
FMO
Finance for Development
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Annual Report 2006

ANNUAL ACCOUNTS

Contents

Consolidated balance sheet at December 31, 2006

All amounts in € x 1,000

(before profit appropriation)	Notes	2006	2005
ASSETS			
Banks	(5)	10,114	2,262
Short-term deposits	(6)	104,713	370,969
Derivative financial instruments	(7)	58,592	48,417
Loans to the private sector	(8), (12)	1,098,529	991,770
Loans guaranteed by the State	(9), (12)	31,505	18,281
Equity investments	(10)	189,627	114,293
Investments in associates	(11)	26,271	13,611
Interest-bearing securities	(13)	638,603	631,448
Subsidiaries	(14)	1,135	1,135
Tangible fixed assets	(15)	7,951	6,078
Deferred income tax assets	(37)	49,419	48,578
Current accounts with State funds and programs	(16)	32,903	30,721
Other receivables	(17)	10,272	2,970
Accrued income	(18)	46,322	48,426
Total assets		**2,305,956**	**2,328,959**
LIABILITIES			
Short-term credits	(19)	44,238	28,772
Derivative financial instruments	(7)	88,967	57,374
Debt securities	(20)	90,491	134,702
Debentures and notes	(21)	913,510	1,004,700
Other liabilities	(22)	13,457	21,619
Current accounts with State funds and programs	(23)	1,539	27,276
Current income tax liabilities	(37)	51	42,060
Deferred income tax liabilities	(37)	11,500	15,019
Accrued liabilities	(24)	38,293	29,435
Provisions	(25)	20,778	17,845
Total liabilities		**1,222,824**	**1,378,802**
SHAREHOLDERS' EQUITY			
Share capital		9,076	9,076
Share premium reserve		29,272	29,272
Contractual reserve		342,724	215,898
Development fund		657,981	657,981
Available for sale reserve		23,785	21,798
Translation reserve		-1,605	185
Other reserves		14,648	11,617
Undistributed profit		7,251	4,330
Total shareholders' equity	**(26)**	**1,083,132**	**950,157**
Total liabilities and shareholders' equity		**2,305,956**	**2,328,959**
Contingent liabilities	(38)	147,110	149,332
Irrevocable facilities	(38)	508,414	520,512
Loans and equity investments managed for the risk of the State	(4.2)	357,039	272,807

Consolidated profit and loss account 2006

	Notes	2006	2005
INCOME			
Interest income		141,906	120,729
Interest expense		-50,384	-41,247
Net interest income	**(27)**	**91,522**	**79,482**
Fee and commission income		2,191	798
Fee and commission expense		-177	-200
Net fee and commission income	**(28)**	**2,014**	**598**
Dividend income	(29)	6,880	1,952
Results from equity investments	(30)	73,898	9,393
Results from financial transactions	(31)	-1,034	17,330
Remuneration for services rendered	(32)	23,262	22,669
Other operating income	(33)	5,594	2,678
Total other income		**108,600**	**54,022**
Total income		**202,136**	**134,102**
OPERATING EXPENSES			
Staff costs	(34)	-34,675	-27,154
Other administrative expenses	(35)	-8,909	-8,490
Depreciation and impairment	(15)	-3,512	-5,176
Other operating expenses	(36)	-219	-285
Total operating expenses		**-47,315**	**-41,105**
Operating profit before value adjustments		**154,821**	**92,997**
VALUE ADJUSTMENTS ON			
Loans	(12)	1,370	12,346
Equity investments and associates	(10), (11)	-2,442	-5,027
Guarantees issued	(12)	7,296	613
Total value adjustments		**6,224**	**7,932**
Share in the result of associates	(11)	3,533	-
Share in the result of subsidiaries	(14)	51	44
Total share in the results of associates and subsidiaries		**3,584**	**44**
Profit before taxation		**164,629**	**100,973**
Income tax expense	(37)	-30,552	-27,588
Net profit		**134,077**	**73,385**

Consolidated statement of changes in shareholders' equity

All amounts in € x 1,000

	Share capital	Share premium reserve	Contractual reserve	Development fund	Available for sale reserve	Translation reserve	Other reserves	Undistributed profit	Total
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
TRANSFERS									
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 2004	-	-	-	-	-	-	2,131	-2,131	-
Net profit	-	-	* 69,055					4,330	73,385
Dividend declared	-	-	-	-	-	-	-	-228	-228
Balance at December 31, 2005	9,076	29,272	215,898	657,981	21,798	185	11,617	4,330	950,157
ARISING IN THE PERIOD									
Fair value changes in equity investments, net of tax	-	-	-	-	29,444	-	-	-	29,444
Fair value changes in interest-bearing securities, net of tax	-	-	-	-	-13,942	-	-		-13,942
Currency translation differences	-	-	-	-	-	-1,790	-	-	-1,790
TRANSFERS									
Fair value changes in equity investments, net of tax	-	-	-	-	-13,515	-	-	-	-13,515
Fair value changes in interest-bearing securities, net of tax	-	-	-	-	-	-	-	-	-
Net results not recognized in the profit and loss account	-	-	-	-	1,987	-1,790	-	-	197
Appropriation undistributed profit 2005	-	-	-	-	-	-	3,031	-3,031	-
Net profit	-	-	* 126,826	-	-	-	-	7,251	134,077
Dividend declared	-	-	-	-	-	-	-	-1,299	-1,299
Balance at December 31, 2006	9,076	29,272	342,724	657,981	23,785	-1,605	14,648	7,251	1,083,132

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

All amounts in € x 1,000

Consolidated cash flow statement 2006

	Notes	2006	2005*
Profit before taxation		**164,629**	**100,973**
Adjusted for non-cash items included in result and other items shown separately:			
- Result on sale of equity investments		-73,898	-9,393
- Result of associates and subsidiaries		-3,584	-44
- Depreciation and impairment of tangible fixed assets		3,512	5,176
- Net interest income		-91,522	-79,482
- Amortization of premiums, discounts and fees		10,226	4,974
- Changes in fair value		13,838	16,385
- Value adjustments		-6,224	-7,932
- Other non-cash items		910	1,424
- Changes in exchange rates		1,359	11,153
- Movement in provisions		2,933	-2,219
Movement in working capital (excluding interest, taxes and State programs)		-3,302	-2,180
Interest received		137,260	114,657
Interest paid		-46,938	-26,958
Income taxes paid		-72,827	-15,085
Dividends received		6,931	1,996
Loan disbursements		-553,910	-271,819
Loan disbursements, guaranteed by the State		-17,081	-7,916
Loan repayments		353,170	283,696
Loan repayments, guaranteed by the State		5,760	6,497
Purchase and contributions of equity investments		-99,067	-47,333
Sale of equity investments and associates		118,339	37,970
Purchase of and contributions in associates		-18,763	-1,448
Movement in short-term credits		15,466	-35,750
Movement in working capital with State programs		-27,919	-5,673
Net cash flow from operational activities	**(41)**	**-180,702**	**71,669**
INVESTMENT ACTIVITIES			
Purchase of interest-bearing securities		-174,127	-364,198
Redemption/sale of interest-bearing securities		145,548	334,715
Investments in tangible fixed assets		-5,385	-2,018
Net cash flow from investment activities	**(42)**	**-33,964**	**-31,501**
FINANCING ACTIVITIES			
Contribution in development fund		-	37,260
Proceeds from issuance of debt securities		1,361	1,361
Proceeds from issuance of debentures and notes		72,892	502,187
Redemption of debt securities		-39,918	-43,447
Redemption of debentures and notes		-76,661	-313,020
Dividend paid		-1,299	-228
Net cash flow from financing activities	**(43)**	**-43,625**	**184,113**
Net cash flow		**-258,291**	**224,281**
CASH AND CASH EQUIVALENTS			
Banks and short-term deposits at January 1		373,231	148,534
Exchange rate difference on cash and cash equivalents		113	-416
Banks and short-term deposits at December 31		114,827	373,231
Total cash and cash equivalents		**-258,291**	**224,281**

* Adjusted for comparative purposes

1. GENERAL

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as 'FMO' or the 'company') was incorporated in 1970 as a public limited company and is located at Anna van Saksenlaan, The Hague, the Netherlands. The activities of FMO consist of financing activities in developing countries to stimulate private-sector development. In addition, 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 to the private sector in developing countries.

A minor part of the investment financing is guaranteed by the State of the Netherlands under the Facility Emerging Markets (FOM), in which FMO itself participates as a 5% to15% risk partner. Any losses claimed under the guarantee are reported as 'Receivable in connection with State guarantees' and included in Other income.

(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 subsidies provided under the General Administrative Law Act regarding the Minst Ontwikkelde Landen Infrastructuur Fonds (hereafter referred to as Least Developed Countries Infrastructure Fund – LDC Infrastructure Fund), the Nederlands Investerings Matching Fonds (hereafter referred to as NIMF), MASSIF and Access to Energy Fund. FMO also executes the subsidy scheme Capacity Development program (hereafter referred to as CD).

Several new subsidies provided under the General Administrative Law Act became effective on January 1, 2006. The previously autonomously operating Seed Capital Fund, Small-Scale Enterprise Fund (SME Fund) and Balkan Fund have been merged and converted into MASSIF. Under the civil-law Agreement with the State, FMO used to execute the Investment Promotion and Technical Assistance program (hereafter referred to as IPTA). The IPTA program has been replaced by a subsidy scheme under the General Administrative Law Act named CD. The portfolio of IPTA is within the scope of the CD subsidy scheme.

FMO incurs a risk in NIMF and MASSIF as it has an equity share of 15% and 4.3% respectively. With respect to the remaining interest in NIMF and MASSIF, 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. The economic risks related to these funds are predominantly taken by the State and FMO has limited control on policy issues regarding these funds. FMO receives remuneration for managing the funds. Therefore, with the exception of FMO's equity share in NIMF and MASSIF, the funds' assets and the funds' liabilities are not included in the annual accounts. The subsidy scheme provided under the General Administrative Law Act to NIMF has been extended to July 1, 2007 by letter of the Dutch Minister for Development Cooperation dated December 28, 2006. Paragraph 4.2 provides more detail on the loans and equity investments managed for the risk of the State.

(c) Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.

FMO's subsidiary, 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 administers a portfolio of concessional loans. The State of the Netherlands guarantees the repayments of interest, bonds and private loans contracted by NIO with third parties. NIO is reimbursed by the State for operating expenses and is compensated for the difference between the interest income earned on loans provided to developing countries and the interest charges on the funds raised under government guarantee in order to finance those loans. The activities of NIO are entirely at the expense and risk of the Ministry of Foreign Affairs.

