loans guaranteed by the State	-	368	11,020	6,893	-	18,281
Equity investments	-	-	-	-	114,293	114,293
Investments in associates	-	-	-	-	13,611	13,611
Interest-bearing securities	14,939	14,062	321,159	281,288	-	631,448
Subsidiaries	-	-	-	-	1,135	1,135
Tangible fixed assets	-	-	-	-	6,078	6,078
Deferred income tax assets	-	-	-	-	48,578	48,578
Current accounts with State funds and programs	-	-	-	-	30,721	30,721
Other receivables	-	-	-	-	2,970	2,970
Accrued income	-	-	-	-	48,426	48,426
Total assets	**672,149**	**472,812**	**436,674**	**457,790**	**289,534**	**2,328,959**
Liabilities and Shareholders' Equity						
Shareholders' Equity	-	-	-	-	950,157	950,157
Short term credits	12,820	15,952	-	-	-	28,772
Derivative financial instruments *	108,255	90,590	-99,374	-45,784	3,687	57,374
Debt securities	15,836	22,987	51,036	44,843	-	134,702
Debentures and notes	521,936	191,055	194,730	96,979	-	1,004,700
Other liabilities	-	-	-	-	21,619	21,619
Current accounts with State funds and programs	-	-	-	-	27,276	27,276
Current income tax liabilities	-	-	-	-	42,060	42,060
Deferred income tax liabilities	-	-	-	-	15,019	15,019
Accrued liabilities	-	-	-	-	29,435	29,435
Provisions	-	-	-	-	17,845	17,845
Total liabilities and shareholders' equity	**658,847**	**320,584**	**146,392**	**96,038**	**1,107,098**	**2,328,959**
Interest sensitivity gap 2005	**13,302**	**152,228**	**290,282**	**361,752**	**-817,564**	**-**

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

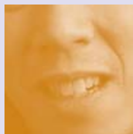
The interest sensitivity gaps reported mainly relate to the deliberate long term fixed interest position FMO takes in interest-bearing securities. The treasury investment policy of FMO is to invest part of its shareholder's equity in a portfolio of fixed interest-bearing securities, to generate stable interest cashflows. The interest sensitivity gap also relates to fixed interest loans to private sector, which are funded by instruments with a shorter term to maturity.

The financial instruments with a term to maturity of one year or longer are considered to have a fixed interest rate. Instruments with a fixed interest rate with a remaining term to maturity of one year or less generally carry the same interest rate risk as floating instruments. For risk management purposes, interest rate risk is also measured based on the interest repricing characteristics of future cash flows. Assuming the financial assets and liabilities at December 31, 2005 were to remain until maturity or settlement without any action by FMO to alter the resulting interest rate risk exposure, an immediate and sustained increase of 1 percent in market interest rates across all maturities would reduce FMO's equity by approximately EUR 28.9 million. Of this amount, EUR 26.6 million is due to the fixed interest position in interest-bearing securities.

The effective interest rates on interest-yielding assets and liabilities are summarized in the table below for the main currencies in which FMO operates.

December 31, 2005	**EUR**	**USD**	**JPY**
	%	%	%
Assets			
Banks	1.60%	3.10%	-
Short-term deposits	2.42%	4.56%	-
Loans to the private sector	5.57%	7.56%	-
Loans guaranteed by the State	6.51%	-	-
Interest-bearing securities	3.31%	-	-
Liabilities			
Short term credits	2.08%	4.41%	-
Debt securities	5.70%	-	1.85%
Debentures and notes	2.07%	4.30%	1.77%

December 31, 2004	**EUR**	**USD**	**JPY**
	%	%	%
Assets			
Banks	1.94%	1.74%	-
Short-term deposits	2.23%	1.90%	-
Loans to the private sector	5.92%	7.34%	-
Loans guaranteed by the State	6.21%	-	-
Interest-bearing securities	3.05%	-	-
Liabilities			
Short term credits	2.22%	2.38%	-
Debt securities	6.12%	-	1.85%
Debentures and notes	-	4.16%	1.54%



The following table includes the effective interest rates for debt securities and debentures and notes after accounting for the effective interest rate effects of derivative financial instruments eligible for hedge accounting.

December 31, 2005	EUR	USD	JPY
	%	%	%
Liabilities			
Debt securities	2.67%	-	0.08%
Debentures and notes	1.90%	4.07%	1.77%

December 31, 2004	EUR	USD	JPY
	%	%	%
Liabilities			
Debt securities	2.73%	-	0.07%
Debentures and notes	-	3.52%	1.54%

Equity risk

FMO only assumes equity risk in its investment activities. Equity investments are assessed by the company's Investment Committee in terms of specific obligor as well as country risk. The company's Investment Review Committee reviews all equity investments at least once a year and assesses the valuation of equity investments semi-annually. As for the investment credit portfolio, country specific provisions are established on the equity portfolio based on country risk and estimated recovery rates.

4.3 Liquidity risk

Liquidity risk arises when companies have insufficient funds to meet financial commitments, or when assets have to be sold at a price below fair value to meet such commitments. The FMO treasury investment policy provides for the need to maintain cash positions and liquid instruments to cover liquidity risk. The retention of a sizeable portfolio of liquid investments is consistent with the agreement between the State and the company. FMO's AAA rating from Standard & Poor's ensures the company access to financial markets for funding, thereby moderating liquidity risk. The diversification of FMO's funding sources with respect to currency is shown in the currency risk paragraph 4.2.

Part of FMO's funding comes from structured instruments, which may be subject to early repayment at semi-annual intervals. Whether the company's counterparties exercise this early repayment option depends on the specific structure of the instrument. The risk of early repayment concentrations has been reduced by diversifying FMO's structured funding portfolio with respect to the option structure. The probability of early repayment of structured funding, together with the expected remaining period to repayment, is monitored on a frequent basis by analyzing current market information.

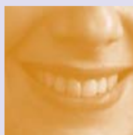
The table on page 107 provides an allocation of assets, liabilities and equity into maturity groupings, based on the remaining period to the contractual repayment date. When repayment is spread over a period of time, each instalment is allocated to the period in which it is contractually agreed to be paid or received. The repayments of callable structured funding and the related derivative financial instruments (under the FMO EMTN Program) are allocated to the period in which the repayments are expected to be made, instead of the contractual maturity date.

December 31, 2005	< 3 months	3-12 months	1-5 years	> 5 years	Maturity undefined	Total
Assets						
Banks	2,262	-	-	-	-	2,262
Short-term deposits	272,356	98,613	-	-	-	370,969
Derivative financial instruments	15,638	364	8,897	23,518	-	48,417
Loans to the private sector	53,296	100,613	610,690	227,171	-	991,770
Loans guaranteed by the State	1,061	1,929	13,210	2,081	-	18,281
Equity investments	-	-	-	-	114,293	114,293
Investments in associates	-	-	-	-	13,611	13,611
Interest-bearing securities	14,939	14,062	321,159	281,288	-	631,448
Subsidiaries	-	-	-	1,135	-	1,135
Other equipment	-	-	6,078	-	-	6,078
Deferred income tax assets	-	-	-	-	48,578	48,578
Current accounts with State funds and programs	30,721	-	-	-	-	30,721
Other receivables	2,970	-	-	-	-	2,970
Accrued income	48,426	-	-	-	-	48,426
Total assets	**441,669**	**215,581**	**960,034**	**535,193**	**176,482**	**2,328,959**
Liabilities and shareholders' equity						
Shareholders' Equity	-	-	-	-	950,157	950,157
Short term credits	12,820	15,952	-	-	-	28,772
Derivative financial instruments	2,917	260	11,995	42,202	-	57,374
Debt securities	15,063	22,987	51,809	44,843	-	134,702
Debentures and notes	50,679	-	451,554	502,467	-	1,004,700
Other liabilities	2,754	6,154	12,711	-	-	21,619
Current accounts with State funds and programs	27,276	-	-	-	-	27,276
Current income tax liabilities	-	42,060	-	-	-	42,060
Deferred income tax liabilities	-	-	-	-	15,019	15,019
Accrued liabilities	29,435	-	-	-	-	29,435
Provisions	-	-	-	-	17,845	17,845
Total liabilities and shareholders' equity	**140,944**	**87,413**	**528,069**	**589,512**	**983,021**	**2,328,959**
Liquidity gap 2005	**300,725**	**128,168**	**431,965**	**-54,319**	**-806,539**	**-**

4.4 Operational risk

FMO focuses on adequate management of operational risk, which is defined as the risk resulting from inadequate procedures, information systems or staff. This definition of operational risk includes reputational risk. Apart from the policies regarding personnel and IT, an important control measure employed by FMO to limit operational risks is an adequate system of administrative organization and internal control. The company maintains a clear division between those functions concerned with concluding transactions, and those concerned with settlement and recording of results and positions. Identified shortcomings are systematically followed up.

