Consolidated Annual Accounts 2011

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The 2011 financial statements of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as ‘FMO’ or the ‘company’) were prepared by the Management Board and signed by all members of the Management Board and the Supervisory Board on March 8, 2012 and will be submitted for adoption in the General Meeting of Shareholders on May 9, 2012.

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

FINANCING ACTIVITIES

FMO’s main activity consists of providing loans, guarantees and equity capital to the private sector in developing countries. A minor part of the investment financing is guaranteed by the Dutch State under the Faciliteit Opkomende Markten (FOM), in which FMO itself participates as a 5% to 20% risk partner. Any losses claimed under the guarantee are reported under ‘other receivables’.

SERVICES IN RELATION TO GOVERNMENT FUNDS AND PROGRAMS

Apart from financing activities from its own resources, FMO provides loans, guarantees and equity finance from special government funds, within the conditions and objectives of those facilities. The funds consist of subsidies provided under the General Administrative Law Act regarding the Infrastructure Development Fund, MASSIF and Access to Energy Fund. FMO also executed the subsidy scheme Capacity Development (hereafter referred to as CD) until December 31, 2011.

FMO incurs a risk in MASSIF as it has an equity share of 2.66% (2010: 2.66%). With respect to the remaining interest in 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 over policy issues regarding these funds. FMO receives a remuneration for managing the funds. Therefore, with the exception of FMO’s equity share in MASSIF, the funds’ assets and the funds’ liabilities are not included in the annual accounts. The segment information paragraph provides more detail on the loans and equity investments managed for the risk of the State.

Significant accounting policies

BASIS OF PREPARATION

The consolidated annual accounts (the ‘annual accounts’) have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as endorsed by the European Union.

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

ADOPTION OF NEW AND REVISED STANDARDS

Improvements to IFRSs, issued May 2010

The International Accounting Standards Board (‘IASB’) and the International Financial Reporting Interpretations Committee (‘IFRIC’) issued amendments to a number of IFRSs in May 2010, with an effective date in 2011. The following amendment has a material impact on FMO’s accounting policies.

IAS 1 Presentation of Financial Statements

For each component of equity, an entity is obliged to present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income (‘OCI’) by item. FMO has chosen to include a disaggregation of OCI in the statement of shareholders’ equity.

Amendments with no material impact

There were a number of amendments to the following IFRSs with an effective date in 2011, that did not have a material impact on the accounting policies, financial position or performance of FMO:

- Improvements to IFRSs (issued May 2010):
  > IFRS 1 First-time Adoption of International Financial Reporting Standards
  > IFRS 3 Business Combinations
  > IAS 34 Interim Financial Reporting
  > IFRIC 13 Customer Loyalty Programmes
- IFRS 1 First-time Adoption of International Financial Reporting Standards (issued December 2010)
- IFRS 7 Financial Instruments: Disclosures (issued October 2010)
- IAS 24 Related parties (issued November 2009)

ESTIMATES AND ASSUMPTIONS

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

GROUP ACCOUNTING AND CONSOLIDATION

The company accounts of FMO and the company accounts of the subsidiaries Nuevo Banco Comercial Holding B.V., FMO Antillen N.V. and Blauser S.A. are consolidated in these annual accounts.

- The activities of Nuevo Banco Comercial Holding B.V. and FMO Antillen N.V. consist of providing equity capital to companies in developing countries. Both are 100% owned by FMO.
- During 2011, FMO’s stake in Blauser S.A. increased from 63.125% to 70.5%. FMO acquired Blauser S.A. in 2010 as a settlement in kind. Blauser S.A. is an Ecuadorian fruit processor and exporter.

SEGMENT REPORTING

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

FMO focuses on four business sectors:
1. Financial institutions
2. Energy (sutainable)
3. Housing
4. Agribusiness, food & water

The latter sector started in 2011. These business sectors are included in the segment reporting and further divided into Financial institutions, Energy, Housing, Agribusiness, food & water, Diverse sectors and Treasury. The segment Financial institutions also includes investments in private equity funds that provide financing to various sectors. The segment Diverse sectors operates in other sectors (e.g. telecom, infrastructure and raw materials) by partnering with commercial banks and development finance institutions.