Since March 25, 2002, NIO has been administering the Ontwikkelings Relevante Export Transacties subsidy scheme (hereafter referred to as the ORET program) on behalf of the Ministry of Foreign Affairs. NIO has been 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. During the second half of 2006, the Ministry held a tender in connection with the execution of the ORET program. The administration of the ORET program has been awarded to a third party and will not be executed by FMO effective 2007. IFRS 5 – non-current assets held for sale and discontinued operations – has been applied to FMO's assets and liabilities associated with the ORET program.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated annual accounts (the 'annual accounts') have been prepared in accordance with International Financial Reporting Standards as adopted by the European Community in EG1606/2002 directive ('IFRS'). FMO adopted IFRS per January 1, 2005 using the transitional requirements imposed by IFRS 1 First Time adoption of IFRS which became effective for accounting periods beginning on or after January 1, 2004.

The consolidated annual accounts are prepared under the historical cost convention and modified by the revaluation option to fair value for equity investments, interest-bearing securities, short-term deposits, applicable funding items and all derivative instruments. FMO uses settlement date accounting and accounts its transactions on the day of transfer.

(b) Adoption of new and revised Standards

The new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) as endorsed by the European Commission in 2006 have been applied. These have been effective for annual reporting periods beginning on January 1, 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to FMO's accounting policies with regard to financial guarantee contracts (IAS 39).

Comparative figures have been adjusted accordingly. There was no effect on net result and shareholders' equity. Further reference is made to note 2(w).

At the date of authorization of these financial statements, the following Standards and Interpretations, relevant to FMO, were in issue but not yet effective:

- IFRS 7 Financial Instruments: disclosures with an effective date of January 1, 2007
- IFRIC 9 Reassessment of Embedded Derivatives: effective for annual periods beginning on or after June 1, 2006
- IFRIC 10 Interim Financial Reporting and Impairment: effective for annual periods beginning on or after November 1, 2006

FMO has not applied the above mentioned IFRS in the 2006 annual accounts. The Management Board anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of FMO.

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

(d) Group accounting and consolidation

The annual accounts of FMO and the annual accounts of the wholly owned 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.

NIO is not consolidated as the government sets the policies and conditions of the NIO activities and FMO has no effective control. The activities of NIO are entirely at the expense and risk of the Ministry of Foreign Affairs. FMO accounts for NIO as a subsidiary under the equity method. The remuneration for services rendered has been accounted for in the profit and loss account.

(e) Fiscal unity

The company has formed a fiscal unity for corporate income tax purposes with its wholly owned subsidiaries NIO as from January 1, 2002 and FMO Participaties B.V. as from January 1, 1999. As a consequence, FMO is severally liable for all income tax debts for all aforementioned companies.

(f) Foreign currency translation

FMO uses the euro as the unit for presenting its annual accounts. All amounts are denominated in thousands of euros unless otherwise stated. In accordance with IAS 21, foreign currency transactions are translated to euro at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate.

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

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

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

(g) 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. If this information is unavailable, 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 market observable or can be derived from market observable data.

The fair values in the financial asset and liability categories approximate their carrying values except for the loans to the private sector with a fixed interest rate and the funding non-hedged. Loans to the private sector are valued at amortized cost. FMO does not apply hedge accounting to loans to the private sector with fixed interest rate. The underlying changes to the fair value of these assets are therefore not recognized in the balance sheet. At December 31, 2006, the fair value of these loans was €16,167 (2005: €15,902) above their carrying value.

The funding non-hedged is valued at amortized cost. The carrying value does not materially differ from the fair value and the difference amounts to €331 (2005: €200).

(h) Offsetting financial instruments

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

(i) Derivative instruments and hedging

Derivative financial instruments are initially recognized at fair value on the date FMO enters into a derivative contract and is subsequently remeasured at its 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 to manage exposures to interest rates and foreign currency. FMO applies fair value 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% and 125%, 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 forecasted transaction is no longer deemed highly probable.

The method of recognizing the resulting fair value changes depends on whether the derivative is designated as a hedging instrument or not. FMO designates two 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 are also recorded in the profit and loss account.
   If the hedge relationship is terminated for reasons other than the de-recognition 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 profit and loss.

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

2. *Derivatives that do not qualify for hedge accounting*

   Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in profit and loss.

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 profit and loss.

(j) 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 cost price. Interest income and expense also includes amortized accrued discount and premium on treasury instruments. Interest income and expense includes 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 original effective yield that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(k) 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 in the profit and loss account. Fee income that is part of a financial instrument carried at amortized costs can be divided into three categories:

1 *Fees that are an integral part of the effective interest rate of a financial instrument*

These fees (such as front-end fees) are generally treated as an adjustment to the effective interest rate. When the facility is not used and the commitment period expires then the 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.

2 *Fees earned when services are provided*

Fees charged by FMO for servicing a loan (such as administration fees and agency fees) are recognized as revenue when the services are provided. Portfolio and other management advisory and service fees are recognized in line with the periods and the agreed services of the applicable service contracts.

3 *Fees that are earned on the execution of a significant act*

These fees (such as arrangement fees) are recognized as revenue when the significant act has been completed.

(l) Dividend income

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

(m) 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 these short-term deposits (except for foreign exchange results) are reported in the available for sale reserve as part of shareholders' equity.

(n) 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. 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.

(o) Value adjustments on loans and guarantees

FMO assesses at each balance sheet date the necessity for value adjustments on loans and 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 divided 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 a value adjustment for an off-balance sheet item (such as a guarantee) is included in other liabilities. All loans and guarantees are reviewed and analyzed at least annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to prior estimates will result in a change in the value adjustments and will be charged or credited to the profit and loss account. A value adjustment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms.

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

(p) 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 is based on quoted market prices or dealer price quotations from active markets. Unrealized revaluations due to movements in interest rates 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 realized results on disposal or redemption are recognized in profit or loss. Interest accrued on interest-bearing securities is included in interest income.

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

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 de-recognizes the asset on the day of its transfer.

(q) Equity investments

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

1 *At fair value when a quoted market price in an active market is available or when fair value can be estimated reliably using a valuation technique*
   Unrealized gains or losses are reported in the available for sale reserve net of applicable income taxes, until such investments are sold, collected or otherwise disposed of, or until such investment is determined to be impaired. Foreign exchange differences are reported as part of the fair value change in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealized gain or loss included in shareholders' equity is transferred to profit or loss.

2 *At cost or lower recoverable amount if the fair value cannot be estimated reliably*
   In line with AG80 and AG81 of IAS 39, the fair value of equity investments that do not have a quoted market price in an active market is only reliably measurable if the variability in the range of reasonable fair value estimates:
   - is not significant for that instrument; or
   - the probabilities of the various estimates within the range can be reasonably assessed and used in estimating the fair value.

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

Impairments

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

(r) Investments in associates

Equity investments in companies in which FMO has significant influence ('associates') are accounted for under the equity method of accounting. Significant influence is normally evidenced when FMO has from 20% to 50% 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 after the date of acquisition to recognize FMO's share of the investee's results or other results directly recorded in the equity of associates.

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

If these criteria are not met, FMO records the associates at cost less impairment. In line with the accounting principles for equity investments, the impairment losses are included in profit and loss.

(s) Tangible fixed assets

ICT equipment

Expenditures 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. These include staff costs made to make the asset operable in the way management intended for these software products. Costs associated with maintaining software programs are recognized in the profit and loss account as incurred. Expenditure that enhances or extends the performance of software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Furniture and leasehold improvements

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

Depreciation

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

ICT equipment	3 years
Furniture	5 years
Leasehold improvements	8 years

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

(t) Debt issued

Debt issued consists of:

1 *Debt securities:*

Non-subordinated debt, which has not been identified as debentures and notes. In this category FMO distinguishes:
- Debt securities that qualify for hedge accounting (valued at fair value)
- Debt securities that do not qualify for hedge accounting (valued at amortized cost)

2 *Debentures and notes:*

Medium-term notes under the FMO EMTN Program. Debentures and notes can be divided into:
- EMTN notes ('structured funding') that qualify for the fair value option of IAS 39 (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 cost)

Debt issued valued at amortized cost

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

Debt issued eligible to hedge accounting

When hedge accounting is applied to debt instruments, the carrying value of debt issued is adjusted for changes in fair value related to the hedged exposure. The fair value changes are brought to the profit and loss account. See paragraph 2(i) Derivative instruments and hedging.

Debt issued eligible to fair value option

It is FMO's policy to hedge the currency and interest rate risks with regard to debentures and notes under the EMTN program. Certain transactions do not meet the specified criteria for hedge accounting. FMO designates the EMTN medium-term notes at 'fair value through profit or loss' (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.

(u) 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. Further reference is made to note 2(x) Retirement benefits.

(v) Leases

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

FMO has not entered into financial leases over group assets.

(w) Guarantees

The amended IAS 39 Financial Instruments: Recognition and Measurement requires certain financial guarantee contracts to be accounted initially at their fair value, and subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out in notes 2(j) and 2(k). These fees are recognized as revenue on an accrual basis over the commitment period.

(x) Retirement benefits

FMO provides the majority of its employees retirement benefits that are categorized as a defined benefit.

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. As per January 1, 2006 the national law 'Wet VPL' has come into force. As a result amendments have been made to FMO's pension scheme. Under this new law, the retirement age is raised to 65 and early retirement schemes have expired to be replaced by the 'Levens-loopregeling'. Employees born before January 1, 1950 fall in the transitional provision and no changes are required to their current (early) retirement benefits. In the amended pension scheme, employees are entitled to retirement benefits that are based on the average salary, instead of final pay, on attainment of the retirement age of 65, instead of the age of 62.

The schemes are funded through payments to insurance companies as determined by periodic actuarial calculations. The principal actuarial assumptions are set out in note 25. FMO recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of ('corridor approach'):

a) 10% of present value of the defined benefit obligation at that date (before deducting plan assets); and
b) 10% of the fair value of any plan assets at that date.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognized actuarial gains/losses and past service costs. Independent actuaries perform an annual calculation of the defined benefit obligation using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability. 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.

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.

The change in FMO's pension scheme resulted in past service losses due to a higher defined benefit obligation with regard to past service periods. In accordance with IAS 19, this loss has been included as a loss in the profit and loss account.

Certain employees and board members have a defined contribution plan. Under this plan FMO pays contribution to publicly or privately administrated pension plans. FMO has no further payment obligations once contributions have been paid. The annual contributions are recorded as pension costs.

(y) 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:

(i) deferred taxes recognized or disposed of upon the acquisition or disposal of a subsidiary; and
(ii) 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.

(z) Shareholders' equity

Contractual reserve

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

Development fund

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

Available for sale reserve (AFS reserve)

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

Translation reserve

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

Dividends declared

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.

Undistributed profit

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

3. 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 employees.

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.

3.1 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 change 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 State-FMO of November 16, 1998, 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 equity-related 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. Limits per country range from 2% to 18% 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 4.1 Segment reporting by geographic location. With respect to the sectoral diversification in the portfolio, reference is made to notes 8, 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 risks 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.

3.2 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 minimized 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. In its equity activities the company runs currency risks that cannot be 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.