The Internal Audit Department periodically tests whether critical operating processes are working according to internal guidelines.



5 Business segments

5.1 Segment Reporting by Business Unit

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.
Segment income, segment expenses and segment performance include transfers between business segments and between geographic segments. Such transfers are conducted at arm's length.

Activities can be segmented in:
- *FMO Finance*
  FMO's financing activities consist of providing loans, guarantees and equity investments in developing countries (mainly at its own risk) and providing services to the State.
- *FMO Investment Promotion*
  FMO Investments Promotion's activities relate mainly to the administration of a number of special bilateral development aid programs.

The remuneration received for the FMO Investment Promotion activities consists of contractually agreed amounts. The allocated operating expenses are mainly staff costs. Operating expenses are allocated on the basis of the actual time worked.

Year ended December 31, 2005	**FMO Finance**	**FMO Investment Promotion**	**Total**
Revenues	127,767	6,335	134,102
Operating expenses	-35,205	-5,900	-41,105
Total expenses	-27,273	-5,900	-33,173
Share in the result of associates and subsidiaries	-	44	44
Income tax expense	-27,588	-	-27,588
Profit from ordinary activities after tax	72,906	479	73,385
Segment assets & liabilities			
Associates	13,611	-	13,611
Total assets	2,328,959	-	2,328,959
Total liabilities	1,378,802	-	1,378,802
Portfolio government funds *			
Loans	163,914	-	163,914
Equity investments	108,893	-	108,893
	272,807	-	**272,807**
Other segment items			
Investments in tangible fixed assets	2,018	-	2,018
Depreciation	-3,127	-	-3,127
Impairment charges on tangible fixed assets	-2,049	-	-2,049
Other non-cash expenses:			
- value adjustment to loans	12,346	-	12,346
- value adjustment to equity investments	-5,027	-	-5,027
- value adjustment to guarantees issued	613	-	613

* Further information regarding government funds is included in paragraph 5.3.

Year ended December 31, 2004	FMO Finance	FMO Investment Promotion	Total
Revenues	120,750	5,783	126,533
Operating expenses	-30,678	-5,280	-35,958
Total expenses	-65,949	-5,280	-71,229
Share in the results of associates and subsidiaries	-	50	50
Income tax expense	-18,006	-	-18,006
Profit from ordinary activities after tax	36,845	503	37,348
Segment assets & liabilities			
Associates	12,803	-	12,803
Total assets	1,844,876	-	1,844,876
Total liabilities	1,060,539	-	1,060,539
Portfolio government funds *			
Loans	95,616	-	95,616
Equity investments	91,530	-	91,530
	187,146	**-**	**187,146**
Other segment items			
Investments in tangible fixed assets	3,260	-	3,260
Depreciation	-2,064	-	-2,064
Impairment charges on tangible fixed assets	-	-	-
Other non-cash expenses:	-	-	-
- value adjustment to loans	-32,250	-	-32,250
- value adjustment to equity investments	-2,417	-	-2,417
- value adjustment to guarantees issued	-604	-	-604

* Further information regarding government funds is included in paragraph 5.3.

5.2 Segment Reporting by Geographic Location

The geographic analysis of total assets and the segment revenue is based on customer domicile. The capital expenditure related to property and equipment is allocated to OECD, FMO's domicile. The geographic analysis of revenue, total assets, and capital expenditure provides background on FMO's operations.

Year ended December 31, 2005

	Total revenue		Total assets	
		Share %		Share %
Africa	16,401	12%	233,614	10%
Asia	21,626	16%	213,433	9%
Europe & Central Asia	26,233	20%	297,412	13%
Latin America & the Caribbean	25,214	19%	393,361	17%
OECD (including treasury operations)	44,628	33%	1,191,139	51%
Total	**134,102**	**100%**	**2,328,959**	**100%**

Year ended December 31, 2004

	Total revenue		Total assets	
		Share %		Share %
Africa	14,798	12%	170,287	9%
Asia	26,136	21%	200,557	11%
Europe & Central Asia	15,147	12%	258,915	14%
Latin America & the Caribbean	27,417	21%	352,989	19%
OECD (including treasury operations)	43,035	34%	862,128	47%
Total	**126,533**	**100%**	**1,844,876**	**100%**

The following tables give details on the geographical segmentation of the contingent liabilities and the irrevocable facilities.

Year ended December 31, 2005

	Irrevocable facilities		Contingent liabilities	
		Share %		Share %
Africa	103,675	20%	58,870	39%
Asia	97,288	19%	35,496	24%
Europe & Central Asia	168,112	32%	28,293	19%
Latin America & the Caribbean	151,437	29%	26,673	18%
Total	**520,512**	**100%**	**149,332**	**100%**

Year ended December 31, 2004

	Irrevocable facilities		Contingent liabilities	
		Share %		Share %
Africa	85,646	22%	26,459	23%
Asia	79,313	21%	20,189	18%
Europe & Central Asia	145,017	38%	42,056	37%
Latin America & the Caribbean	72,799	19%	26,077	22%
Total	**382,775**	**100%**	**114,781**	**100%**

5.3 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, guarantee and equity investments from special government funds, within the conditions and objectives of these facilities. The funds consist of civil-law agreements between the government and FMO (mainly the Small-scale Enterprise Fund and Seed Capital Fund), as well as subsidies provided under the Dutch General Administrative Law Act (mainly the NIMF Fund, the LDC Infrastructure Fund and the Balkan Fund). In the case of Seed Capital Fund and NIMF Fund, FMO has an equity stake of 13 percent and 15 percent respectively. In note 41 Related Parties, the relationship between the State and FMO regarding these funds and programs is described in detail.

Loans and equity investments managed for the risk of the State

These loans and equity investments are managed for the risk of the State. The risks, and therefore the associated losses, will be compensated by the State.

	2005	2004
Loans	163,914	95,616
Equity investments	108,893	91,530
Total	**272,807**	**187,146**

Loans managed for the risk of the State

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

		2005	2004
Small-scale Enterprise Fund	100%	89,648	65,219
Seed Capital	87%	3,885	5,324
Balkan Fund	100%	4,747	5,060
NIMF Fund	85%	4,260	7,030
LDC Infrastructure Fund	100%	60,767	12,373
European Investment Bank	100%	607	610
Total		**163,914**	**95,616**

Equity investments managed for the risk of the State

The equity investments have been made in companies in developing countries by the following funds:

		2005	2004
Small-scale Enterprise Fund	100%	30,244	13,768
Seed Capital	87%	23,521	24,729
Balkan Fund	100%	3,500	5,633
NIMF Fund	85%	21,439	5,855
LDC Infrastructure Fund	100%	25,094	36,163
European Investment Bank	100%	5,095	5,382
Total		**108,893**	**91,530**

Notes to the specific items of the Consolidated Balance Sheet

Assets

6 Banks

	2005	2004
Banks	**2,262**	**1,355**

7 Short-term deposits

	2005	2004
Short-term deposits	**370,969**	**147,179**

8 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 exchange of currencies or interest rates (for example, fixed rate for 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.
- Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

The table below 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 table below also includes derivatives related to the asset portfolio. FMO holds these derivatives not with a trading intent.

Year ended December 31, 2005	**Notional amounts**	**Fair value Assets**	**Fair value Liabilities**
Derivatives other than hedging instruments:			
Currency swaps	255,554	7,711	-3,686
Interest rate swaps	50,682	15	-
Cross-currency interest rate swaps	95,816	2,282	-4,955
Forward rate agreements	-	34	-
	402,052	**10,042**	**-8,641**
Derivatives related to asset portfolio	-	15,976	-
Total derivative assets/(liabilities) other than hedging instruments	**402,052**	**26,018**	**-8,641**

The table below summarizes the notional amounts and the fair values of the Derivatives "Structured".