FISCAL UNITY

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

FOREIGN CURRENCY TRANSLATION

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

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

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

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

OFFSETTING FINANCIAL INSTRUMENTS

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

DERIVATIVE INSTRUMENTS

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

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

HEDGE ACCOUNTING

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

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

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

FMO only applies fair value hedge accounting. Changes in the fair value of these derivatives are recorded in the profit and loss account. Any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are also recorded in the profit and loss account. If a hedge relationship is terminated for reasons other than the 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 and loss over the remaining term of the original hedge;
- In case of non-interest-bearing instruments, that amount is immediately recognized in profit and loss.

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

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

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

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

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

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

LOANS TO THE PRIVATE SECTOR

Loans originated by FMO include:

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

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

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

VALUE ADJUSTMENTS ON LOANS

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

1. *Counterparty-specific:*
   Individual credit exposures are evaluated based on the borrower's characteristics, overall financial condition, resources and payment record, original contractual term, exit possibilities and, where applicable, the realizable value of the underlying collateral. The estimated recoverable amount is the present value of expected future cash flows, which may result from restructuring or liquidation. Value adjustments for credit losses are established for the difference between the carrying amount and the estimated recoverable amount.
2. *Group-specific:*
   All loans that have no counterparty-specific value adjustment are divided in groups of financial assets with similar credit risk characteristics and are collectively assessed for value adjustments. The credit exposures are evaluated based on local political and economic developments, branch of industry (financial or non-financial institution), probabilities of default, country ratings, 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 asset's carrying value on the balance sheet. All loans are reviewed and analyzed at least annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to prior estimates will result in a change in the value adjustments and will be charged or credited to the profit and loss account. A value adjustment is reversed only when the credit quality has improved to the extent that reasonable assurance of timely collection of principal and interest is in accordance with the original or revised contractual terms.

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

INTEREST-BEARING SECURITIES

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

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

EQUITY INVESTMENTS

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

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

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

Impairments

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

INVESTMENTS IN ASSOCIATES

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

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

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

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

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

TANGIBLE FIXED ASSETS

ICT equipment

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

Furniture and leasehold improvements

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

Depreciation

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

• ICT equipment	Five years
• Furniture	Five years
• Leasehold improvements	Eight years
• Buildings	Twenty years

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

DEBT ISSUED

Debt issued consists of:

1. *Debt securities:*
   Non-subordinated debt, which has not been identified as debentures and notes. In this category the following distinction is made:
   - Debt securities qualifying for hedge accounting (valued at amortized cost and adjusted for the fair value of the hedged risk);
   - Debt securities not qualifying for hedge accounting (valued at amortized cost).
2. *Debentures and notes:*
   Medium-term notes under FMO's GMTN program and public issues in the Swiss franc (CHF) market, Japanese yen (JPY) Samurai market, Australian dollar (AUD) market and Canadian dollar (CAD) market. Debentures and notes can be divided into:
   - Notes ('structured funding') qualifying for the fair value option under IAS 39 (valued at fair value);
   - Notes qualifying for hedge accounting (valued at amortized cost and adjusted for the fair value of the hedged risk);
   - Notes that do not qualify for hedge accounting (valued at amortized cost).

Debt issued valued at amortized cost

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

Debt issued eligible for hedge accounting

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

Debt issued eligible for fair value option

It is FMO's policy to hedge currency and interest rate risks with regard to debentures and notes under the GMTN program. Certain transactions do not meet the specified criteria for hedge accounting. For these debentures and notes under the GMTN program the fair value option is applied to reduce a measurement inconsistency ('accounting mismatch'). As FMO's credit rating remained the same during the reporting period, all fair value changes during the reporting period are due to market changes. Combined debt instruments are also eligible for the fair value option. Both derivative and structured funding are valued at fair value.

PROVISIONS

Provisions are recognized when:

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

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

LEASES

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

GUARANTEES

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out in 'interest income' and 'fee and commission income'. These fees are recognized as revenue on an accrual basis over the period commitment.