The table below summarizes FMO's year-end exposure to currency risk at carrying values.

At December 31, 2006	€	US $	¥	Other	Total
ASSETS					
Banks	-6,463	7,896	10	8,671	10,114
Short-term deposits	89,461	15,252	-	-	104,713
Derivative financial instruments *	-4,033	40,091	-7,792	30,326	58,592
Loans to the private sector	233,612	826,371	-	38,546	1,098,529
Loans guaranteed by the State	31,505	-	-	-	31,505
Equity investments	63,019	110,424	-	16,184	189,627
Investments in associates	2,224	24,047	-	-	26,271
Interest-bearing securities	638,603	-	-	-	638,603
Subsidiaries	1,135	-	-	-	1,135
Tangible fixed assets	7,951	-	-	-	7,951
Deferred income tax assets	49,419	-	-	-	49,419
Current accounts with State funds and programs	-7,247	40,150	-	-	32,903
Other receivables	9,464	765	-	43	10,272
Accrued income	21,915	18,888	3,327	2,192	46,322
Total assets	**1,130,565**	**1,083,884**	**-4,455**	**95,962**	**2,305,956**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	1,083,132	-	-	-	1,083,132
Short-term credits	36,340	7,898	-	-	44,238
Derivative financial instruments *	19,570	468,180	-399,137	354	88,967
Debt securities	70,992	-	19,499	-	90,491
Debentures and notes	66,049	433,627	374,085	39,749	913,510
Other liabilities	2,439	8,941	-	2,077	13,457
Current accounts with State funds and programs	1,539	-	-	-	1,539
Current income tax liabilities	51	-	-	-	51
Deferred income tax liabilities	11,500	-	-	-	11,500
Accrued liabilities	8,753	24,290	3,295	1,955	38,293
Provisions	20,778	-	-	-	20,778
Total liabilities and shareholders' equity	**1,321,143**	**942,936**	**-2,258**	**44,135**	**2,305,956**
Currency sensitivity gap 2006	**-190,578**	**140,948**	**-2,197**	**51,827**	**-**

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

At December 31, 2005	€	US $	¥	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 2005	**-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, investments in associates and local currency loan investments. 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 measured based on future cash flows.

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. The treasury investment policy of FMO is to invest part of its shareholders' equity in a portfolio of fixed interest-bearing securities. The deliberate long-term fixed interest position FMO takes on this portfolio, is the main cause of the interest sensitivity gap reported in the table below, as well as the equity effects of market interest rate changes. 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, categorized by the earlier of contractual repricing or maturity dates.

At December 31, 2006	< 3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
ASSETS						
Banks	10,114	-	-	-	-	10,114
Short-term deposits	104,713	-	-	-	-	104,713
Derivative financial instruments *	-13,924	-59,540	113,347	16,832	1,877	58,592
Loans to the private sector	529,543	360,921	69,795	138,270	-	1,098,529
Loans guaranteed by the State	92	295	16,975	14,143	-	31,505
Equity investments	-	-	-	-	189,627	189,627
Investments in associates	-	-	-	-	26,271	26,271
Interest-bearing securities	-	47,162	315,492	275,949	-	638,603
Subsidiaries	-	-	-	-	1,135	1,135
Tangible fixed assets	-	-	-	-	7,951	7,951
Deferred income tax assets	-	-	-	-	49,419	49,419
Current accounts with State funds and programs	-	-	-	-	32,903	32,903
Other receivables	-	-	-	-	10,272	10,272
Accrued income	-	-	-	-	46,322	46,322
Total assets	**630,538**	**348,838**	**515,609**	**445,194**	**365,777**	**2,305,956**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	-	-	-	-	1,083,132	1,083,132
Short-term credits	24,244	19,994	-	-	-	44,238
Derivative financial instruments *	108,700	128,365	-94,456	-53,642	-	88,967
Debt securities	292	159	67,544	22,496	-	90,491
Debentures and notes	466,120	197,379	162,989	87,022	-	913,510
Other liabilities	-	-	-	-	13,457	13,457
Current accounts with State funds and programs	-	-	-	-	1,539	1,539
Current income tax liabilities	-	-	-	-	51	51
Deferred income tax liabilities	-	-	-	-	11,500	11,500
Accrued liabilities	-	-	-	-	38,293	38,293
Provisions	-	-	-	-	20,778	20,778
Total liabilities and shareholders' equity	**599,356**	**345,897**	**136,077**	**55,876**	**1,168,750**	**2,305,956**
Interest sensitivity gap 2006	**31,182**	**2,941**	**379,532**	**389,318**	**-802,973**	**-**

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

At December 31, 2005	< 3 months	3-12 months	1-5 years	Over 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 shareholders' equity in a portfolio of fixed interest-bearing securities, to generate stable interest cash flows. The interest sensitivity gap also relates to fixed interest loans to private sector, which are funded by instruments with a shorter term to maturity.

For risk management purposes, interest rate risk is also measured based on the interest repricing characteristics of future principal cash flows. Assuming the financial assets and liabilities at December 31, 2006 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% in market interest rates across all maturities would reduce FMO's equity by approximately €29.1 million (2005: €28.9 million). Of this amount, €25.0 million (2005: €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.

At December 31, 2006	€	US $	¥
	%	%	%
ASSETS			
Banks	2.35	4.75	-
Short-term deposits	3.63	5.52	-
Loans to the private sector	6.55	8.36	-
Loans guaranteed by the State	6.19	-	-
Interest-bearing securities	3.60	-	-
LIABILITIES			
Short-term credits	3.59	5.43	-
Debt securities	5.22	-	1.85
Debentures and notes	1.62	4.88	1.65

At December 31, 2005	€	US$	¥
	%	%	%
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

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.

At December 31, 2006	€	US$	¥
	%	%	%
LIABILITIES			
Debt securities	3.94	-	1.85
Debentures and notes	1.81	4.96	1.65

At December 31, 2005	€	US$	¥
	%	%	%
LIABILITIES			
Debt securities	2.67	-	0.08
Debentures and notes	1.90	4.07	1.77

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.

3.3 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 State-FMO of November 16, 1998. FMO's AAA rating from Standard & Poor's ensures the company's 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 3.2.

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 following table 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 installment 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.

At December 31, 2006	< 3 months	3-12 months	1-5 years	Over 5 years	Maturity undefined	Total
ASSETS						
Banks	10,114	-	-	-	-	10,114
Short-term deposits	104,713	-	-	-	-	104,713
Derivative financial instruments	174	1,683	52,690	4,045	-	58,592
Loans to the private sector	52,474	126,057	696,058	223,940	-	1,098,529
Loans guaranteed by the State	2,168	3,680	22,632	3,025	-	31,505
Equity investments	-	-	-	-	189,627	189,627
Investments in associates	-	-	-	-	26,271	26,271
Interest-bearing securities	-	47,162	315,492	275,949	-	638,603
Subsidiaries	-	-	-	1,135	-	1,135
Other equipment	-	-	7,951	-	-	7,951
Deferred income tax assets	-	-	-	-	49,419	49,419
Current accounts with State funds and programs	32,903	-	-	-	-	32,903
Other receivables	10,272	-	-	-	-	10,272
Accrued income	46,322	-	-	-	-	46,322
Total assets	**259,140**	**178,582**	**1,094,823**	**508,094**	**265,317**	**2,305,956**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity	-	-	-	-	1,083,132	1,083,132
Short-term credits	24,244	19,994	-	-	-	44,238
Derivative financial instruments	234	122	46,681	41,930	-	88,967
Debt securities	292	159	67,544	22,496	-	90,491
Debentures and notes	29,097	37,115	461,792	385,506	-	913,510
Other liabilities	2,062	1,271	10,124	-	-	13,457
Current accounts with State funds and programs	1,539	-	-	-	-	1,539
Current income tax liabilities	-	51	-	-	-	51
Deferred income tax liabilities	-	-	-	-	11,500	11,500
Accrued liabilities	38,293	-	-	-	-	38,293
Provisions	-	-	-	-	20,778	20,778
Total liabilities and shareholders' equity	**95,761**	**58,712**	**586,141**	**449,932**	**1,115,410**	**2,305,956**
Liquidity gap 2006	**163,379**	**119,870**	**508,682**	**58,162**	**-850,093**	**-**

At December 31, 2005	< 3 months	3-12 months	1-5 years	Over 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**	**-**

3.4 OPERATIONAL RISK

Our operational risk is defined as risk resulting from inadequate procedures, also on compliance, information systems, errors or fraud by employees. All can lead to reputation risk. In line with sound governance practice, FMO has in place a comprehensive internal control framework to limit operational risk. An annual audit plan has been agreed by the Management Board and the Supervisory Board's audit committee. FMO has a clear division of roles, responsibilities and accountabilities in its closing, settlement and positions procedures. Internal audit plays a key role through regular audits on critical operating processes, our operational effectiveness and efficiency – all in line with compliance requirements. The director of this department reports regularly to the Management Board and the Supervisory Board's audit committee. Policies on ICT systems are embedded in the internal control framework. In 2006, risk management components were further integrated into ICT systems. Our Audit, Compliance and Control department monitors compliance with the Dutch Corporate Governance Code, our own internal Code of Conduct, and other applicable compliance policies and procedures.

4. BUSINESS SEGMENTS

4.1 SEGMENT REPORTING BY GEOGRAPHIC LOCATION

FMO's primary segmentation reporting is by geographical location. 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. The geographical analysis of total assets and the segment revenue and expenses is based on customer domicile. The capital expenditure related to property and equipment is allocated to Treasury and other. The geographic analysis of revenue, expenses and total assets provides background on FMO's operations.