Year ended December 31, 2005	Notional amounts	Fair value Assets	Fair value Liabilities
Derivatives structured:			
Interest rate swaps	283,800	1	-15,216
Cross currency interest rate swaps	412,635	1,476	-31,105
Total derivative assets/(liabilities) structured	**696,435**	**1,477**	**-46,321**

The table below summarizes the notional amounts and the fair values of the Derivatives "Held for hedging".

Year ended December 31, 2005	Notional amounts	Fair value Assets	Fair value Liabilities
Derivatives designated as fair value hedges:			
Interest rate swaps	306,826	20,922	-2,412
Total derivatives designated as fair value hedges	**306,826**	**20,922**	**-2,412**
Total derivative financial instruments assets/(liabilities)	**1,405,313**	**48,417**	**-57,374**

9 Loans to the private sector

These loans to the private sector in developing countries are for the account and risk of FMO.

	2005	2004
Value of loans at January 1 under Dutch GAAP		**1,016,836**
First time adoption adjustment with regard to IAS 18		-12,524
Value of loans at January 1 under IFRS	**1,060,592**	**1,004,312**
Disbursements	271,819	436,541
Repayments	-283,696	-292,570
Write offs	-15,789	-38,004
Changes in amortizable fees	480	-3,157
Exchange rate differences (closing rate)	124,885	-46,530
Value of loans at December 31 (closing rate)	**1,158,291**	**1,060,592**
Exchange rate differences from derivatives	-	97
Balance	**1,158,291**	**1,060,689**
Value adjustments	-166,521	-175,409
	991,770	**885,280**

The table below summarizes the loans segmented by sector:

	2005	2004
Financial sector		
Banks	273,665	300,239
Housing finance	5,912	11,812
Investment funds	14,155	6,588
Non-banking financial institutions	84,105	54,388
	377,837	**373,027**
Infrastructure		
Energy & water supply	139,734	132,502
Telecom	106,420	111,908
Transport	57,740	45,098
	303,894	**289,508**
Trade & industry		
Extractive industries	42,893	29,063
Manufacturing industries	196,999	152,652
	239,892	**181,715**
Other		
Other	70,147	41,030
	70,147	**41,030**
	991,770	**885,280**

	2005	2004
Loans to companies in which FMO has equity investments	74,044	72,611
Amount of subordinated loans	107,182	101,992
Amount of non-performing loans	97,540	75,459

A loan is classified as non-performing when the payment of interest, principal or fees is overdue by more than 90 days or when insolvency proceedings have commenced or obligations have been restructured on concessionary terms.

10 Loans guaranteed by the State

This concerns loans in developing countries, which are individually guaranteed by the State of the Netherlands for up to 85 percent to 95 percent. The risks, and therefore the associated losses, will be compensated by the State. Payments by the State on guaranteed loans are deducted from the reported loan balance.

The loans portfolio guaranteed by the State comprise the loans issued by the IFOM fund.

	2005	2004
Value of loans at January 1 under Dutch GAAP		**28,436**
First time adoption with regard to IAS 18		-511
Value of loans at January 1 under IFRS	**22,960**	**27,925**
Disbursements	7,916	6,470
Repayments	-6,497	-6,523
Write offs	-309	-5,051
Changes in amortizable fees	-162	139
Value of loans at December 31	**23,908**	**22,960**
Value adjustments	-5,627	-6,002
	18,281	**16,958**

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

	2005	2004
Infrastructure		
Transport	3,232	4,424
	3,232	**4,424**
Trade & industry		
Extractive industries	-	7
Manufacturing industries	12,879	8,453
	12,879	**8,460**
Other		
Other	2,170	4,074
	2,170	**4,074**
	18,281	**16,958**

	2005	2004
Amount of subordinated loans	23,908	22,960
Amount of non-performing loans	3,404	2,402

11 Equity investments

These equity investments in developing countries are for the account and risk of FMO. The movement in equity investments is summarized below:

	2005	2004
Value of equity investments at January 1	80,560	74,896
First time adoption - Fair value adjustments	1,953	-
Value of equity investments under IFRS at January 1	**82,513**	**74,896**
Purchases	47,333	20,107
Sales	-26,998	-13,058
Value adjustments	-5,027	-1,385
Changes in fair value	16,472	-
Value of equity investments at December 31	**114,293**	**80,560**

	2005	2004
– Equity investments at fair value	24,668	8,600
– Equity investments at cost less value adjustment	89,625	71,960
	114,293	**80,560**

The table below summarizes the equity investments segmented by sector:

	2005	2004
Financial sector		
Banks	11,176	6,937
Housing finance	2,101	1,775
Investment funds	51,225	47,715
Non-banking financial institutions	11,781	7,485
	76,283	**63,912**
Infrastructure		
Energy & water supply	-	-
Telecom	10,795	4,071
Transport	1,766	2,324
	12,561	**6,395**
Trade & industry		
Extractive industries	-	-
Manufacturing industries	11,936	8,230
	11,936	**8,230**
Other		
Other	13,513	2,023
	13,513	**2,023**
	114,293	**80,560**

12 Investments in associates

	2005	2004
Associates at January 1	**12,803**	**11,093**
Purchases	1,448	3,307
Sales	-1,579	-112
Value adjustments	-	-1,032
Translation differences	939	-453
Associates at December 31	**13,611**	**12,803**

13 Movement in value adjustments

13(a) Movement in value adjustments FMO portfolio

	Guarantees	Loans	Equity investments	2005 Total	2004 Total
Balance at January 1	**15,648**	**175,409**	**33,351**	**224,408**	**261,484**
Additions	2,554	17,057	5,027	24,638	73,992
Releases	-3,167	-29,337	-	-32,504	-42,722
Exchange rate differences	1,841	19,181	-	21,022	-14,053
Write offs	-	-15,789	-3,967	-19,756	-54,293
Balance at December 31	**16,876**	**166,521**	**34,411**	**217,808**	**224,408**

Despite the increase in the asset portfolio, the value adjustments have decreased compared to 2004. This is due to better performance of the portfolio and the positive economic climate in the regions in which FMO operates.

13(b) Movement in value adjustments on loans guaranteed by the State

	2005	2004
Balance at January 1	**6,002**	**8,084**
Additions	1,009	4,665
Release	-1,075	-1,696
Write offs	-309	-5,051
Balance at December 31	**5,627**	**6,002**

FMO's own risk participation in the IFOM fund loans (5-15 percent) has not been guaranteed.

13(c) Movement in value adjustments on investments in associates

	2005	2004
Balance at January 1	**3,945**	**2,913**
Additions (net)	-	1,032
Write offs	-581	-
Balance at December 31	**3,364**	**3,945**

14 Interest-bearing securities

This portfolio contains marketable bonds and private loans with fixed interest rates, mainly issued by financial institutions.

	2005	2004
Bonds (listed)	626,532	569,385
Private loans	4,916	22,689
	631,448	**592,074**

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

	2005	2004
Value of interest-bearing securities under Dutch GAAP at January 1	**592,074**	**275,613**
First time adoption with regard to IAS 39	15,572	
Value of interest-bearing securities under IFRS at January 1	**607,646**	
Amortization premiums/discounts	-3,450	2,624
Purchases	364,198	377,127
Disposals (sale and redemption)	-334,715	-63,290
Results from changes in fair value	-2,231	-
Balance at December 31	**631,448**	**592,074**

The interest-bearing securities have been issued by:

	2005	2004
1. Private parties		
• Credit institutions	427,243	301,024
• Other	189,266	291,050
2. Public bodies	14,939	-
	631,448	**592,074**

15 Subsidiaries

This refers to the 100 percent participating interest in the *Nederlandse Investeringsbank voor Ontwikkelingslanden N.V. (NIO)*.