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

RETIREMENT BENEFITS

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

This scheme is funded through payments to an insurance company determined by periodic actuarial calculations. The principal actuarial assumptions are set out in note 19. FMO recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of ('corridor approach'):

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

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

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

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

TAXATION

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

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

SHAREHOLDERS' EQUITY

Contractual reserve

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

Development fund

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

Available for sale reserve (AFS reserve)

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

Translation reserve

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

Other reserves

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

Undistributed profit

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

Non-controlling interests

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

Consolidated balance sheet at December 31

(before profit appropriation)	Notes	Page number	2011	2010
ASSETS				
Banks	(1)	111	42,114	18,698
Short-term deposits	(2)	111	498,787	333,175
Derivative financial instruments	(3)	111	334,062	316,979
Loans to the private sector	(4), (8)	113, 115	2,522,112	2,212,713
Loans guaranteed by the State	(5), (8)	113, 115	62,550	56,292
Equity investments	(6)	114	753,366	637,802
Investments in associates	(7)	115	42,073	50,385
Interest-bearing securities	(9)	116	671,578	563,710
Tangible fixed assets	(10)	117	9,383	8,492
Deferred income tax assets	(30)	126	3,682	4,197
Current income tax receivables	(30)	126	4,560	8
Other receivables	(11)	117	32,896	31,461
Accrued income	(12)	117	82,116	71,150
Total assets			**5,059,279**	**4,305,062**
LIABILITIES				
Short-term credits	(13)	118	557,660	278,590
Derivative financial instruments	(3)	111	66,038	44,431
Debt securities	(14)	118	22,429	51,667
Debentures and notes	(15)	118	2,656,111	2,313,600
Other liabilities	(16)	119	14,188	28,638
Current accounts with State funds and other programs	(17)	119	624	1,248
Wage tax liabilities			1,846	1,795
Deferred income tax liabilities	(30)	126	4,501	3,256
Accrued liabilities	(18)	119	55,099	50,958
Provisions	(19)	119	16,193	17,087
Total liabilities			**3,394,689**	**2,791,270**
SHAREHOLDERS' EQUITY				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			753,989	665,173
Development fund			657,981	657,981
Available for sale reserve			176,201	118,097
Translation reserve			3,504	2,295
Other reserves			29,860	25,515
Undistributed profit			4,286	6,209
Shareholders' equity (parent)			**1,664,169**	**1,513,618**
Non-controlling interests			421	174
Total shareholders' equity	(20)	122	**1,664,590**	**1,513,792**
Total liabilities and shareholders' equity			**5,059,279**	**4,305,062**
Contingent liabilities	(31)	128	115,301	114,826
Irrevocable facilities	(31)	128	1,188,756	1,136,918
Loans and equity investments managed for the risk of the State [1]			546,436	505,011

1) See segment reporting paragraph.

Consolidated profit and loss account

	Notes	Page number	2011	2010
INCOME				
Interest income			194,701	180,698
Interest expense			-47,733	-47,598
Net interest income	(21)	124	**146,968**	**133,100**
Fee and commission income			6,648	6,704
Fee and commission expense			-165	-119
Net fee and commission income	(22)	124	**6,483**	**6,585**
Dividend income			13,643	15,166
Results from equity investments	(23)	124	32,128	36,340
Results from financial transactions	(24)	125	13,282	6,007
Remuneration for services rendered	(25)	125	18,435	19,256
Other operating income	(26)	125	6,973	8,722
Total other income			**84,461**	**85,491**
Total income			**237,912**	**225,176**
OPERATING EXPENSES				
Staff costs	(27)	126	-39,074	-37,243
Other administrative expenses	(28)	126	-10,393	-9,681
Depreciation and impairment	(10)	117	-1,891	-2,795
Other operating expenses	(29)	126	-140	-70
Total operating expenses			**-51,498**	**-49,789**
Operating profit before value adjustments			**186,414**	**175,387**
VALUE ADJUSTMENTS ON				
Loans	(8)	115	-36,901	-8,709
Equity investments and associates	(6), (7)	114, 115	-36,298	-10,967
Guarantees issued	(8)	115	13,791	-9,784
Total value adjustments			**-59,408**	**-29,460**
Share in the result of associates	(7)	115	-9,253	4,291
Share in the result of subsidiaries			-	1,153
Total share in the result of associates & subsidiaries			**-9,253**	**5,444**
Profit before taxation			**117,753**	**151,371**
Income tax	(30)	126	-24,362	-25,150
Net profit			**93,391**	**126,221**
NET PROFIT ATTRIBUTABLE TO				
Owners of the parent company			93,102	126,055
Non-controlling interests			289	166
			93,391	**126,221**

Consolidated statement of comprehensive income

(before profit appropriation)	Notes	Page number	2011	2010
Net profit			**93,391**	**126,221**
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating associates and subsidiaries			1,209	1,743
Available for sale financial assets			59,349	65,202
Income tax relating to components of other comprehensive income			-1,245	-793
Total other comprehensive income, net of tax	(34)	131	**59,313**	**66,152**
Total comprehensive income			**152,704**	**192,373**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent company			152,415	192,207
Non-controlling interests			289	166
Total comprehensive income			**152,704**	**192,373**