At December 31, 2006	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Treasury and other	Total
Income	16,277	17,065	70,178	37,167	61,449	202,136
Share in the result of associates and subsidiaries	1,732	-231	1,591	441	51	3,584
Total revenue	**18,009**	**16,834**	**71,769**	**37,608**	**61,500**	**205,720**
Value adjustments	-2,953	-2,161	3,913	7,425	-	6,224
Operating expenses	-13,762	-8,989	-12,825	-10,036	-1,703	-47,315
Total expenses	**-16,715**	**-11,150**	**-8,912**	**-2,611**	**-1,703**	**-41,091**
Income tax expense	-72	-387	-2,162	-6,534	-21,397	-30,552
Net profit	**1,222**	**5,297**	**60,695**	**28,463**	**38,400**	**134,077**
Segment assets:						
Net portfolio	225,795	265,481	426,488	428,168	-	1,345,932
Other assets	-	-	-	-	960,024	960,024
Total assets	**225,795**	**265,481**	**426,488**	**428,168**	**960,024**	**2,305,956**

At December 31, 2005	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Treasury and other	Total
Income	16,401	21,626	26,233	25,214	44,628	134,102
Share in the result of associates and subsidiaries	-	-	-	-	44	44
Total revenues	**16,401**	**21,626**	**26,233**	**25,214**	**44,672**	**134,146**
Value adjustments	-1,919	-200	-3,107	13,158	-	7,932
Operating expenses	-13,083	-7,885	-8,811	-9,495	-1,831	-41,105
Total expenses	**-15,002**	**-8,085**	**-11,918**	**3,663**	**-1,831**	**-33,173**
Income tax expense	-384	-1,828	-4,092	-9,049	-12,235	-27,588
Profit after tax	**1,015**	**11,713**	**10,223**	**19,828**	**30,606**	**73,385**
Segment assets:						
Net portfolio	233,614	213,433	297,412	393,496	-	1,137,955
Other assets	-	-	-	-	1,191,004	1,191,004
Total assets	**233,614**	**213,433**	**297,412**	**393,496**	**1,191,004**	**2,328,959**

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

At December 31, 2006	Irrevocable facilities		Contingent liabilities	
	€ x 1,000	Share %	€ x 1,000	Share %
Africa	133,828	26	61,719	42
Asia	122,155	24	31,427	21
Europe & Central Asia	153,950	31	19,987	14
Latin America & the Caribbean	98,481	19	33,977	23
Total	**508,414**	**100**	**147,110**	**100**

At December 31, 2005	Irrevocable facilities		Contingent liabilities	
	€ x 1,000	Share %	€ x 1,000	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**

4.2 SEGMENT REPORTING BY FUNDS MANAGED FOR THE RISK OF THE STATE

FMO and funds managed for the risk of the State

Apart from making disbursements from its own resources, FMO provides loans, guarantees and equity investments from special government funds, within the conditions and objectives of these facilities. The funds consist of subsidies provided under the General Administrative Law Act. In the case of NIMF and MASSIF, FMO has an equity stake of 15% and 4.31% respectively. In note 40 Related parties, the relationship between the State and FMO regarding these funds and programs is described in detail. MASSIF has been effective as of January 1, 2006 and is the result of the merging of Seed Capital Fund, SME Fund and Balkan Fund.

Loans and equity 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.

	2006	2005
Loans	213,927	163,914
Equity investments	143,112	108,893
Total	**357,039**	**272,807**

Loans managed for the risk of the State

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

	2006	2005
Small-scale Enterprise Fund	-	89,648
Seed Capital Fund	-	3,885
Balkan Fund	-	4,747
MASSIF	115,566	-
NIMF	1,803	4,260
LDC Infrastructure Fund	95,950	60,767
European Investment Bank	608	607
Total	**213,927**	**163,914**

Equity investments managed for the risk of the State

The equity investments have been made by the following funds:

	2006	2005
Small-scale Enterprise Fund	-	30,244
Seed Capital Fund	-	23,521
Balkan Fund	-	3,500
MASSIF	61,893	-
NIMF	26,491	21,439
LDC Infrastructure Fund	49,495	25,094
European Investment Bank	5,233	5,095
Total	**143,112**	**108,893**

NOTES TO THE SPECIFIC ITEMS OF THE CONSOLIDATED BALANCE SHEET – ASSETS

5. BANKS

	2006	2005
Banks	**10,114**	**2,262**

6. SHORT-TERM DEPOSITS

	2006	2005
Short-term deposits	**104,713**	**370,969**

7. 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.

At December 31, 2006	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedging instruments:			
Currency swaps	39,961	906	-898
Interest rate swaps	45,455	-	-3
Cross-currency interest rate swaps	73,803	7,181	-2,694
Forward rate agreements	-	-	-
	159,219	**8,087**	**-3,595**
Derivatives related to asset portfolio	-	1,877	-
Total derivative assets/(liabilities) other than hedging instruments	**159,219**	**9,964**	**-3,595**

At 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 related to structured funding.

At December 31, 2006	Notional amounts	Fair value assets	Fair value liabilities
Derivatives structured:			
Interest rate swaps	249,528	-	-15,264
Cross-currency interest rate swaps	394,285	483	-36,366
Total derivative assets/(liabilities) structured	**643,813**	**483**	**-51,630**

At 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'.

At December 31, 2006	Notional amounts	Fair value assets	Fair value liabilities
Derivatives designated as fair value hedges:			
Interest rate swaps	252,320	48,145	-33,742
Total derivatives designated as fair value hedges	**252,320**	**48,145**	**-33,742**
Total derivative financial instruments assets/(liabilities)	**1,055,352**	**58,592**	**-88,967**

At 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**

8. LOANS TO THE PRIVATE SECTOR

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

	2006	2005
Balance at January 1	1,158,291	1,060,592
Disbursements	553,910	271,819
Repayments	-353,170	-283,696
Write-offs	-10,342	-15,789
Changes in amortizable fees	-5,566	480
Exchange rate differences	-100,441	124,885
Balance at December 31	**1,242,682**	**1,158,291**
Value adjustments	-144,153	-166,521
Net balance at December 31	**1,098,529**	**991,770**

The table below summarizes the loans segmented by sector:

	2006	2005
Finance	487,507	377,837
Infrastructure	270,728	303,894
Trade & industry	282,908	239,892
Other	57,386	70,147
Net balance at December 31	**1,098,529**	**991,770**

	2006	2005
Loans to companies in which FMO has equity investments	73,486	74,044
Amount of subordinated loans	139,674	107,182
Amount of non-performing loans	65,183	97,540

A loan is classified as non-performing when the loan has been provided for by a value adjustment.

9. LOANS GUARANTEED BY THE STATE

These loans in developing countries are individually guaranteed by the State of the Netherlands for 85% to 95%. Any losses will be compensated by the State up to the guaranteed percentage. Payments by the State on guaranteed loans are deducted from the reported loan balance. The loan portfolio guaranteed by the State comprises the loans issued by FOM. The movements can be summarized as follows:

	2006	2005
Balance at January 1	23,908	22,960
Disbursements	17,081	7,916
Repayments	-5,760	-6,497
Write-offs	-903	-309
Changes in amortizable fees	-418	-162
Balance at December 31	**33,908**	**23,908**
Value adjustments	-2,403	-5,627
Net balance at December 31	**31,505**	**18,281**

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

	2006	2005
Finance	686	-
Infrastructure	2,271	3,232
Trade & industry	22,830	12,879
Other	5,718	2,170
Net balance at December 31	**31,505**	**18,281**

	2006	2005
Amount of subordinated loans	32,473	23,908
Amount of non-performing loans	3,678	3,404

10. EQUITY INVESTMENTS

These equity investments in developing countries are for the account and risk of FMO. The movements in net book value of the equity investments are summarized below:

	2006	2005
Net balance at January 1 under Dutch GAAP		80,560
First time adoption – fair value adjustments		1,953
Net balance at January 1 under IFRS	**114,293**	**82,513**
Purchases and contributions	99,067	47,333
Sales	-37,198	-26,998
Value adjustments	-2,431	-5,027
Changes in fair value	15,896	16,472
Net balance at December 31	**189,627**	**114,293**

The sale of equity investments in 2006 includes the sale of equity investments that were carried at cost less impairment. The carrying amount of these equity investments at the time of sale was €30,267 and the related profit was €57,463.

	2006	2005
Equity investments at fair value	84,562	24,668
Equity investments at cost less impairment	105,065	89,625
Net balance at December 31	**189,627**	**114,293**

The table below summarizes the equity investments segmented by sector:

	2006	2005
Finance	156,059	76,283
Infrastructure	6,171	12,561
Trade & industry	16,790	11,936
Other	10,607	13,513
Net balance at December 31	**189,627**	**114,293**

11. INVESTMENTS IN ASSOCIATES

The movements in net book value of the associates are summarized below:

	2006	2005
Net balance at January 1	13,611	12,803
Purchases and contributions	18,762	1,448
Sales	-7,243	-1,579
Share in net results	3,533	-
Value adjustments	-11	-
Translation differences	-2,381	939
Net balance at December 31	**26,271**	**13,611**

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

	Associates at equity method	Associates at cost less impairment	2006
Total assets	25,716	787	26,503
Total liabilities	4,300	-	4,300
Total income	5,419	-	5,419
Total profit/loss	3,533	-	3,533

FMO accounts the associates according to the equity method if underlying financial data is prepared under internationally accepted accounting standards, not older than three months. FMO operates in developing countries that do not particularly have advanced accounting standards and practices comparable to those in developed countries. Financial reporting may not always be comparable to the quality under IFRS standards and may not be presented in a timely manner. In these instances FMO values its associates at cost less impairment. In 2006, FMO made great efforts to obtain quality financial reporting from its associates. Therefore, in 2006 FMO was able to apply the equity method for the majority of associates, while this was not sufficiently reliable in 2005. The associates valued at cost less impairment have incurred cumulative impairment losses of €3,052.

12. MOVEMENT IN VALUE ADJUSTMENTS

12A. MOVEMENT IN VALUE ADJUSTMENTS FMO PORTFOLIO

	Guarantees	Loans	Total
Balance at January 1, 2005	15,648	175,409	191,057
Additions	2,554	17,057	19,611
Releases	-3,167	-29,337	-32,504
Exchange rate differences	1,841	19,181	21,022
Write-offs	-	-15,789	-15,789
Balance at December 31, 2005	**16,876**	**166,521**	**183,397**
Balance at January 1, 2006	16,876	166,521	183,397
Additions	261	37,220	37,481
Releases	-7,557	-36,234	-43,791
Exchange rate differences	-860	-13,013	-13,873
Write-offs	-14	-10,341	-10,355
Balance at December 31, 2006	**8,706**	**144,153**	**152,859**

12B. MOVEMENT IN VALUE ADJUSTMENTS ON LOANS GUARANTEED BY THE STATE

	2006	2005
Balance at January 1	5,627	6,002
Additions	665	1,009
Release	-3,021	-1,075
Write-offs	-868	-309
Balance at December 31	**2,403**	**5,627**

FMO's own risk participation with regard to FOM (5-15%) has not been guaranteed. The guaranteed part has been recorded under Other receivables. See also note 17.

13. INTEREST-BEARING SECURITIES

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

	2006	2005
Bonds (listed)	633,875	626,532
Private loans	4,728	4,916
Balance at December 31	**638,603**	**631,448**

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

	2006	2005
Balance at January 1 under Dutch GAAP		592,074
First time adoption with regard to IAS 39		15,572
Balance at January 1 under IFRS	**631,448**	**607,646**
Amortization premiums/discounts	-2,655	-3,450
Purchases	174,127	364,198
Sale and redemption	-145,548	-334,715
Results from changes in fair value	-18,769	-2,231
Balance at December 31	**638,603**	**631,448**

The interest-bearing securities have been issued by:

	2006	2005
Private parties:		
Credit institutions	282,740	427,243
Other	294,758	189,266
Public bodies	61,105	14,939
Balance at December 31	**638,603**	**631,448**

14. SUBSIDIARIES

This refers to the 100% interest in the share capital of Nederlandse Investeringsbank voor Ontwikkelingslanden N.V. (NIO).