	2005	2004
Net capital value at January 1	**1,135**	**1,135**
Share in profit	44	50
Declared dividend	-44	-50
Net capital value at December 31	**1,135**	**1,135**

16 Tangible fixed assets

	Furniture	IT Equipment	Leasehold improve-ment	Total 2005	Total 2004
Historical cost price at January 1	5,475	8,548	622	14,645	11,626
Accumulated depreciation at January 1	-1,437	-3,679	-181	-5,297	-3,472
Balance at January 1	**4,038**	**4,869**	**441**	**9,348**	**8,154**
Investments	219	1,792	7	2,018	3,260
Depreciation	-927	-2,075	-125	-3,127	-2,064
Accumulated depreciation on disinvestments	-	2,282	-	2,282	239
Disinvestments historical cost price	-	-2,394	-	-2,394	-241
Impairment	-	-2,049	-	-2,049	-
Balance at December 31	**3,330**	**2,425**	**323**	**6,078**	**9,348**
Historical cost price at December 31	5,694	7,946	629	14,269	14,645
Accumulated depreciation at December 31	-2,364	-5,521	-306	-8,191	-5,297
Balance at December 31	**3,330**	**2,425**	**323**	**6,078**	**9,348**

An impairment loss has been recognized on the IT equipment due to the poor performance of the software. As the recoverable amount is lower than the carrying amount, an impairment loss of EUR 2,049 has been included in the profit and loss account under the account Depreciation and impairment. The recoverable amount of the software has been calculated using the value in use. To obtain the economic benefits for which it was intended, investments will have to be made in 2006.

17 Current accounts with State funds and programs

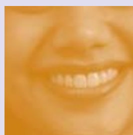
	2005	2004
Current account Small-scale Enterprise Fund	22,133	1,804
Current account NIMF Fund	8,588	1,777
Current account LDC Infrastructure Fund	-	6,279
Current account Balkan Fund	-	1,597
Current account European Investment Bank	-	975
	30,721	**12,432**

This refers to the current account between FMO and the funds and programs managed on behalf of the State of the Netherlands.

18 Other receivables

	2005	2004
Taxes and social premiums	150	178
Other receivables	2,820	1,120
	2,970	**1,298**

Other receivables mainly consist of loan-related receivables.



19 Accrued income

	2005	2004
Accrued interest loans	14,381	8,227
Accrued interest on swaps and other assets	26,990	28,051
Receivable in connection with State guarantees	5,186	5,251
Other accrued income	1,869	523
	48,426	**42,052**

The receivable in connection with State guarantees relates to the guaranteed IFOM loans which do have value adjustments, but which have not been claimed at December 31.

Liabilities

20 Short-term credits

	2005	2004
Short-term credits	**28,772**	**64,522**

21 Debt securities

This item includes all non-subordinated debt, which has not been 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 Dutch and foreign capital markets from professional counterparties.

	2005	2004
Value of loans under Dutch GAAP at January 1	170,463	293,701
First time adoption with regard to IAS 39	8,976	-
Value of loans under IFRS at January 1	**179,439**	**293,701**
Amortization of premiums/discounts	-680	-
Disbursements	1,361	1,417
Redemptions	-43,447	-122,021
Changes in fair value	-1,984	-
Exchange rate differences	13	-2,634
Balance at December 31	**134,702**	**170,463**

The table below provides details on the debt securities:

	2005	2004
Debt securities valued at fair value under hedge accounting	124,946	-
Debt securities valued at amortized costs	9,756	170,463
	134,702	**170,463**

The table below provides details on the nominal amounts of the debt securities:

	2005	2004
Debt securities valued at fair value under hedge accounting	121,459	-
Debt securities valued at amortized costs	9,756	173,300
	131,215	**173,300**

22 Debentures and notes

Debentures and notes consist of medium term notes under the EMTN Program. The FMO medium-term notes have been raised in Dutch and foreign capital markets.

	2005	2004
Movements:		
Value of debentures and notes under Dutch GAAP at January 1	724,781	620,029
First time adoption with regard to IAS 39	-23,182	
Reclassification of unrecognized gains due to foreign exchange derivatives (see first time adoption note 8)	45,800	
Value of debentures and notes under IFRS at January 1	**747,399**	
Amortization of premiums/discounts	3,317	
Disbursements	502,187	323,193
Redemptions	-313,020	-181,069
Changes in fair value	-14,127	-
Exchange rate differences	78,944	-37,372
Balance at December 31	**1,004,700**	**724,781**

The table below provides details on the debentures and notes:

	2005	2004
Debentures and notes valued at fair value under the fair value option	658,918	-
Debentures and notes valued at fair value under hedge accounting	171,777	-
Debentures and notes valued at amortized costs	174,005	724,781
	1,004,700	**724,781**

The table below provides details on the nominal amounts of the debentures and notes:

	2005	2004
Debentures and notes valued at fair value under the fair value option	707,644	-
Debentures and notes valued at fair value under hedge accounting	170,431	-
Debentures and notes valued at amortized costs	179,944	868,845
	1,058,019	**868,845**

23 Other liabilities

	2005	2004
Amortized costs related to guarantees	1,989	1,613
Liabilities for guarantees	16,877	15,648
Current account NIO	6	658
Pension premiums	-	1,475
Other liabilities	2,747	2,133
	21,619	**21,527**

The other liabilities include liabilities for staff costs and other costs.

24 Current accounts with State funds and programs

	2005	2004
Current account IPTA	160	14,066
Current account ECIP	594	594
Current account Seed Capital	22,525	-
Current account Balkan Fund	3,098	-
Current account LDC Infrastructure Fund	875	-
Current account European Investment Bank	21	-
Current account TAEM	3	-
	27,276	**14,660**

This refers to the current account between FMO and the funds and programs managed on behalf of the State of the Netherlands.

25 Accrued liabilities

	2005	2004
Accrued interest on banks, debt securities and debentures and notes	21,004	10,418
Other accrued liabilities	8,431	7,750
	29,435	**18,168**

26 Provisions

Amounts recognized in the balance sheet:

	2005	2004
Pension schemes	17,470	19,660
Other provisions	375	404
	17,845	**20,064**

Pension plans

FMO has established a number of pension plans covering substantially all employees. Most of the pension plans are final salary defined benefit plans. 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 at December 31, 2005.

The amounts recognized in the balance sheet are determined as follows:

	2005	2004
Present value of funded defined benefit obligations	63,160	49,370
Fair value of plan assets	35,640	24,040
	27,520	**25,330**
Unrecognized actuarial losses	10,050	5,670
Liability in the balance sheet	**17,470**	**19,660**

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

	2005	2004
Current service cost	2,810	2,990
Interest cost	2,210	2,070
Expected return on plan assets	-1,380	-1,260
Net actuarial (gains) losses, recognized in year	90	-
	3,730	**3,800**
Pension costs for contribution plans	372	337
Total, included in staff costs	**4,102**	**4,137**

The actual return on plan assets was 9.6 percent (2004: 6.6 percent).

Movement in the liability recognized in the balance sheet:

	2005	2004
At January 1	**19,660**	**20,090**
Total annual expense	3,730	3,800
Contributions paid	-5,920	-4,230
At December 31	**17,470**	**19,660**

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

	2005	2004
Discount rate	4.1%	4.5%
Expected return on plan assets	5.0%	5.0%
Future salary increases – general salary progression	2.5%	2.5%
Future pension increases	2.5%	2.5%

Other provisions

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

	2005	2004
Balance at January 1	**404**	**498**
Addition	-	16
Paid out	-29	-110
Balance at December 31	**375**	**404**

27 Shareholders' equity

Share capital

The authorized capital amounts to EUR 45.38 million, consisting of 51 percent A shares of EUR 22.69 each, which may only be held by the State of the Netherlands, and 49 percent B shares, also of EUR 22.69 each, which may be held by private investors.

	2005	2004
Authorized share capital		
1,020,000 A shares x EUR 22.69	23,144	23,144
980,000 B shares x EUR 22.69	22,236	22,236
	45,380	**45,380**

	2005	2004
Issued and paid-up share capital		
204,000 A shares x EUR 22.69	4,629	4,629
196,000 B shares x EUR 22.69	4,447	4,447
	9,076	**9,076**

Shareholders' statutory rights

The equity of the company comprises three reserves, which result from agreements with the State. 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 due to the State, after settlement of the contractual return to the shareholders.

Share premium reserve

	2005	2004
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, contributed by shareholder A in relation to the financial restructuring and appropriated to compensate for possible losses from activities financed from the Development Fund	21,211	21,211
	29,272	**29,272**

Contractual reserve

The addition relates to that part of the annual profit that FMO is obliged to reserve under the Agreement with the State.

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 last contribution (EUR 37,260) to the Development fund under the current Agreement.