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Contractual reserve	Development fund	Available for sale reserve	Translation reserve	Other reserves	Undistributed profit	Non-controlling interests	Total
Balance at December 31, 2009	**9,076**	**29,272**	**545,327**	**657,981**	**53,688**	**552**	**23,991**	**3,047**	**4,282**	**1,327,216**
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	1,743	-	-	-	1,743
Available for sale financial assets	-	-	-	-	65,202	-	-	-	-	65,202
Income tax relating to components of other comprehensive income	-	-	-	-	-793	-	-	-	-	-793
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**64,409**	**1,743**	**-**	**-**	**-**	**66,152**
Changes in ownership subsidiary BanyanTree Capital Growth LLC	-	-	-	-	-	-	-	-	-4,282	-4,282
Changes in ownership subsidiary Blauser S.A.	-	-	-	-	-	-	-	-	8	8
Undistributed profit 2009	-	-	-	-	-	-	1,524	-1,524	-	-
Net profit	-	-	119,846 [1]	-	-	-	-	6,209	166	126,221
Dividend declared	-	-	-	-	-	-	-	-1,523	-	-1,523
Balance at December 31, 2010	**9,076**	**29,272**	**665,173**	**657,981**	**118,097**	**2,295**	**25,515**	**6,209**	**174**	**1,513,792**
Exchange differences on translating associates and subsidiaries	-	-	-	-	-	1,209	-	-	-	1,209
Available for sale financial assets	-	-	-	-	59,349	-	-	-	-	59,349
Income tax relating to components of other comprehensive income	-	-	-	-	-1,245	-	-	-	-	-1,245
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**58,104**	**1,209**	**-**	**-**	**-**	**59,313**
Changes in subsidiary Blauser S.A.	-	-	-	-	-	-	-	-	-42	-42
Undistributed profit 2010	-	-	-	-	-	-	4,345	-4,345	-	-
Net profit	-	-	88,816 [1]	-	-	-	-	4,286	289	93,391
Dividend declared	-	-	-	-	-	-		-1,864	-	-1,864
Balance at December 31, 2011	**9,076**	**29,272**	**753,989**	**657,981**	**176,201**	**3,504**	**29,860**	**4,286**	**421**	**1,664,590**

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

Consolidated statement of cash flows

	Notes	Page number	2011	2010
Net profit			**93,391**	**126,221**
Adjusted for non-cash items:				
• Result of associates and subsidiaries			9,253	-4,320
• Unrealised gains (losses)			19,710	13,493
• Value adjustments			60,369	29,460
• Depreciation and impairment of tangible fixed assets			1,891	2,795
• Income tax expense			24,362	25,150
Changes in:				
• Income tax paid			-28,399	-2,525
• Net movement (disbursements and repayments) in loans (including guaranteed by the State)			-328,298	-214,082
• Purchase of and proceeds from equity investments and associates			-92,719	-89,797
• Movement other assets and liabilities [1)]			73,090	-38,253
• Movement in short-term credits [1)]			279,807	130,660
Net cash flow from operational activities	(35)	132	**112,457**	**-21,198**
INVESTMENT ACTIVITIES				
Purchase of interest-bearing securities			-130,845	-152,424
Redemption/sale of interest-bearing securities			26,129	220,346
(Dis)investments in tangible fixed assets			-2,782	-1,304
Net cash flow from investing activities	(36)	132	**-107,498**	**66,618**
FINANCING ACTIVITIES				
Proceeds from issuance of debt securities, debentures and notes			461,237	436,798
Redemption of debt securities. debentures and notes			-275,304	-487,763
Dividend paid			-1,864	-1,524
Net cash flow from financing activities	(37)	132	**184,069**	**-52,489**
Net cash flow			**189,028**	**-7,069**
CASH AND CASH EQUIVALENTS				
Banks and short-term deposits at January 1			351,873	358,942
Banks and short-term deposits at December 31			540,901	351,873
Total cash flow			**189,028**	**-7,069**

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

Financial risk management

Introduction

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

The financial risk chapter is structured as follows: first the developments in 2011 will be elaborated, then a brief overview of FMO's risk management organization will be given, followed by specialized paragraphs on credit risk, equity risk, currency risk, interest rate risk, liquidity risk and FMO's capital management framework.