	2006	2005
Balance at January 1	1,135	1,135
Share in profit	51	44
Declared dividend	-51	-44
Balance at December 31	**1,135**	**1,135**

15. TANGIBLE FIXED ASSETS

	Furniture	IT equipment	Leasehold improvement	Total 2006	Total 2005
Historical cost price at January 1	5,694	7,946	629	14,269	14,645
Accumulated depreciation at January 1	-2,364	-5,521	-306	-8,191	-5,297
Balance at January 1	**3,330**	**2,425**	**323**	**6,078**	**9,348**
Investments	87	5,293	5	5,385	2,018
Depreciation	-957	-1,748	-127	-2,832	-3,127
Accumulated depreciation on disinvestments	-	408	-	408	2,282
Disinvestments historical cost price	-	-408	-	-408	-2,394
Impairment	-	-680	-	-680	-2,049
Balance at December 31	**2,460**	**5,290**	**201**	**7,951**	**6,078**
Historical cost price at December 31	5,781	12,831	634	19,246	14,269
Accumulated depreciation at December 31	-3,321	-7,541	-433	-11,295	-8,191
Balance at December 31	**2,460**	**5,290**	**201**	**7,951**	**6,078**

In 2006 and 2005 impairment losses were recognized on the ICT equipment due to the discontinued use of some software functionalities.

16. CURRENT ACCOUNTS WITH STATE FUNDS AND PROGRAMS

	2006	2005
Current account MASSIF	18,785	-
Current account Small-scale Enterprise Fund	-	22,133
Current account NIMF	1,041	8,588
Current account LDC Infrastructure Fund	12,833	-
Current account TAEM	107	-
Current account European Investment Bank	137	-
Balance at December 31	**32,903**	**30,721**

This refers to the current account between FMO and the funds and programs managed on behalf of the State of the Netherlands. Beginning 2006, the Small-scale Enterprise Fund, the Seed Capital Fund and the Balkan Fund have been merged into MASSIF. See also note 23.

17. OTHER RECEIVABLES

	2006	2005
Debtors related to sale of equity investments	6,140	-
Taxes and social premiums	450	150
Other receivables	3,682	2,820
Balance at December 31	**10,272**	**2,970**

The other receivables include the claims in connection with State guaranteed loans.

18. ACCRUED INCOME

	2006	2005
Accrued interest loans	19,644	14,381
Accrued interest on swaps and other assets	26,373	26,990
Other accrued income	305	7,055
Balance at December 31	**46,322**	**48,426**

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

19. SHORT-TERM CREDITS

	2006	2005
Short-term credits	**44,238**	**28,772**

20. DEBT SECURITIES

Debt securities include 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. The movements of debt securities are summarized as follows:

	2006	2005
Balance at January 1 under Dutch GAAP		170,463
First time adoption with regard to IAS 39		8,976
Balance at January 1 under IFRS	**134,702**	**179,439**
Amortization of premiums/discounts	703	-680
Proceeds from issuance	1,361	1,361
Redemptions	-39,918	-43,447
Changes in fair value	-3,779	-1,984
Exchange rate differences	-2,578	13
Balance at December 31	**90,491**	**134,702**

The table below summarizes the carrying value of the debt securities:

	2006	2005
Debt securities valued at fair value under hedge accounting	82,348	124,946
Debt securities valued at amortized costs	8,143	9,756
Balance at December 31	**90,491**	**134,702**

The nominal amounts of the debt securities are as follows:

	2006	2005
Debt securities valued at fair value under hedge accounting	92,650	121,459
Debt securities valued at amortized costs	8,145	9,756
Balance at December 31	**100,795**	**131,215**

21. 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. The movements can be summarized as follows:

	2006	2005
Balance at January 1 under Dutch GAAP		724,781
First time adoption with regard to IAS 39		-23,182
Reclassification of unrecognized gains due to foreign exchange derivatives		45,800
Balance at January 1 under IFRS	**1,004,700**	**747,399**
Amortization of premiums/discounts	884	3,317
Proceeds from issuance	72,892	502,187
Redemptions	-76,661	-313,020
Changes in fair value	-3,803	-14,127
Exchange rate differences	-84,502	78,944
Balance at December 31	**913,510**	**1,004,700**

The table below summarizes the carrying value of the debentures and notes:

	2006	2005
Debentures and notes valued at fair value under the fair value option	606,227	658,918
Debentures and notes valued at fair value under hedge accounting	158,798	171,777
Debentures and notes valued at amortized costs	148,485	174,005
Balance at December 31	**913,510**	**1,004,700**

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

	2006	2005
Debentures and notes valued at fair value under the fair value option	661,772	707,644
Debentures and notes valued at fair value under hedge accounting	176,288	170,431
Debentures and notes valued at amortized costs	148,485	179,944
Balance at December 31	**986,545**	**1,058,019**

22. OTHER LIABILITIES

	2006	2005
Amortized costs related to guarantees	1,418	1,989
Liabilities for guarantees	8,706	16,876
Current account NIO	2,062	6
Other liabilities	1,271	2,748
Balance at December 31	**13,457**	**21,619**

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

23. CURRENT ACCOUNTS WITH STATE FUNDS AND PROGRAMS

	2006	2005
Current account CD/IPTA	945	160
Current account ECIP	594	594
Current account Seed Capital Fund	-	22,525
Current account Balkan Fund	-	3,098
Current account LDC Infrastructure Fund	-	875
Current account European Investment Bank	-	21
Current account TAEM	-	3
Balance at December 31	**1,539**	**27,276**

This refers to the current account between FMO and the funds and programs managed on behalf of the State of the Netherlands. Beginning 2006, the Small-scale Enterprise Fund, the Seed Capital Fund and the Balkan Fund have been merged into MASSIF. See also note 16.

24. ACCRUED LIABILITIES

	2006	2005
Accrued interest on banks, debt securities and debentures and notes	24,451	21,004
Other accrued liabilities	13,842	8,431
Balance at December 31	**38,293**	**29,435**

25. PROVISIONS

Amounts recognized in the balance sheet:

	2006	2005
Pension schemes	20,778	17,470
Other provisions	-	375
Balance at December 31	**20,778**	**17,845**

Pension schemes

FMO has established a number of pension schemes substantially covering all employees. Most of the pension schemes are average 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, 2006.

The amounts recognized in the balance sheet are as follows:

	2006	2005
Present value of funded defined benefit obligations	62,560	63,160
Fair value of plan assets	-39,116	-35,640
	23,444	**27,520**
Unrecognized actuarial losses	-2,666	-10,050
Liability at December 31	**20,778**	**17,470**

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

	2006	2005
Fair value at January 1	-35,640	-24,040
Expected return on plan assets	-1,820	-1,380
Employer contribution	-2,602	-5,920
Plan participants' contributions	-117	-
Actuarial gain/(losses)	250	-5,110
Benefits paid	813	810
Fair value at December 31	**-39,116**	**-35,640**

Determination of expected return on assets

An important element for financial reporting is the assumption for return on assets (ROA). The ROA is updated at least annually, taking into consideration the plan's asset allocation, historical returns on the types of assets held in the fund, and the current economic environment. Based on these factors, it is expected that the fund's assets will earn an average percentage per year over the long term. This estimation takes into account a reduction for administrative expenses and investment manager's fees paid from the fund. For estimation purposes, it is assumed the long-term asset mix will be consistent with the current mix. Changes on the asset mix could impact the amount of recorded pension income or expense, the funded status of the plan, and the need for future cash contributions. The actual return on plan assets was 2.5% (2005: 9.6%).

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

	2006	2005
	%	%
Equities	23	22
Fixed income	75	69
Cash	2	9
	100	**100**

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

	2006	2005
Present value at January 1	63,160	49,370
Service cost	4,188	2,810
Interest cost	2,601	2,210
Past service cost	675	-
Actuarial (gain)/loss	-7,251	9,580
Benefits paid	-813	-810
Present value at December 31	**62,560**	**63,160**

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

	2006	2005
Current service cost	4,745	2,810
Interest cost	2,601	2,210
Expected return on plan assets	-1,822	-1,380
Net actuarial (gains)/losses, recognized in year	383	90
Past service cost due to change in plan	675	-
	6,582	**3,730**
Contribution by plan participants	-117	-
	6,465	**3,730**
Pension costs for defined contribution plans	119	372
Total annual expense	**6,584**	**4,102**

Cumulative recognized actuarial losses

The cumulative net actuarial losses recognized from 2004 until 2006 amount to €473.

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

	2006	2005
Balance at January 1	17,470	19,660
Annual expense	6,465	3,730
Contributions paid	-3,157	-5,920
Balance at December 31	**20,778**	**17,470**

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

	2006	2005
	%	%
Discount rate	4.5	4.1
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 present value calculations.

	2006	2005
Balance at January 1	375	404
Paid out	-375	-29
Balance at December 31	**-**	**375**

26. SHAREHOLDERS' EQUITY

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which may only be held by the State of the Netherlands, and 49% B shares, also of €22.69 each, which may be held by private investors.

	2006	2005
Authorized share capital		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**

	2006	2005
Issued and paid-up share capital		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Shareholders' statutory rights

The equity of the company comprises three reserves, which result from the Agreement State-FMO of November 16, 1998. These are the share premium reserve, the development fund and the contractual reserve. As 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

	2006	2005
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
Balance at December 31	**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 State-FMO of November 16, 1998.

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 (€37,260) to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve

	Fair value	Foreign Exchange 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, 2005	**11,647**	**-**	**-2,907**	**8,740**
Additions	15,818	654	-	16,472
Transfers	-3,967	-117	670	-3,414
Balance at December 31, 2005	**23,498**	**537**	**-2,237**	**21,798**
Balance at January 1, 2006	23,498	537	-2,237	21,798
Additions	14,835	-4,111	4,778	15,502
Transfers	-12,993	-537	15	-13,515
Balance at December 31, 2006	**25,340**	**-4,111**	**2,556**	**23,785**

Included in the available for sale reserve is an amount of €8,525 for fair value differences on equity investments that were previously impaired.

Translation reserve

	2006	2005
Balance at January 1	185	-754
Change	-1,790	939
Balance at December 31	**-1,605**	**185**

NOTES TO THE SPECIFIC ITEMS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

27. INTEREST

27A. INTEREST INCOME

	2006	2005
Interest on loans	112,343	90,018
Interest on banks and short-term deposits	6,936	6,483
Interest on interest-bearing securities	22,497	23,692
Other interest income	130	536
Total interest income	**141,906**	**120,729**

Included in the interest on loans is €4,783 (2005: €6,491) related to loans for which value adjustments have been reported.