Available for sale reserve

	Fair value	Translation differences	Tax effect	Total Available for sale reserve
First time adoption adjustment regarding IAS 32 & 39	11,647	-	2,907	8,740
Balance at January 1	**11,647**	**-**	**2,907**	**8,740**
Additions	15,818	654	-	16,472
Realized	-3,967	-117	-670	-3,414
Balance at December 31	**23,498**	**537**	**2,237**	**21,798**

Translation reserve

	2005	2004
Balance at January 1	**-754**	**-301**
Change	939	-453
Balance at December 31	**185**	**-754**

Notes to the specific items of the Consolidated Profit and Loss Account

28(a) Interest income

	2005	2004
Interest on loans	90,018	90,378
Interest on banks and short-term deposits	6,483	6,327
Interest on interest-bearing securities	23,692	14,505
Other interest income	536	209
	120,729	**111,419**

Included in the interest on loans is EUR 6,491 (2004: EUR 4,460) related to loans of which value adjustments have been reported.

28(b) Interest expense

	2005	2004
Interest on debt securities and banks	-6,495	-13,170
Interest on debentures and notes	-31,331	-16,629
Interest on other borrowings	-815	-1,194
Other interest expenses	-2,606	-467
	-41,247	**-31,460**

29 Net fee and commission income

	2005	2004
Prepayment fees	345	506
Other fees	453	213
Total fee and commission income	**798**	**719**
Brokerage charges for attracting borrowings and charges for the early repayment of debt securities	-200	-214
Total fee and commission expense	**-200**	**-214**
Net fee and commission income	**598**	**505**

30 Dividend income

	2005	2004
Dividends received from equity investments	**1,952**	**2,170**

31 Results from equity investments

	2005	2004
Result from the sale of equity investments and associates	**9,393**	**13,716**

Result from the sale of equity investments consists of the proceeds realized from the sale of equity investments less historical costs.

32 Results from financial transactions

	2005	2004
Exchange results related to FMO activities	2,616	311
Result on sale and valuation of (funding) derivatives	-10,779	6,427
Result on sale and valuation of derivatives related to asset portfolio	8,987	-
Result on sale and valuation of medium-term notes (EMTN)	11,873	-
Result on sale and valuation of funding hedged	4,701	-
Result on sale of interest-bearing securities	-68	-
	17,330	**6,738**

33 Remuneration for services rendered

	2005	2004
These include the following remuneration:		
• Funds and programs managed on behalf of the State	12,347	11,729
• NIO (including ORET)	5,556	4,458
• Syndication fees and remuneration from directorships	4,766	2,898
	22,669	**19,085**

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

34 Other operating income

	2005	2004
Compensation in connection with IFOM loans	-64	2,663
Other income	2,742	1,697
	2,678	**4,360**

Other income concerns mainly revenues related to investments in the asset portfolio that are already written off.

35 Staff costs

	2005	2004
Salaries	-15,923	-13,863
Social security costs	-1,020	-1,081
Pension costs	-4,102	-4,137
Temporaries	-940	-984
Travel and subsistence allowances	-2,173	-1,590
Other personnel expenses	-2,996	-3,420
	-27,154	**-25,075**

The average number of employees in 2005 amounted to 203 FTE (2004: 197 FTE).

36 Other administrative expenses

	2005	2004
Other administrative expenses	**-8,490**	**-8,582**

These expenses consist of business travel expenses, services from third parties and other operational expenses. The remuneration paid to the Supervisory Board is included in these expenses. At December 31, 2005 the Supervisory Board consists of six members (2004: 10). The members of the Supervisory Board were paid a total remuneration of EUR 106 (2004: EUR 127).

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

Role:	Remuneration
Supervisory Board: chairman	20
Supervisory Board: member	12.5
Audit committee: chairman	3
Audit committee: member	2
Selection, appointment and remuneration committee: chairman	2
Selection, appointment and remuneration committee: member	1

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

37 Other operating expenses

	2005	2004
Other operating expenses	**-285**	**-237**

This consists mainly of capital taxes levied on capital contributions to the development fund.

38 Income taxes

Income tax expense

	2005	2004
Current income tax for the year	-33,225	-26,694
Deferred income tax changes in the year	5,637	8,688
Total income tax expense	**-27,588**	**-18,006**

The company made net tax payments of EUR 15 million and EUR 5.4 million for the years 2005 and 2004, respectively. The deferred income tax changes do not include the movement in the deferred tax positions due to changes in the fair value of assets classified as available for sale.

The components of operating profit before tax, and the differences between the income tax expense reflected in the annual accounts and the amount calculated at the Dutch statutory rate are as follows:

	2005	2004
Profit before taxation	**100,973**	**55,354**
Income taxes at statutory rate of 31.5 percent in 2005 and 34.5 percent in 2004	-31,806	-19,097
Increase / (decrease) resulting from:		
Settlement with local withholding taxes	466	658
Non-taxable income and expense (participation exemption facility)	5,620	3,423
Change in deferred tax valuation allowance	-1,790	-2,876
Other differences	-78	-114
Income tax expense	**-27,588**	**-18,006**

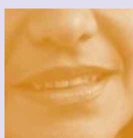
Current tax liability

The increase in the current tax position is due to the possible current obligation regarding the group specific value adjustments. FMO is currently in dialogue with the fiscal authorities. As the outcome is uncertain, a current tax liability has been included in the consolidated annual accounts.

Deferred tax

Significant components of FMO's gross deferred income tax assets and liabilities are as follows:

	2005	2004
Deferred tax assets		
Group specific value adjustment	30,289	30,203
Pension provision	4,421	4,661
Amortized cost on loans and guarantees	5,654	5,554
Fair value measurement funding derivatives	3,369	-
Fair value measurement debt securities	2,098	-
Unsettled local withholding taxes	1,984	1,984
Interest expense	763	-
	48,578	**42,402**
Deferred tax liabilities		
Unsettled value adjustments on equity investments (art 13CA VPB)	-1,591	-1,591
Fair value measurement of interest-bearing securities and deposits	-2.235	-
Fair value measurement debentures and notes	-11,193	-
	-15,019	**-1,591**
	33,559	**40,811**



Off-Balance Sheet Information

39 Commitments and Contingent Liabilities

The company issued guarantees regarding repayments of principal and interest for a number of projects. The nominal amount of the guarantees is valued at the last known exchange rate as per December 31, 2005 and 2004.

Contingent liabilities	2005	2004
Effective guarantees	166,209	130,429
Less: presented under other liabilities	-16,877	-15,648
	149,332	**114,781**

Of the liabilities for guarantees EUR 2,300 (2004: EUR 2,300) is covered by a counter guarantee of the State.

Irrevocable facilities	2005	2004
Contractual commitments for disbursement of:		
• Loans	298,828	218,836
• Equity investments	129,615	54,250
• Put-option related to syndicated loan	-	10,776
• Contractual commitments for guarantees	92,069	98,913
	520,512	**382,775**

40 Lease and rental commitments

The future minimum lease payments under non-cancelable operating leases are as follows:

2005	Within one year	Two to five years	After five years	Total
Building	2,066	8,904	4,863	15,833
Cars	726	842	-	1,568
	2,792	**9,746**	**4,863**	**17,401**

2004	Within one year	Two to five years	After five years	Total
Building	2,006	8,645	7,188	17,839
Cars	710	724	-	1,434
	2,716	**9,369**	**7,188**	**19,273**

41 Related parties

FMO defines related parties as the State of the Netherlands, subsidiaries, associated companies and the Management Board.

(a) State of the Netherlands

The State of the Netherlands holds 51 percent of FMO's share capital. The remaining 49 percent is held by private banks and other third parties. In 2005 FMO received its last contribution from the State of the Netherlands to the amount of EUR 37,260. FMO has a guarantee from the State. The guarantee provisions from the State are detailed in note (3) of Other Information.

FMO stimulates the development of small and medium enterprises in select emerging markets through the IFOM Fund. This facility is a joint initiative with the Dutch Ministry of Economic Affairs. The State acts as a guarantor for 85 percent - 95 percent 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:

- *Klein Bedrijf Fonds (Small-scale Enterprise Fund)*
  FMO's aim is to contribute to the improvement of financial services for small businesses, micro entrepreneurs and lower income groups. FMO finances these groups indirectly through financial intermediaries who target these groups in the market. FMO is remunerated by the State based on a percentage of the outstanding loans / investment portfolio.

- *Seed Capital Fund*
  Through the Seed Capital fund, FMO is able to provide starting capital for financial institutions and venture capital funds. FMO has a 13 percent stake in this fund. The remuneration is related to the results of the fund.