Developments in 2011

FMO continuously improves its business management by ensuring efficient use of capital.

To this end, a new framework especially for internal capital management purposes was introduced in 2011. The BIS II compliant character of the new model (the Internal Ratings-Based (IRB) approach), makes FMO's approach better aligned with the supervisors' view and considered best practice amongst financial institutions when measuring credit risk. It also better reflects the risk of FMO's wide product range and its risk participations.

Part of the new framework was the introduction of a new rating methodology for assessing the credit risk in FMO's loan portfolio. All existing clients were re-rated during 2011 according to the new refined rating methodology. Compared to the old methodology the main differences are the introduction of more qualitative factors, a more objective measurement of quantitative factors and the introduction of more rating classes. The whole exercise of changing the methodology has been validated and supported by one of the leading rating agencies.

The updated rating methodology offers more transparent and comparable data which can be used as input for the Global Emerging Markets (GEM) datapool. This joint initiative of IFC and EIB aims at providing access to valuable emerging market credit information on an aggregated level. The results give a better representation of the entire market than any of the initiative's individual institutions could on their own.

The new framework has been implemented as per January 1, 2012. An economic capital calculation is provided in the capital management section of this risk paragraph. In order to illustrate the impact of the change in rating methodology, all relevant credit risk data have been presented for both methodologies as per December 31, 2011.

Organization of risk management

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

The emphasis of risk management is to focus on improving the understanding of the financial risks and the risk-return relationship, and developing and supporting new financial services in emerging markets. Risk management is responsible for managing portfolio risks of the emerging market portfolio, treasury, and all related market risks.

The Investment Committee, comprising of representatives of several departments, reviews financing proposals in emerging markets. Each financing proposal is assessed in terms of specific counterparty as well as country risk. All financing proposals are accompanied by the advice of the investment mission review department.

In addition, financial exposures in emerging markets are subject to a periodic review, at least annually. Relevant exposures are reviewed by the investment review committee. Its members consist of representatives of several departments. The large and higher risk exposures are accompanied by the advice of the investment mission review department. If the investment review committee suspects that a client has difficulty in meeting its payment obligations, the client is transferred to the special operations department where it is intensively monitored.

The Asset and Liability Committee (ALCO) is responsible for setting risk management policies, which are to be endorsed by the Management Board. The ALCO approves the Treasury and Risk policies, the limit framework, the Economic Capital model and discusses capital and liquidity adequacy planning. The ALCO is chaired by the CEO and complies with the recommendations of the Banking Code (see the annual report for more information on the Banking Code).

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

The only risk FMO actively pursues relates to the credit/equity portfolio, consisting of loans/equity to private institutions in developing countries. Other risks are mitigated as much as possible. FMO does not have trading positions. All risk management policies are derived from the risk appetite.

Credit risk

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

The policies employed to control credit risk of investments include organizational and administrative procedures, investment criteria, and limits per country, sector and client. Similarly, credit policies and guidelines have been formulated covering treasury operations; these are reviewed regularly and approved by the ALCO.

The following table shows the maximum exposure to credit risk for FMO. The maximum exposure of balance sheet items, including derivatives, is shown gross, before provisioning and the effect of mitigation through the use of master netting and collateral agreements. Only derivative financial instruments with positive market values are presented. The maximum exposure to credit risk increased during the year from €5,964 million at 31 December 2010 to €6,808 million at 31 December 2011.

Maximum exposure to credit risk, including derivatives

	2011	**2010**
ON-BALANCE		
Banks	42,114	18,698
Short-term deposits	198,790	333,175
Short-term deposits – Dutch Central Bank	299,997	-
Derivative financial instruments	334,062	316,979
Loans to the private sector	2,870,781	2,540,913
Loans guaranteed by the State	70,082	63,402
Equity investments	837,318	690,156
Investments in associates	42,073	50,385
Interest-bearing securities	671,578	563,710
Deferred income tax assets	3,682	4,197
Current income tax receivables	4,560	8
Other receivables	32,896	31,461
Accrued income	82,116	71,150
Total on-balance	**5,490,049**	**4,684,234**
OFF-BALANCE		
Credit risk exposures relating to off-balance sheet items are as follows:		
• Contingent liabilities	129,489	143,202
• Irrevocable facilities	1,188,756	1,136,918
Total off-balance	**1,318,245**	**1,280,120**
Total credit risk exposure	**6,808,294**	**5,964,354**

CREDIT RISK IN THE EMERGING MARKETS LOAN PORTFOLIO

FMO's loan portfolio is exposed to emerging market countries. Concentration risks on individual counterparties, sectors or countries are mitigated due to stringent single client, sector and country limits. Limits are approved by the ALCO.