27B. INTEREST EXPENSE

	2006	2005
Interest on debt securities and banks	-19,295	-6,495
Interest on debentures and notes	-29,668	-31,331
Interest on other borrowings	-861	-815
Other interest expenses	-560	-2,606
Total interest expense	**-50,384**	**-41,247**

28. NET FEE AND COMMISSION INCOME

	2006	2005
Prepayment fees	475	345
Other fees (like arrangement, cancellation and waiver fees)	1,716	453
Total fee and commission income	**2,191**	**798**
Charges for the early repayment of debt securities	-177	-200
Total fee and commission expense	**-177**	**-200**
Net fee and commission income	**2,014**	**598**

29. DIVIDEND INCOME

	2006	2005
Dividends received from equity investments	**6,880**	**1,952**

30. RESULTS FROM EQUITY INVESTMENTS

	2006	2005
Result from the sale of equity investments and associates	**73,898**	**9,393**

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

31. RESULTS FROM FINANCIAL TRANSACTIONS

	2006	2005
Exchange results	-1,359	2,616
Result on sale and valuation of (funding) derivatives	-10,500	-10,779
Result on sale and valuation of derivatives related to asset portfolio	290	8,987
Result on sale and valuation of medium-term notes (EMTN)	5,084	11,873
Result on sale and valuation of funding hedged	5,393	4,701
Result on sale of interest-bearing securities	58	-68
Total results from financial transactions	**-1,034**	**17,330**

32. REMUNERATION FOR SERVICES RENDERED

	2006	2005
These include the following remuneration:		
• Funds and programs managed on behalf of the State	14,127	12,347
• NIO (including ORET)	5,932	5,556
• Syndication fees and remuneration from directorships	3,203	4,766
Total remuneration for services rendered	**23,262**	**22,669**

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

33. OTHER OPERATING INCOME

	2006	2005
Compensation in connection with FOM loans	-2,164	-64
Other income	7,758	2,742
Total other operating income	**5,594**	**2,678**

Other income concerns mainly revenues related to investments in the asset portfolio that have previously been written off. The compensation for FOM loans covers the guaranteed part of value adjustments with regard to those loans.

34. STAFF COSTS

	2006	2005
Salaries	-18,128	-15,923
Social security costs	-1,543	-1,020
Pension costs	-6,584	-4,102
Temporaries	-2,573	-940
Travel and subsistence allowances	-2,335	-2,173
Other personnel expenses	-3,512	-2,996
Total staff costs	**-34,675**	**-27,154**

The average number of employees in 2006 amounted to 224 FTE (2005: 203 FTE).

35. OTHER ADMINISTRATIVE EXPENSES

	2006	2005
Other administrative expenses	**-8,909**	**-8,490**

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, 2006 the Supervisory Board consists of six members (2005: six). The members of the Supervisory Board were paid a total remuneration of €95 (2005: €106). 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.

36. OTHER OPERATING EXPENSES

	2006	2005
Other operating expenses	**-219**	**-285**

37. INCOME TAXES

Income tax expense by type

	2006	2005
Current income taxes	-31,094	-33,225
Deferred income taxes	542	5,637
Total income tax expense	**-30,552**	**-27,588**

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

	2006	2005
Profit before taxation	**164,629**	**100,973**
Income taxes at statutory rate of 29.6% in 2006 and 31.5% in 2005	-48,730	-31,806
Increase/(decrease) resulting from:		
Settlement with local withholding taxes	493	466
Non-taxable income and expense (participation exemption facility)	24,195	5,620
Tax adjustments to prior periods	-1,171	-
Change in deferred tax valuation due to decrease of future corporate income tax rates	-5,609	-1,790
Other differences	270	-78
Income tax expense	**-30,552**	**-27,588**
Effective income tax rate	**18.5%**	**27.3%**

Current tax liability

The company made net tax payments of €72,827 (2005: €15,085). The remaining current income tax liability amounts to €51 (2005: €42,060).

Deferred tax

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

	2006	2005
DEFERRED TAX ASSETS		
Group-specific value adjustments	28,804	30,289
Pension provision	4,263	4,421
Amortized cost on loans and guarantees	5,238	5,654
Fair value measurement funding derivatives	7,742	3,369
Fair value measurement of interest-bearing securities and deposits	2,886	-
Fair value measurement debt securities	486	2,098
Unsettled local withholding taxes	-	1,984
Interest expense	-	763
Total deferred tax assets	**49,419**	**48,578**
DEFERRED TAX LIABILITIES		
Temporary value adjustments on equity investments (art 13CA VPB)	-1,352	-1,591
Fair value measurement of interest-bearing securities and deposits	-	-2.235
Fair value measurement debentures and notes	-10,148	-11,193
Total deferred tax liabilities	**-11,500**	**-15,019**
Net balance at December 31	**37,919**	**33,559**

OFF-BALANCE SHEET INFORMATION

38. 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 exchange rate as per December 31, 2006 and 2005.

	2006	2005
CONTINGENT LIABILITIES		
Effective guarantees	155,816	166,208
Less: presented under other liabilities	-8,706	-16,876
Total contingent liabilities	**147,110**	**149,332**

Of the liabilities for guarantees €1,840 (2005: €2,300) is covered by a counter guarantee of the State.

	2006	2005
IRREVOCABLE FACILITIES		
Contractual commitments for disbursements of:		
• Loans	303,875	298,828
• Equity investments	144,600	129,615
• Contractual commitments for guarantees	59,939	92,069
Total irrevocable facilities	**508,414**	**520,512**

39. LEASE AND RENTAL COMMITMENTS

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

2006	< 1 year	2-5 years	After 5 years	Total
Buildings	2,128	9,171	2,467	13,766
Cars	683	840	-	1,523
Total lease and rental commitments	**2,811**	**10,011**	**2,467**	**15,289**

2005	< 1 year	2-5 years	After 5 years	Total
Buildings	2,066	8,904	4,863	15,833
Cars	726	842	-	1,568
Total lease and rental commitments	**2,792**	**9,746**	**4,863**	**17,401**

40. 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% of FMO's share capital. The remaining 49% is held by private banks and others. In 2005 FMO received its last contribution to the development fund from the State of the Netherlands to the amount of €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 Dutch sponsored enterprises in selected emerging markets through the Faciliteit Opkomende Markten (further FOM). This facility is a joint initiative with the Dutch Ministry of Economic Affairs. The State acts as a guarantor for 85% to 95% of the outstanding loans. These loans are included in the consolidated annual accounts under Loans guaranteed by the State.

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

1 MASSIF

MASSIF extends risk capital and local currency financing to financial intermediaries in developing countries who in turn serve micro- and small-scale entrepreneurs and lower income households. FMO has a 4.31% stake in this fund. FMO's remuneration is based on the combination of a percentage of the outstanding investment portfolio, a percentage of the annual disbursements and a percentage of profit related to the sale of equity investments. MASSIF was established per January 1, 2006 and is the result of the merging of the Seed Capital Fund, SME Fund, and Balkan Fund. FMO and the State also agreed to a sale of 15 equity investments from MASSIF to FMO for the amount of €14,744.

2 LDC Infrastructure Fund

Through this fund, FMO concentrates on the development of the social and 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 decreases risk for other financiers, which should thus catalyze additional private funds. This fund is executed by FMO under a remuneration system comparable to MASSIF but without a profit-related component.

3 NIMF

Through NIMF, FMO is able to invest in a specific set of lower and lower-middle income countries (also called OECD DAC countries). The direct investments amounting from €1,000 to €5,000 aim to match strategic investments by foreign companies that demonstrate strong growth potential. FMO has a 15% interest in this fund. The remaining part is for the account and risk of the State. FMO is remunerated for a fixed annual amount and receives the upside when the sale of the equity portfolio is profitable. The subsidy scheme provided under the General Administrative Law Act to NIMF has been extended to July 1, 2007 by letter of the Dutch Minister for Development Cooperation dated December 28, 2006.

4 Capacity Development (CD)

CD enables targeted access to know-how, bundled to meet a company's full organizational needs. The program is financed by the Dutch Minister for Development Cooperation. The CD program is the successor of the Investment Promotion & Technical Assistance (IPTA) program. This program stimulates technical cooperation between companies in developing countries and enterprises in industrialized nations. This fund is executed by FMO under a fixed remuneration.

5 Access to Energy Fund (AEF)

Per the end of 2006, the Dutch Minister for Development Cooperation provided FMO with a subsidy to execute the Access to Energy Fund. Through this fund, FMO will provide risk and concessional financing through equity, local currency loans, subordinated debt and grants to facilitate projects that generate, transmit or distribute sustainable energy. No activities have yet taken place in 2006. This fund will be executed by FMO under a fixed remuneration.

In addition to the above mentioned funds, FMO also executes the following programs:

6 Development Related Export Transactions (ORET)

With the program Development Related Export Transactions, 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 and administrated on behalf of the Dutch Ministry of Foreign Affairs. The administration of the ORET program has been awarded to a third party and will not be executed by FMO effective 2007.

7 Technical Assistance for Emerging Markets (TAEM)

The TAEM program was discontinued on January 1, 2005. All current applications will be finalized by FMO.

(b) Subsidiaries

The consolidated subsidiaries FMO Antillen N.V. and FMO Participaties B.V. are used for intermediate holding purposes.

As an agent of the State of the Netherlands, FMO's non-consolidated subsidiary NIO acts on behalf of the Ministry of Foreign Affairs as manager of part of the funding provided by the Dutch government. The government sets the policies and conditions of the NIO activities and FMO has no effective control.

The transactions during the year are summarized in note 5 of the Company balance sheet.

(c) Associated companies

At December 31, 2006 loans to the amount of €4,545 have been issued to associated companies.

(d) Remuneration of the Management Board

At December 31, 2006 the Management Board consists of three statutory members (2005: three). The remuneration paid to the statutory members in 2006 is €1,010 and is specified as follows:

	Fixed remuneration*	Performance-related pay	Pension	Other**	Total 2006
Arthur Arnold	265	65	72	19	421
Nanno Kleiterp	198	40	46	17	301
Nico Pijl	176	36	59	17	288
Total	**639**	**141**	**177**	**53**	**1,010**

	Fixed remuneration*	Performance-related pay	Pension	Other**	Total 2005
Arthur Arnold	258	55	75	16	404
Nanno Kleiterp	191	34	46	20	291
Nico Pijl	158	29	37	17	241
Total	**607**	**118**	**158**	**53**	**936**

*The members of the Management Board have no shares, options or loans related to the company.
**Includes fixed expense allowance, contribution to company car and a compensation of interest on mortgages.

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 using the indirect method. The comparative figures have been adjusted to conform to this year's presentation.

41. 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.

42. 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.