- *Minst Ontwikkelde Landen Infrastructuur Fonds (LDC Infrastructure Fund)*
  Through this fund, FMO concentrates on the development of the social economic infrastructure of Least Developed Countries. FMO aims to stimulate private investors to invest in private or public-private infrastructure projects in these countries. Through providing risk capital, the LDC Infrastructure Fund removes a definite risk for other financiers, which should thus catalyze additional private funds. This fund is executed by FMO under a fixed remuneration.

- *Nederlands Investerings Matching Fonds (NIMF)*
  Through the NIMF Fund, FMO is able to invest in a specific set of lower and lower-middle income countries (also called OECD DAC-1 countries). The direct investments amounting from EUR 1 to EUR 5 million aim to match strategic investments by foreign companies that demonstrate strong growth potential. FMO has a 15 percent stake in this fund. FMO is remunerated for a fixed annual amount and receives the profit when the sale of an equity investment is effectuated. FMO does not bear the risks of this fund, as it is not charged for the gross loss on a sale of equity investments.

- *Balkan Fund*
  With the Balkan Fund, FMO is able to strengthen the private sector in the Balkan region particularly the Small and Medium enterprise sector. Through the Balkan Fund, FMO is able to provide loans and participate in equity investments. FMO is remunerated for the services performed for the Balkan Fund based on the sort of financing FMO provides to the counter party.

- *Investment Promotion & Technical Assistance (IPTA)*
  This program stimulates cooperation between companies in developing countries and enterprises in industrialized nations. The program is financed by the Dutch Ministry of Foreign Affairs.

- *Development Related Export Transactions (ORET)*
  With the Development Related Export Transactions program, the Dutch government provides grants for capital

goods, services or work to developing countries. ORET supports companies that aim to be active in developing countries. At the same time, ORET promotes the investment climate in developing countries by facilitating investments in infrastructure. The program is executed by NIO on behalf of the Dutch Ministry of Foreign Affairs.

- *Technical Assistance for Emerging Markets (TAEM)*
  The TAEM program was discontinued on January 1, 2005. All current projects will be finalized by FMO.

(b) Subsidiaries

As an agent of the State of the Netherlands, FMO's subsidiary NIO acts on behalf of the Ministry of Foreign Affairs as manager of part of the funding provided by the Dutch government. NIO also administers the ORET program on behalf of the Dutch government. The remuneration for services rendered and the net asset value of NIO have been included in the consolidated accounts.

(c) Associated companies

At December 31, 2005 no loans are issued to associated companies.

(d) Remuneration of the Management Board

At December 31, 2004 the Management Board consisted of two statutory and two non-statutory members.
At December 31, 2005 it consists of three statutory members. Total remuneration for statutory and non-statutory members is as follows:

	2005	2004
Remuneration management board *	**968**	**1,125**

* Exclusive of severance pay.

The remuneration paid to the statutory members in 2005 is EUR 936 (2004: EUR 703) and is specified as follows:

	Periodic remune-ration	Performance related pay [3]	Regular pension charges	Other [4]	Total 2005	Total 2004
R.A. Arnold [1]	258	55	75	16	404	-
N.D. Kleiterp	191	34	46	20	291	297
N.K.G. Pijl [2]	158	29	37	17	241	-
R.M. Barth [1]	-	-	-	-	-	406
	607	**118**	**158**	**53**	**936**	**703**

[1] R.A. Arnold was appointed CEO on January 1, 2005. Mr. Barth resigned on the same date.

[2] N.K.G. Pijl (Chief Risk & Finance Officer) was appointed statutory member on May 18, 2005. The remuneration covers the period January 1 – December 31, 2005.

[3] Members of the Management Board have no shares, options or loans related to the company.

[4] Includes fixed expense allowance, contribution to company car and mortgage subsidy.

Notes to the Consolidated Cash Flow Statement

The consolidated cash flow statement shows the sources of the liquidity that became available during the book year and the application of this liquidity. The liquidity is measured by the balance accounts Banks and Short-term deposits. The cash flows are split according to operational, investment and financing activities. The cash flow statement is prepared in accordance with the indirect method.

42 Net cash flow from operational activities

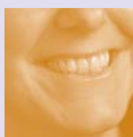
The net cash flow from operational activities includes the movements of the company's portfolio such as loans to the private sector and under guarantee of the State, equity investments, subsidiaries and associates. The net cash flow further includes the movements in working capital and current accounts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

43 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.

44 Net cash flow from financing activities

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



Company Balance Sheet

December 31, 2005

(before profit appropriation)	Notes	2005	2005	2004	2004
Assets					
Banks		2,249		1,347	
Short-term deposits		370,969		147,179	
Derivative financial instruments		48,417		-	
Loans to the private sector		991,770		885,280	
Loans guaranteed by the State		18,281		16,958	
Equity investments		114,293		80,560	
Investments in associates	(3)	7,178		6,423	
Interest-bearing securities		631,448		592,074	
Subsidiaries	(4)	8,266		8,142	
Tangible fixed assets		6,078		9,348	
Deferred income tax assets		48,578		42,402	
Current accounts with State funds and programs		30,721		12,432	
Other receivables		2,986		787	
Accrued income		48,426		42,052	
Total assets			**2,329,660**		**1,844,984**
Liabilities					
Short term credits		28,772		64,522	
Derivative financial instruments		57,374		-	
Debt securities		134,702		170,463	
Debentures and notes		1,004,700		724,781	
Other liabilities		22,311		21,635	
Current accounts with State funds and programs		27,276		14,660	
Current income tax liabilities		42,060		24,763	
Deferred income tax liabilities		15,019		1,591	
Accrued liabilities		29,444		18,168	
Provisions		17,845		20,064	
Total liabilities			**1,379,503**		**1,060,647**
Shareholders' equity					
Share capital		9,076		9,076	
Share premium reserve		29,272		29,272	
Contractual reserve		215,898		116,094	
Development fund		657,981		620,721	
Available for sale reserve		21,798		-	
Translation reserve		185		-754	
Other reserves		11,617		7,569	
Undistributed profit		4,330		2,359	
Total shareholders' equity	**(5)**		**950,157**		**784,337**
Total liabilities and shareholders' equity			**2,329,660**		**1,844,984**
Contingent liabilities		149,332		114,781	
Irrevocable facilities		520,512		382,775	
Loans and equity investments managed for the risk of the State		272,807		187,146	

Company Profit and Loss Account
2005

	Notes	2005	2004
Profit before taxation		73,065	37,322
Income from subsidiaries, after tax	(4)	320	26
Net profit		**73,385**	**37,348**

Notes to the Company Annual Accounts

1 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 Netherlands Civil Code, the company presents the profit and loss account for the year in abbreviated format.

2 Accounting policies

(a) 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 Netherlands 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.

As of January 1, 2005 FMO reports under International Financial Reporting Standards (IFRS) as adopted by the European Commission. The transition to IFRS has been performed using the transitional requirements imposed by IFRS *1 "First Time adoption of IFRS"* which has become effective for accounting periods beginning on or after January 1, 2004. The 2005 annual accounts include 2004 financial data restated under IFRS, except for the standards IAS 39 and IAS 32. The effects of adopting IFRS at January 1, 2004 have been recorded in shareholders' equity in the 2004 opening balance sheet. The subsequent adoption of the standards IAS 32 and IAS 39 at January 1, 2005 has been recorded in shareholders' equity in the 2005 opening balance sheet. Further reference is made to Note 2 First Time Adoption to IFRS in the consolidated annual accounts.

(b) Reference to the consolidated annual accounts

As mentioned above, the accounting policies applied in the annual accounts correspond with those of 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 annual accounts and the consolidated annual accounts. In these cases, reference is made to the disclosures 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.

(c) 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 in the future could differ from such estimates and the differences may be material to the annual accounts.

Notes to the specific items of the Balance Sheet

Reference is made to the notes of the consolidated balance sheet for the notes 6 up to and including 11, 13, 14, 16 up to and including 26, 39 and paragraph 5.3 as these notes are equal for the company and consolidated annual accounts or the company annual accounts contain no additional information due to the limited consolidation scope of FMO.