Gross exposure of loans distributed by region and sector

At December 31, 2011	Financial institutions	Energy	Housing	Agribusiness food & water	Diverse Sectors	Total
Africa	294,468	114,816	71,531	5,813	160,136	646,764
Asia	235,300	121,184	84,393	52,036	329,511	822,424
Europe & Central Asia	450,937	7,555	42,785	60,243	46,915	608,435
Latin America & the Caribbean	302,746	152,745	49,730	132,026	118,618	755,865
Non-region specific	18,583	-	-	-	18,710	37,293
Total	**1,302,034**	**396,300**	**248,439**	**250,118**	**673,890**	**2,870,781**

At December 31, 2010	Financial institutions	Energy	Housing	Agribusiness food & water	Diverse Sectors	Total
Africa	240,888	92,237	34,591	6,310	144,863	518,889
Asia	205,707	119,418	68,903	42,618	272,304	708,950
Europe & Central Asia	372,482	3,738	56,720	46,162	51,929	531,031
Latin America & the Caribbean	228,548	112,985	70,685	130,028	224,849	767,095
Non-region specific	14,948	-	-	-	-	14,948
Total	**1,062,573**	**328,378**	**230,899**	**225,118**	**693,945**	**2,540,913**

INTERNAL CREDIT APPROVAL PROCESS

Credit risk from loans in emerging market countries arises due to a combination of counterparty risk and product specific risks. Both types of risk are assessed during the credit approval and credit review process and administrated via internal scorecards. The lending process is based on formalized and strict procedures. Decisions on authorizations depend on both the size of the facility and the risk profile of the financing instrument. For troubled investments, the department of special operations applies a sophisticated workout and restructuring approach.

In measuring the credit risk of the emerging market activities at the counterparty level, the main parameters are the credit quality of counterparties and the expected recovery ratio in case of defaults. Counterparty credit quality is measured by scoring counterparties on various dimensions of financial strength. Based on these scores, FMO assigns ratings to each counterparty on an internal scale from 1 (lowest risk) to 7 (highest risk), approximately equivalent to BBB to CCC-ratings. Likewise, the recovery ratio is estimated by scoring on various dimensions of the product-specific risk.

Maximum exposure to credit risk of the gross loan portfolio increased to €2,871 million in 2011 (2010: €2,541 million). The largest sector within the loan portfolio is the sector Financial institutions. When the overall risk rating of the portfolio is considered, the average rating improved and the quality of the portfolio improved. Details can be found in the following tables.

Apart from its on-balance finance activities, FMO is also exposed to off-balance credit-related commitments. Guarantees, which represent contingent liabilities to make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risks as loans. The majority of the guarantees are quoted in US dollars or euros. Guarantees on export facilities are collateralized by the underlying letters of credit, and therefore carry less credit risk than a direct uncollateralized borrowing. The total outstanding guarantees add up to an amount of €129,489 (2010: €143,202). FMO has received guarantees for an amount of €97,407 (2010: €59,964). The increase in the received guarantees is related to FMO's objective of catalyzing funds. Provisions, amortized costs and obligations for guarantees add up to €14,188 (2010: €28,376).

Irrevocable facilities represent commitments to extend finance to clients. The irrevocable facilities increased to €1,189 million (2010: €1,137 million) corresponding to 35% (2010: 37%) of the net exposure in emerging markets (including loans, equity investments and contingent liabilities). Irrevocable facilities are usually not immediately and fully drawn by our clients, especially in the case of commitments to equity funds, which have a contractual investment period of several years.

Gross exposure distributed by internal ratings

Description of rating	FMO counterparty rating	2011	2010
Good financial sustainability	1, 2	1,051,949	813,569
Satisfactory financial sustainability	3, 4	1,142,364	938,803
Moderate financial sustainability	5, 6	504,931	658,714
Poor financial sustainability	7	171,537	129,827
Total		**2,870,781**	**2,540,913**

As of January 1, 2012, a new internal rating methodology has been implemented. This methodology is validated by one of the leading rating agencies and uses new scorecards that are in line with Basel II regulations. Compared to the old scorecards, the outcomes of the new methodology are more in line with expert opinions. The rating scale used is similar to the rating scale of rating agencies. This makes the outcome more transparent and comparable.