43. 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 at December 31, 2006

(before profit appropriation)	Notes	2006	2005
ASSETS			
Banks		8,872	2,249
Short-term deposits		104,713	370,969
Derivative financial instruments		58,592	48,417
Loans to the private sector		1,098,529	991,770
Loans guaranteed by the State		31,505	18,281
Equity investments	(3)	181,680	114,293
Investments in associates	(4)	22,569	7,178
Interest-bearing securities		638,603	631,448
Subsidiaries	(5)	14,262	8,266
Tangible fixed assets		7,951	6,078
Deferred income tax assets		49,419	48,578
Current accounts with State funds and programs		32,903	30,721
Other receivables		10,238	2,986
Accrued income		46,322	48,426
Total assets		**2,306,158**	**2,329,660**
LIABILITIES			
Short-term credits		44,238	28,772
Derivative financial instruments		88,967	57,374
Debt securities		90,491	134,702
Debentures and notes		913,510	1,004,700
Other liabilities		13,668	22,311
Current accounts with State funds and programs		1,539	27,276
Current income tax liabilities		50	42,060
Deferred income tax liabilities		11,500	15,019
Accrued liabilities		38,285	29,444
Provisions		20,778	17,845
Total liabilities		**1,223,026**	**1,379,503**
SHAREHOLDERS' EQUITY			
Share capital		9,076	9,076
Share premium reserve		29,272	29,272
Contractual reserve		342,724	215,898
Development fund		657,981	657,981
Available for sale reserve		23,785	21,798
Translation reserve		-1,605	185
Other reserves		14,648	11,617
Undistributed profit		7,251	4,330
Total shareholders' equity	**(6)**	**1,083,132**	**950,157**
Total liabilities and shareholders' equity		**2,306,158**	**2,329,660**
Contingent liabilities		147,110	149,332
Irrevocable facilities		508,414	520,512

Company profit and loss account 2006

All amounts in € x 1,000

	Notes	2006	2005
Profit after taxation		132,310	73,065
Income from subsidiaries, after tax	(5)	1,767	320
Net profit		**134,077**	**73,385**

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.

(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 company 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

3. EQUITY INVESTMENTS

	2006	2005
Net balance at January 1 under Dutch GAAP		80,560
First time adoption – fair value adjustments		1,953
Net balance at January 1 under IFRS	**114,293**	**82,513**
Purchases and contributions	91,120	47,333
Sales	-37,198	-26,998
Value adjustments	-2,431	-5,027
Changes in fair value	15,896	16,472
Net balance at December 31	**181,680**	**114,293**

	2006	2005
Equity investments at fair value	79,050	24,668
Equity investments at cost less impairment	102,630	89,625
Net balance at December 31	**181,680**	**114,293**

4. INVESTMENTS IN ASSOCIATES

	2006	2005
Balance at January 1	7,178	6,423
Purchases and contributions	18,561	1,371
Sales	-5,094	-616
Share in net results	3,136	-
Value adjustments	-11	-
Translation differences	-1,201	-
Net balance at December 31	**22,569**	**7,178**

5. SUBSIDIARIES

	2006	2005
Balance at January 1	8,266	8,142
Purchases and contributions	7,914	-
Sales and repayment of capital	-2,847	-864
Share in results	1,767	320
Dividends declared	-249	-271
Translation differences	-589	939
Net balance at December 31	**14,262**	**8,266**

The investments in subsidiaries consist of the following 100% interests in the share capital of:

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

6. SHAREHOLDERS' EQUITY

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which may only be held by the State of the Netherlands, and 49% B shares, also of €22.69 each, which may be held by private investors.

	2006	2005
Authorized share capital		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**

	2006	2005
Issued and paid-up share capital		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Shareholders' statutory rights

The equity of the company comprises three reserves that result from the Agreement State-FMO of November 16, 1998. These are the share premium reserve, the development fund and the contractual reserve. As long as the company continues its activities, these reserves are not available to the shareholders. Upon liquidation of FMO these reserves are due to the State, after settlement of the contractual return to the shareholders.

Share premium reserve

	2006	2005
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
Balance at December 31	**29,272**	**29,272**

Contractual reserve

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

Development fund

This special purpose reserve contains the annual budgetary allocations made by the State to finance the portfolio of loans and equity investments. In 2005 FMO received the last contribution (€37,260) to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve (AFS reserve)

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

The following table shows the components of the available for sale reserve at December 31, 2006 and December 31, 2005:

	2006	2005
GROSS GAINS AND LOSSES IN AFS RESERVE		
Equity investments at fair value	32,548	16,575
Interest-bearing securities at fair value	-11,319	7,450
Short-term deposits at fair value	-	10
Balance at December 31	**21,229**	**24,035**
DEFERRED TAXES ON GAINS AND LOSSES		
Equity investments at fair value	-	-
Interest-bearing securities at fair value	2,556	2,234
Short-term deposits at fair value	-	3
Balance at December 31	**2,556**	**2,237**
Net gains and losses in the AFS reserve		
Equity investments at fair value	32,548	16,575
Interest-bearing securities at fair value	-8,763	5,216
Short-term deposits at fair value	-	7
Balance at December 31	**23,785**	**21,798**

The statement of changes in the shareholders' equity details the movements in the available for sale reserve during 2006. The statement is included in the consolidated annual accounts.

1. KPMG AUDITOR'S REPORT

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

AUDITOR'S REPORT

REPORT ON THE ANNUAL ACCOUNTS

We have audited the accompanying annual accounts 2006 of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague (hereinafter referred to as FMO). The annual accounts consist of the consolidated annual accounts and the company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at December 31, 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company annual accounts comprise the company balance sheet as at December 31, 2006, the company profit and loss account for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 FMO as at December 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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 FMO as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Management Board is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, March 15, 2007

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 State-FMO of November 16, 1998, be determined by the General Meeting of Shareholders.

Proposal for appropriation of profit

A net profit of €134,077 was recorded in 2006. Under the Agreement State-FMO of November 16, 1998, it is required to add €126,826 to the contractual reserve. Therefore this profit is not distributable. The distributable element of the net profit amounts to €7,251. The Management Board and the Supervisory Board propose distributing a sum of €2,175 as cash dividend (€5.44 per A and B share; 2005: €3.24 per A and B share) and to add the remaining amount of €5,076 to the other reserves.

3. GUARANTEE PROVISIONS IN THE AGREEMENT STATE-FMO 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 in 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 State-FMO of November 16, 1998 and consists of the share premium reserve of €21,211 plus the group-specific provision (formerly the general value adjustments) and the contractually required reserve. At December 31, 2006, the fund amounted (rounded off) to €477,152 (2005: €338,069).

FMO COMMITTED PORTFOLIO PER SECTOR, EXCL. GOVERNMENT FUNDS

This summary covers all outstanding loans, guarantees and equity investments by sector and region including contractual commitments as of December 31, 2006. The oustanding 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, 2006	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Total
FINANCE					
Banks and financial intermediation	241,707	205,702	452,207	313,111	1,212,727
Insurance and pension funds	4,798	-	-	-	4,798
Finance total	**246,505**	**205,702**	**452,207**	**313,111**	**1,217,525**
INFRASTRUCTURE					
Construction and infrastructure	-	714	-	-	714
Oil and Gas	8,500	5,958	22,576	18,182	55,216
Telecom	75,101	46,136	11,417	29,326	161,980
Transport and logistics	5,285		20,428	19,042	44,755
Utilities	39,925	34,670	7,497	55,261	137,353
Infrastructure total	**128,811**	**87,478**	**61,918**	**121,811**	**400,018**
TRADE & INDUSTRY					
Automotive	-	4,864	1,429	-	6,293
Basic materials	59,800	17,506	1,998	4,870	84,174
Building materials	14,015	39,091	6,200	-	59,306
Capital goods	108	1,587	27,562	7,576	36,833
Chemicals	-	50,349	8,459	34,280	93,088
Consumer products non-food	-	29,157	9,500	34,754	73,411
Food, beverages and tobacco	16,000	1,320	17,295	52,099	86,714
Retail	-	-	701	7,825	8,526
Services	-	136	5,254	5,015	10,405
Technology	-	20,700	-	-	20,700
Trade & industry total	**89,923**	**164,710**	**78,398**	**146,419**	**479,450**
OTHER					
Agriculture and fishing	5,322	13,567	26,900	53,273	99,062
Diversified/other	-	184	18,086	-	18,270
Media	-	1,200	-	-	1,200
Other total	**5,322**	**14,951**	**44,986**	**53,273**	**118,532**
Total	470,561	472,841	637,509	634,614	2,215,525

FMO COMMITTED PORTFOLIO PER SECTOR, EXCL.GOVERNMENT FUNDS

December 31, 2006	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Total
	%	%	%	%	%
Finance	11	9	20	14	54
Infrastructure	6	4	3	6	19
Trade & industry	4	7	4	7	22
Other	0	1	2	2	5
Total	**21**	**21**	**29**	**29**	**100**

FMO COMMITTED PORTFOLIO PER COUNTRY, EXCL.GOVERNMENT FUNDS

This summary covers all outstanding loans, guarantees and equity investments by country and region, including contractual commitments as of December 31, 2006. The oustanding 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, 2006	Loans	Mezzanine	Equity	Guarantees	Total
AFRICA					
Algeria	15,152	-	-	-	15,152
Benin	1,747	-	-	-	1,747
Botswana	-	-	1,735	-	1,735
Cameroon	21,873	-	1	-	21,874
Equatorial Guinea	-	-	869	-	869
Ethiopia	2,500	-	-	-	2,500
Ghana	306	-	115	5,682	6,103
Ivory Coast	2,957	557	-	-	3,514
Kenya	15,796	29,380	1,648	18,829	65,653
Madagascar	-	-	710	-	710
Malawi	480	-	-	-	480
Morocco	-	-	2,375	-	2,375
Mozambique	26,000	2,557	-	-	28,557
Nigeria	65,424	-	3,186	34,090	102,700
Senegal	6,674	-	305	-	6,979
South Africa	1,256	27,266	387	4,023	32,932
Swaziland	-	-	612	-	612
Tanzania	19,293	108	-	-	19,401
Tunisia	-	-	3,500	-	3,500
Uganda	16,690	-	4,612	-	21,302
Zambia	32,267	9,056	-	-	41,323
African Region	19,987	29,608	39,534	1,414	90,543
AFRICA Total	**248,402**	**98,532**	**59,589**	**64,038**	**470,561**