3 Investments in associates

	2005	2004
Balance at January 1	**6,423**	**7,188**
Purchases	1,371	379
Sales	-616	-112
Value adjustments	-	-1,032
Balance at December 31	**7,178**	**6,423**

4 Subsidiaries

	2005	2004
Subsidiaries at January 1	**8,142**	**5,687**
Purchases and contributions	-	2,933
Sales and repayment of capital	-864	-
Share in results	320	26
Dividends declared	-271	-51
Translation differences	939	-453
Subsidiaries at December 31	**8,266**	**8,142**

The investments in subsidiaries consist of the following 100 percent participating interests:

- Nederlandse Investeringsbank voor Ontwikkelingslanden N.V. (NIO)
- FMO Participaties B.V.
- FMO Antillen N.V.

5 Shareholders' equity

Share capital

The authorized capital amounts to EUR 45.38 million, consisting of 51 percent A shares of EUR 22.69 each, which may only be held by the State of the Netherlands, and 49 percent B shares, also of EUR 22.69 each, which may be held by private investors.

Authorized share capital	2005	2004
1,020,000 A shares x EUR 22.69	23,144	23,144
980,000 B shares x EUR 22.69	22,236	22,236
	45,380	**45,380**

Issued and paid-up share capital	2005	2004
204,000 A shares x EUR 22.69	4,629	4,629
196,000 B shares x EUR 22.69	4,447	4,447
	9,076	**9,076**

Shareholders' statutory rights

The equity of the company comprises three reserves that result from agreements with the State. 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 are due to the State, after settlement of the contractual return to the shareholders.

Share premium reserve	2005	2004
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, contributed by shareholder A in relation to the financial restructuring and appropriated to compensate for possible losses from activities financed from the Development Fund.	21,211	21,211
	29,272	**29,272**

Contractual reserve

The addition relates to that part of the annual profit, which FMO is obliged to reserve under the Agreement with the State (see Other information in the consolidated annual accounts).

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 last contribution (EUR 37,260) to the Development fund under the current Agreement.

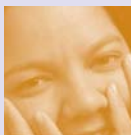
Available for sale reserve (AFS reserve)

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

The following shows the components of the available for sale reserve at January 1, 2005 and December 31, 2005:

	December 31, 2005	January 1, 2005
Gross gains and losses in AFS reserve		
Equity investments at fair value	16,575	1,955
Interest-bearing securities at fair value	7,450	9,682
Short-term deposits at fair value	10	10
	24,035	**11,647**
Deferred taxes on gains and losses		
Equity investments at fair value	-	-
Interest-bearing securities at fair value	-2,234	-2,904
Short-term deposits at fair value	-3	-3
	-2,237	**-2,907**
Net gains and losses in the AFS reserve		
Equity investments at fair value	16,575	1,955
Interest-bearing securities at fair value	5,216	6,778
Short-term deposits at fair value	7	7
	21,798	**8,740**

The statement of changes in the shareholders' equity details the movements in the available for sale reserve during 2005. The statement is included in the consolidated annual accounts.



Other information

(1) Auditors' Report

Introduction
We have audited the annual accounts of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague, for the year 2005 as set out on pages 76 to 141. These annual accounts consist of the consolidated annual accounts and the company annual accounts. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope
We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion with respect to the consolidated annual accounts
In our opinion, the consolidated annual accounts give a true and fair view of the financial position of the company as at December 31, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Opinion with respect to the company annual accounts
In our opinion, the company annual accounts give a true and fair view of the financial position of the company as at December 31, 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the annual accounts.

Amstelveen, March 16, 2006
KPMG ACCOUNTANTS N.V.
M. Frikkee RA

(2) Provision in the Articles of Association concerning the appropriation of profit

The Articles of Association of the company state that net profit in any year shall in the first place cover any net losses from previous years. The appropriation of the remaining profit shall, taking into account the relevant provisions in the Agreement with the State, be determined by the Annual General Meeting of Shareholders.

Proposal for appropriation of profit

A net profit of EUR 73.385 million was recorded in 2005. Under the agreement with the State of the Netherlands, it is required to add EUR 69.055 million to the Contractual reserve. Therefore this profit is not distributable. The distributable element of the net profit amounts to EUR 4.330 million. The Management Board and the Supervisory Board propose distributing a sum of EUR 1.299 million as cash dividend and to add the remaining amount of EUR 3.031 million to the Other reserves.

(3) Guarantee provisions in the State-FMO Agreement of November 16, 1998

Article 7

Maintenance obligations after exhaustion of General Risks Reserve (RAR) Fund and in the event of inadequate cover for special operating risks.

7.1 With a view to determining whether FMO may appeal to the State under the maintenance obligation referred to in Article 7.2.1. (the "State maintenance obligation"), the losses incurred by FMO as defined in Article 7.2.2, as evidenced by the annual accounts drawn up in accordance with generally accepted standards and Part 9 of Book 2 of the Netherlands Civil Code, shall first be charged to the RAR Fund.

7.2.1 The State undertakes vis-à-vis FMO to make good any operational losses the latter may incur under Article 3.1 and 3.2 of this Agreement as determined in Article 7.2.2 – in so far as these risks are not or will not be covered by specific value adjustments and/or indemnification received and/or payments under insurance policies – to the extent that:

- **a** the amount of these losses exceeds the size of the RAR fund at December 31 of the year in which these losses were incurred; and
- **b** inadequate cover of the general value adjustments forming part of the RAR Fund is due to abnormal operating risks, such as unforeseen political and transfer problems in or with certain countries or the collapse of the world economy or the economy in a particular continent.

7.2.2 The parties will consult with one another on the size of the losses. If they are unable to reach agreement, the figure will be calculated on the basis of reasonableness and fairness, and in accordance with generally accepted standards, by FMO's auditor and an auditor to be appointed by the State.

7.3 If the circumstances as described in Article 7.2.1. under a) and b) should arise and FMO appeals to the State to comply with its obligation laid down in Article 7.2, such appeal shall create a claim against and recognized by the State on the first working day of the first financial year following the day on which such appeal was made. The appeal must be made in writing.

Article 8

Other financial security obligations.

8.1 Without prejudice to the other provisions in this Agreement, the State shall prevent FMO from being unable to comply in good time with the following limitative list of obligations to which FMO is subject:

- **I** loans raised on the capital market;
- **II** short-term funds raised in the capital market with a term of two years or less;
- **III** swap agreements involving the exchange of principal and payment of interest;
- **IV** swap agreements without the exchange of principal but with payment of interest;

V forward exchange contracts and Future Rate Agreements (FRAs);
VI option and futures contracts;
VII combinations of the products referred to in 1-6 above;
VIII guarantees provided by FMO to third parties for the financing of private companies in developing countries;
and
IX which arise from the need to maintain adequate plant and equipment.

Notes to the guarantee provision

The RAR Fund referred to in Article 7 is defined in Article 6 of the Agreement and consists of the share premium reserve of EUR 21,211 plus the Group Specific value adjustment (formerly the general value adjustments) and the contractually required reserve. At December 31, 2005, the Fund amounted (rounded off) to EUR 338,069 (2004: EUR 251,549).

Appendices

FMO Committed Portfolio per sectoral distribution, exc. Government Funds

This summary covers all outstanding loans, guarantees and equity investments by sector and region, including contractual commitments as of December 31, 2005. The outstanding balances in foreign currencies have been converted at the last known exchange rate applying on the balance sheet date. The amounts are nominal amounts excluding value adjustments.