The new internal rating methodology enables FMO to participate in the Global Emerging Markets (GEM) datapool, making it possible to exchange valuable data with other development finance intitutions around the world.

One of the main differences compared to the current rating methodology is the introduction of more qualitative factors. In the new rating process, 15 to 25 factors are scored instead of approximately 10. Next to this, a more objective measurement of quantitative factors is introduced. In order to do so more focus is put on financial ratios. The outcome of the new risk rating process has a more detailed rating on a scale from F1 to F21, compared to the 7 rating classes in the previous model.

Gross exposure distributed by new internal ratings

Indicative counterparty credit rating	2011
BBB- and higher	187,582
BB-, BB, BB+	1,446,471
B-, B, B+	927,192
CCC+ and lower ratings	309,536
Total	**2,870,781**

COLLATERAL, LOANS PAST DUE AND VALUE ADJUSTMENTS

In 2011, collateral was acquired on 37% (2010: 41%) of the gross amount of loans. Collateral mainly consists of real estate, business assets or financial instruments. The collateral obtained is used to support FMO's position in renegotiation of loan terms. Due to the nature of the markets in which FMO operates, it has been proven difficult to assign reliable fair values to the collateral used to mitigate credit risk due to the limited liquidity and enforceability.

At the end of 2011, the counterparty-specific value adjustments as a percentage of the gross loan portfolio equaled 3.5% (2010: 4.4%). The group-specific value adjustments equaled 7.5% (2010: 7.2%), resulting in total value adjustments of 11.0% (2010: 11.6%) of the gross loan portfolio. Our Non-Performing Loan (NPL) ratio increased from 2.3% to 3.4%. Of the non-performing loans as per December 31, 2011, an amount of €13,432 is guaranteed by a third party. When the guaranteed amount is included the NPL ratio will decrease to 2.9%. In general, the non-performing loans represent a fair cross-section of our portfolio and no correlation with respect to specific sector or geographic region has been identified. Although the NPL ratio increased during 2011 from 2.3% to 3.4%, the total value adjustments decreased from 11.7% to 11.0%. This reflects the high and stable quality of our portfolio.

In 2011, our (partial) write-offs were limited to three loans, corresponding to 0.6% of our portfolio. Looking at our overall portfolio and the limited number of non-performing loans, we see no trend that would indicate a material deterioration of asset quality.

Loans past due and value adjustments 2011

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

Loans past due between 60 and 90 days consists of one loan that has not been provisioned, as it is expected that the company will receive the contractual cash flows from the client.

Loans past due and value adjustments 2010

	Loans not value adjusted	Loans value adjusted	Gross exposure	Counterparty specific value adjustment	Total
Loans not past due	2,280,234	119,716	2,399,950	-59,845	2,340,105
Loans past due:					
• Past due up to 30 days	55,515	11,215	66,730	-2,804	63,926
• Past due 30-60 days	-	-	-	-	-
• Past due 60-90 days	-	15,662	15,662	-7,031	8,631
• Past due more than 90 days	-	58,571	58,571	-45,078	13,493
Sub total	**2,335,749**	**205,164**	**2,540,913**	**-114,758**	**2,426,155**
Less: amortizable fees	-30,840	-916	-31,756	-	-31,756
Less: group-specific value adjustments	-181,686	-	-181,686	-	-181,686
Carrying value	**2,123,223**	**204,248**	**2,327,471**	**-114,758**	**2,212,713**

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

At December 31, 2011	Financial institutions	%	Energy	%	Housing	%	Agribusiness food & water	%	Diverse sectors	%	Total	%
Africa	11,686	4	656	1	-	0	2,375	41	5,618	4	20,335	3
Asia	-	0	977	1	10,141	12	2,698	5	13,953	4	27,769	3
Europe & Central Asia	16,289	4	-	0	-	0	-	0	17,500	37	33,789	6
Latin America & the Caribbean	5,047	2	3,855	3	6,003	12	3,662	3	-	0	18,567	2
Non-region specific	-	0	-	0	-	0	-	0	-	0	-	0
Total	**33,022**	**3**	**5,488**	**1**	**16,144**	**6**	**8,735**	**3**	**37,071**	**6**	**100,460**	**3**