	Loans	Mezzanine	Equity	Guarantees	Total
ASIA					
Bangladesh	32,698	6,364	1,154	9,610	49,826
Cambodia	-	-	1,991	-	1,991
China	60,646	54,461	19,653	1,840	136,600
India	72,163	1,197	18,998	9,827	102,185
Indonesia	47,298	3,788	-	1,818	52,904
Lebanon	5,682	-	-	-	5,682
Nepal	4,442	-	-	-	4,442
Pakistan	23,469	-	-	-	23,469
Philippines	10,179	-	4,281	4,961	19,421
Singapore	-	-	74	-	74
South Korea	852	1,212	-	-	2,064
Sri Lanka	2,917	-	-	-	2,917
Thailand	-	5,682	5,769	21,370	32,821
Vietnam	11,742	-	-	-	11,742
Asian Region	-	-	26,703	-	26,703
ASIA Total	**272,088**	**72,704**	**78,623**	**49,426**	**472,841**
EUROPE & CENTRAL ASIA					
Azerbaijan	11,364	-	-	2,651	14,015
Belarus	7,576	399	-	1,364	9,339
Bulgaria	17,649	27,701	-	-	45,350
Czech Republic	9,147	600	351	-	10,098
Estonia	300	-	-	-	300
Georgia	20,833	-	-	5,000	25,833
Hungary	1,835	1,138	-	-	2,973
Kazakhstan	13,582	2,051	-	28,409	44,042
Moldova	2,274	-	-	3,558	5,832
Poland	4,116	1,820	9,123	-	15,059
Romania	67,523	-	-	1	67,524
Russian Federation	68,081	36,455	23,320	6,818	134,674
Serbia and Montenegro	30,299	-	1,500	-	31,799
Slovakia	1,000	600	-	-	1,600
Turkey	51,445	3,751	13,166	-	68,362
Ukraine	36,951	2,273	18,313	7,048	64,585
European Region	16,100	40,000	40,026	-	96,254
EUROPE & CENTRAL ASIA Total	**360,075**	**116,788**	**105,797**	**54,849**	**637,509**

	Loans	Mezzanine	Equity	Guarantees	Total
LATIN AMERICA & THE CARIBBEAN					
Argentina	86,514	3,020	8,467	-	98,001
Belize	2,376	-	-	-	2,376
Bolivia	-	10,552	-	-	10,552
Brazil	58,252	3,030	5,256	-	66,538
Columbia	17,708	-	-	-	17,708
Costa Rica	35,480	7,197	-	-	42,677
Dominican Republic	2,810	-	-	10,909	13,719
El Salvador	5,682	14,394	-	-	20,076
Guatemala	14,312	-	-	-	14,312
Honduras	37,442	-	-	-	37,442
Jamaica	23,966	-	-	-	23,966
Mexico	36,231	-	21,820	18,006	76,057
Nicaragua	21,338	1,894	-	-	23,232
Panama	17,483	-	-	-	17,483
Peru	35,824	32,292	-	5,682	73,798
Trinidad and Tobago	11,364	-	-	-	11,364
Uruguay	-	-	7,947	-	7,947
Latin American Region	33,460	10,379	33,527	-	77,366
LATIN AMERICA & THE CARIBBEAN Total	440,242	82,758	77,017	34,597	634,614
Total	**1,320,807**	**370,782**	**321,026**	**202,910**	**2,215,525**

COMMITTED GOVERNMENT FUNDS PORTFOLIO, PER COUNTRY

This summary covers all outstanding loans, guarantees and equity investments by country and region, including contractual commitments as of December 31, 2006. The oustanding 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, 2006	MASSIF	EIB	NIMF	LDC Infrastructure	Total
AFRICA					
Algeria	-	-	2,223	-	2,223
Benin	610	-	-	13,472	14,082
Botswana	1,419	1,112	-	-	2,531
Burkina Faso	1,563	686	-	-	2,249
Cameroon	7,003	-	-	-	7,003
Cape Verde	153	-	-	-	153
Egypt	-	-	1,403	-	1,403
Ghana	4,351	-	1,280	-	5,631
Ivory Coast	183	-	-	-	183
Kenya	3,327	-	-	7,709	11,036
Madagascar	55	-	-	-	55
Mali	-	-	-	1,906	1,906
Mauritania	854	-	-	-	854
Mauritius	-	-	-	18,978	18,978
Morocco	5	-	-	-	5
Mozambique	2,594	-	-	45,361	47,955
Niger	502	-	-	-	502
Nigeria	17,031	-	-	-	17,031
Senegal	458	-	-	-	458
South Africa	5,700	-	1,800	-	7,500
Sudan	-	-	-	23,729	23,729
Tanzania	689	-	-	20,723	21,412
Togo	-	-	-	13,835	13,835
Tunisia	1,453	-	-	-	1,453
Uganda	5,267	-	-	-	5,267
Zambia	1,542	-	-	-	1,542
African Region	17,384	6,672	7,614	7,356	39,026
AFRICA Total	72,143	8,470	14,320	153,069	248,002

	MASSIF	EIB	NIMF	LDC Infrastructure	Total
ASIA					
Afghanistan	-	-	-	5,432	5,432
Bangladesh	16,876	-	-	23,866	40,742
Cambodia	10,745	-	-	-	10,745
China	1,561	-	12,111	-	13,672
India	20,573	-	-	-	20,573
Indonesia	1,352	-	-	-	1,352
Philippines	317	-	-	-	317
Sri Lanka	21,077	-	-	-	21,077
Thailand	-	-	5,000	-	5,000
Vietnam	14,336	-	-	-	14,336
Asian Region	3,550	-	-	-	3,550
ASIA Total	**90,387**	**-**	**17,111**	**29,298**	**136,796**
EUROPE & CENTRAL ASIA					
Bosnia and Herzegovina	3,055	-	-	-	3,055
Georgia	7,727	-	-	-	7,727
Kazakhstan	4,644	-	3,265	-	7,909
Moldova	4,000	-	-	-	4,000
Serbia and Montenegro	19,399	-	-	-	19,399
European Region	20,388	-	5,000	-	25,388
EUROPE & CENTRAL ASIA Total	**59,213**	**-**	**8,265**	**-**	**67,478**
LATIN AMERICA & THE CARIBBEAN					
Bolivia	13,588	-	-	-	13,588
Costa Rica	4,790	-	-	-	4,790
El Salvador	3,030	-	-	-	3,030
Haiti	-	-	-	20,455	20,455
Honduras	6,048	-	-	-	6,048
Mexico	4,129	-	-	-	4,129
Nicaragua	3,751	-	-	-	3,751
Panama	1,212	-	-	-	1,212
Peru	5,936	-	-	-	5,936
Latin American Region	4,381	-	-	-	4,381
LATIN AMERICA & THE CARIBBEAN Total	**46,866**	**-**	**-**	**20,455**	**67,321**
Total	**268,609**	**8,470**	**39,696**	**202,822**	**519,597**

Global Reporting Initiative (GRI) Index: G3

All amounts in € x 1,000

This is FMO's first integrated Annual Report. For the past two years we have produced separate Annual and Sustainability Reports; this year we have combined the two. This has allowed us to align communication on our vision and mission more closely. We believe that an integrated reporting approach reflects the values of our organization and is the most informative and complete means of communicating with our stakeholders.

In our last two Sustainability Reports we consulted the GRI Guidelines to identify the sustainability indicators that are material for us, and to give a comprehensive overview of our sustainability performance. The main challenge for us this year was to publish a complete report, for all our relevant stakeholders, that complies with different standards. The Annual Report must be published according to accounting and IFRS standards, while the Sustainability Report must give a thorough overview of the sustainability performance. We therefore consulted the GRI Guidelines (G3) and the sector supplements for financial services for the sustainability content of the report. In this way, we believe that we give the full picture of our sustainability context and performance.

In the GRI Index below we give an indication of our strategy and profile, our management disclosure approach and our relevant performance indicators. Based on the Application Level System of GRI G3 and the reported content, FMO's self-assessment of the application level for this Annual Report is B+.

Key

W www.fmo.nl

NA Not applicable

NI Not included

Global Reporting Initiative (GRI) Index: G3

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4.17	Key topics through stakeholder engagement	NI

	Materiality	Responsibility	Objectives and performance	Policy	Training	Monitoring
Economic	Economic performance, market presence	Management Board	11	W	Not required by G3	Not required by G3
Environment	Emissions, energy, paper, waste, transport	Manager Facility Services	51	51	NA	51
Labor rights	Employment, training, diversity	Director Human Resources	52-55	52-55	52-55	52-55
Human rights	Products and services	Director Investment & Mission Review	12, 41	12, 41	25	11-12, 41
Society	Products and services Society, corruption, compliance	Director Investment & Mission Review Director Legal Affairs	40-41, 60, W	40-41, 60, W	25	11-12
Product responsibility	Compliance	Director Investment & Mission Review Director Audit, Compliance & Control	W	40, 60, W	54-55	39

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EN 3	Direct energy consumption	NI
EN 4	Indirect energy consumption	NI
EN 6 (add.)	Initiatives on energy-efficient or renewable energy	51
EN 8	Total water use	NI
EN 11	Location land in protected areas	NA
EN 12	Significant impacts on biodiversity	NA
EN 16	Direct and indirect greenhouse gas emissions*	51
EN 17	Other relevant indirect greenhouse gas emissions	51
EN 18 (add)	Initiatives to reduce greenhouse gas emissions	NI
EN 19	Emissions of ozone-depleting substances	NA
EN 20	NOx, SOx air emissions	NA
EN 21	Total water discharge	NA
EN 22	Total weight of waste	NI
EN 23	Total spills	NA
EN 26	Initiatives to mitigate environmental impacts	49-50
EN 27	Products reclaimed at the end of the products' useful life	NA
EN 28	Monetary value of significant fines	No fines
EN 29 (add.)	Significant environmental impacts of transporting products	NA

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LA 4	Employees covered by collective bargaining agreements	66
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LA 6 (add.)	Formal joint management-worker health and safety committees	NI
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LA 8	Risk-control programs regarding serious diseases	NI
LA 10	Training per employee category	NI
LA 11 (add.)	Programs for skills management and lifelong learning	54-55
LA 12 (add.)	Employees receiving regular performance and career development reviews	100%
LA 13	Gender breakdown of governance bodies	54
LA 14	Ratio of basic salary of men to women	NI
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HR 2	Screening of suppliers on human rights	NI
HR 3 (add.)	Employee training on aspects of human rights	NI
HR 4	Incidents of discrimination	NI
HR 5	Incidents of violations of freedom of association and collective bargaining	NA
HR 6	Child labor	NA
HR 7	Forced or compulsory labor	NA
SO 1	Impact on communities	4-5, W
SO 2	Number of business units analyzed for risks related to corruption	60
SO 3	Employees trained in organization's anti-corruption policies and procedures	NI
SO 4	Actions taken in response to incidents of corruption	NI
SO 5	Public policy positions and participation in public policy development	NA
SO 8	Monetary value of significant fines	No fines
PR 1	Improving health and safety impacts across the life cycle	NA
PR 3	Product information and labeling	NA
PR 5 (add.)	Customer satisfaction	9, 66
PR 6	Marketing communications	NA
PR 9	Monetary value of significant fines	No fines

Social supplement indicators		Page
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CSR 5	Non-compliance with regulations	NI
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F12	Value of products and services	2, 19
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*In 2006 FMO bought CO_2 credits over 2004, 2005 and 2006. The CO_2 emissions are as from 2006 calculated by the Klimaat Neutraal Groep. This organization uses a different method to calculate CO_2 emissions. FMO decided that the CO_2 emissions over the last three years should be recalculated by this organization and therefore are slightly different than stated in our previous reports.

Colophon

Concept, copy and design: *the write company*
The Write Company B.V.
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