December 31, 2005	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Total
Financial sector					
Banks	92,940	48,126	162,859	182,912	486,837
Non-banking financial institutions	39,502	50,824	85,902	13,312	189,540
Housing finance	-	1,775	6,335	34,532	42,642
Investment funds	31,981	40,010	77,661	55,945	205,597
Financial sector total	**164,423**	**140,735**	**332,757**	**286,701**	**924,616**
Infrastructure					
Transport	46,303	7,329	35,693	41,132	130,457
Energy & water supply	58,322	48,338	8,823	93,377	208,860
Telecom	71,574	39,076	18,938	28,995	158,583
Infrastructure total	**176,199**	**94,743**	**63,454**	**163,504**	**497,900**
Trade & industry					
Manufactering industries	34,206	139,180	88,363	129,275	391,024
Extractive industries	63,286	22,651	1,252	6,637	93,826
Trade & industry total	**97,492**	**161,831**	**89,615**	**135,912**	**484,850**
Others					
Others total	**6,246**	**13,371**	**39,920**	**66,554**	**126,091**
Total	**444,360**	**410,680**	**525,746**	**652,671**	**2,033,457**

FMO Committed Portfolio sectoral distribution, exc. Government Funds (in percentage)

December 31, 2005	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Total
Financial sector					
Banks	21%	12%	31%	28%	24%
Non-banking financial institutions	9%	12%	16%	2%	9%
Housing finance	-	0%	1%	5%	2%
Investment funds	7%	10%	15%	9%	10%
Financial sector total	**37%**	**34%**	**63%**	**44%**	**45%**
Infrastructure					
Transport	11%	2%	7%	6%	7%
Energy & water supply	13%	12%	2%	14%	10%
Telecom	16%	10%	3%	5%	8%
Infrastructure total	**40%**	**24%**	**12%**	**25%**	**25%**
Trade & industry					
Manufactering industries	8%	34%	17%	20%	19%
Extractive industries	14%	5%	0%	1%	5%
Trade & industry total	**22%**	**39%**	**17%**	**21%**	**24%**
Others					
Others total	**1%**	**3%**	**8%**	**10%**	**6%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

FMO Committed Portfolio per country, exc. Government Funds

This summary covers all outstanding loans, guarantees and equity investments by sector and region, including contractual commitments as of December 31, 2005. The outstanding balances in foreign currencies have been converted at the last known exchange rate applying on the balance sheet date. The amounts are nominal amounts excluding value adjustments.

December 31, 2005	Loans	Mezzanine	Equity investments	Guarantees	Total
Africa					
Algeria	16,894				16,894
Benin	1,885				1,885
Botswana			1,735		1,735
Cameroon	19,861				19,861
Congo	781				781
Congo D.R.C.	1,689				1,689
Ethiopia	2,500				2,500
Ghana	10,546				10,546
Ivory Coast	4,120	729			4,849
Kenya	18,970	2,459		29,479	50,908
Malawi	1,684				1,684
Mozambique	31,040	4,224			35,264
Netherlands			10,835		10,835
Nigeria	84,072			33,790	117,862
Senegal	7,490				7,490
South Africa	7,474	12,246	388	4,952	25,060
Swaziland			612		612
Tanzania	7,484	362			7,846
Tunisia	14,700		2,434		17,134
Uganda	14,439		4,612		19,051
Zambia	15,627				15,627
African Region	12,226	33,788	20,733	7,500	74,247
Africa Total	**273,482**	**53,808**	**41,349**	**75,721**	**444,360**
Asia					
Bangladesh	34,886		823	5,406	41,115
China	30,788	68,987	1,920	2,300	103,995
India	73,273	2,961	17,600	13,176	107,010
Indonesia	31,541	4,224		3,400	39,165
Lebanon	8,520	655			9,175
Nepal	5,689				5,689
Pakistan	4,531				4,531
Philippines	23,123	2,307	5,405	14,118	44,953
Singapore			74		74
South Korea	2,834	2,703			5,537
Sri Lanka	11,794				11,794
Thailand		6,335	5,649	20,590	32,574
Vietnam	5,068				5,068
Asia Total	**232,047**	**88,172**	**31,471**	**58,990**	**410,680**

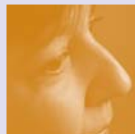
December 31, 2005	Loans	Mezzanine	Equity investments	Guarantees	Total
Europe & Central Asia					
Belarus	8,447	400		1,520	10,367
Bosnia & Herzegovina	7,500				7,500
Bulgaria	21,761	22,671	3,000		47,432
Czech Republic	3,844	600	427		4,871
Estonia	900				900
Georgia				5,000	5,000
Hungary	609	12,137			12,746
Kazakhstan	17,781	2,051		31,677	51,509
Poland	4,227	2,000	7,383		13,610
Romania	68,118		2,653		70,771
Russian Federation	56,556	32,183	13,891	17,739	120,369
Serbia and Montenegro	11,000		551		11,551
Slovakia	550	720			1,270
Turkey	65,376		9,491	19,125	93,992
Ukraine	21,272	2,534	1,361	8,446	33,613
European Region		20,000	20,245		40,245
Europe & Central Asia Total	**287,941**	**95,296**	**59,002**	**83,507**	**525,746**
Latin America & the Caribbean					
Argentina	78,242	2,673	8,475		89,390
Belize	2,650				2,650
Bolivia	4,209	12,972			17,181
Brazil	73,126	3,379	7,894		84,399
Chile			3,960		3,960
Colombia	12,671				12,671
Costa Rica	40,457	21,372	348		62,177
Dominican Republic	8,752	992		5,598	15,342
El Salavador	23,350	16,894			40,244
Guatemala	11,180				11,180
Honduras	37,844				37,844
Jamaica	25,511				25,511
Mexico	44,037		16,250	21,369	81,656
Nicaragua	5,573	2,112			7,685
Panama	25,475				25,475
Peru	21,980	30,781		6,758	59,519
Uruguay			8,679		8,679
Latin American Region	32,803		34,305		67,108
Latin America & the Caribbean Total	**447,860**	**91,175**	**79,911**	**33,725**	**652,671**
Total	**1,241,330**	**328,451**	**211,733**	**251,943**	**2,033,457**

Committed Government Funds Portfolio, per country

This summary covers all outstanding loans, guarantees and equity investments by sector and region, including contractual commitments as of December 31, 2005. The outstanding balances in foreign currencies have been converted at the last known exchange rate applying on the balance sheet date. The amounts are nominal amounts excluding value adjustments.

Committed portfolio State per fund, per country

December 31, 2005	Small-scale Enterprises	Seed Capital	Balkan Fund	EIB	NIMF	LDC Infra-structure Fund	Total
Africa							
Algeria					2,318		2,318
Benin		610				15,022	15,632
Botswana		3,052		2,745			5,797
Burkina Faso	1,333	1,625		686			3,644
Cameroon	5,225	3,364					8,589
Cape Verde		154					154
Equatorial Guinea		866					866
Ghana	560	4,436					4,996
Ivory Coast		183					183
Kenya		1,240				8,408	9,648
Madagascar	170	849					1,019
Mali						1,905	1,905
Mauritania	873	446					1,319
Morocco		2,839					2,839
Mozambique	732	2,377				20,126	23,235
Niger		502					502
Nigeria	12,738	2,319					15,057
Senegal		763					763
South Africa					1,800		1,800
Tanzania		689				13,427	14,116
Togo	773					15,426	16,199
Tunisia	2,548	183					2,731
Uganda	6,654	616					7,270
Zambia		1,661					1,661
African Region	9,573	11,688		7,000	8,024	4,922	41,207
Africa Total	**41,179**	**40,462**		**10,431**	**12,142**	**79,236**	**183,450**



December 31, 2005	Small-scale Enterprises	Seed Capital	Balkan Fund	EIB	NIMF	LDC Infra-structure Fund	Total
Asia							
Afghanistan						4,220	4,220
Bangladesh	6,425	620				7,940	14,985
Cambodia	3,465	521					3,986
China	2,534	1,568			6,961		11,063
India	8,240	2,028					10,268
Indonesia	1,428						1,428
Philippines	155	162					317
Sri Lanka	25,585						25,585
Thailand					5,000		5,000
Vietnam	4,149						4,149
Asian Region	3,350						3,350
Asia Total	**55,331**	**4,899**			**11,961**	**12,160**	**84,351**
Europe & Central Asia							
Bosnia & Herzegovina		1,361	1,767				3,128
Georgia	549						549
Kazakhstan	7,722				3,265		10,987
Kosovo*			500				500
F.Y.R. Macedonia			4,000				4,000
Serbia and Montenegro	10,000		5,000				15,000
Turkey					5,000		5,000
European Region	2,475						2,475
Europe & Central Asia Total	**20,746**	**1,361**	**11,267**		**8,265**		**41,639**
Latin America & the Caribbean							
Bolivia	7,482						7,482
Costa Rica	5,939						5,939
Dominican Republic	47						47
El Salvador					4,000		4,000
Honduras	7,506						7,506
Mexico	734						734
Nicaragua	3,797						3,797
Panama	2,027						2,027
Peru	2,413	1,052					3,465
Latin American Region	2,927	3,111					6,038
Latin America & the Caribbean Total	**32,872**	**4,163**			**4,000**		**41,035**
Total	**150,128**	**50,885**	**11,267**	**10,431**	**36,368**	**91,396**	**350,475**

* Kosovo is an autonomous province of Serbia and Montenegro under UN Interim Administration in Kosovo (UNMIK).

Masthead

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