At December 31, 2010	Financial institutions	%	Energy	%	Housing	%	Agribusiness food & water	%	Diverse sectors	%	Total	%
Africa	14,682	6	2,023	2	-	0	47	1	800	1	17,552	3
Asia	-	0	3,047	3	-	0	-	0	16,692	6	19,739	3
Europe & Central Asia	20,311	5	-	0	-	0	-	0	17,500	34	37,811	7
Latin America & the Caribbean	6,784	3	2,804	2	22,516	32	7,552	6	-	0	39,656	5
Non-region specific	-	0	-	0	-	0	-	0	-	0	-	0
Total	**41,777**	**4**	**7,874**	**2**	**22,516**	**10**	**7,599**	**3**	**34,992**	**5**	**114,758**	**5**

COUNTRY RISK

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

The level of the country limits depends on the country rating. FMO recognizes that the impact of country risk differs across the financial products it offers. In order to calculate group-specific value adjustments, country-specific provisions are established on the investment credit portfolio based on country risk and estimated recovery rates. With respect to the geographical diversification in the portfolio, reference is made to the segment information paragraph. With respect to the sector diversification in the portfolio, reference is made to notes 4, 5, and 6 of the notes to the consolidated balance sheet.

Overall, the country ratings improved during 2011. For example, Georgia had an improvement of two notches, and countries like Indonesia, Panama, Ukraine and Kazakhstan had an improvement of one notch.

Overview country ratings

Description of rating	FMO country rating	Portfolio exposure 2011 (%)	Portfolio exposure 2010 (%)
Good financial sustainability	1, 2	34.5	31.9
Satisfactory financial sustainability	3, 4	34.2	32.2
Moderate financial sustainability	5, 6	25.9	32.6
Poor financial sustainability	7	5.4	3.3
Total		**100**	**100**

As of January 1, 2012, the rating scales for countries will be brought into line with the counterparty ratings. The country limit framework has been changed accordingly. Due to the fact that the outcome of the risk rating process is a more detailed rating on a scale from F1 to F21, compared to the 7 rating classes in the old model, some countries fall into a different category.

Overview new country ratings

Indicative external rating equivalent	Portfolio exposure 2011 (%)
BBB and higher ratings	18.1
BBB-	12.5
BB+	3.5
BB	10.2
BB-	11.1
B+	17.6
B	11.0
B-	7.6
CCC+ and lower ratings	8.4
Total	**100**

CREDIT RISK IN THE TREASURY PORTFOLIO

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

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

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

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

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

Overview interest-bearing securities

At December 31	2011	2010
AAA	453,586	392,374
AA- to AA+	217,992	171,336
A+ or lower	-	-
Total	**671,578**	**563,710**

Geographical distribution interest-bearing securities

At December 31	2011 (%)	2010 (%)
Australia	8	10
Belgium	2	3
France	7	13
Germany	8	5
Great Britain	12	14
Netherlands	34	41
Supra-national	27	12
United States of America	2	2
Total	**100**	**100**

Most of the investments in interest-bearing securities made in 2011 are investments in supra-national bonds. These are bonds issued by institutions larger than a single country and are regarded as being very safe investments.

Overview short-term deposits

At December 31	Rating (short term)	2011	2010
Dutch Central Bank		299,997	-
Dutch government	A1	-	49,995
Financial institutions	A1	74,530	237,268
	A2	1,050	1,050
Money market funds	AAAmmf	53,964	44,862
Supra-nationals	A1	69,246	-
Total		**498,787**	**333,175**

Derivative financial instruments distributed by rating [1)]

Derivative financial instruments (based on long-term rating)	2011		2010	
	Net exposure	CSA (%)	Net exposure	CSA (%)
AAA	90	-	34,956	100
AA- to AA+	60,661	96	70,589	68
A to A+	221,190	100	170,808	100
Not rated	-	-	6,178	-
Total	**281,941**	**99**	**282,531**	**90**

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

Equity risk

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

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

FMO has a long-term view on its equity portfolio, usually selling its equity stake after several years. Equity investments are assessed by the Investment Committee in terms of specific obligor as well as country risk. The investment review committee assesses the valuation of the majority of equity investments semi-annually. The performance of the equity investments in the portfolio is periodically analyzed during the fair value process. Based on this performance and the market circumstances, exits are pursued in close cooperation with our co-investing partners. The total outstanding equity portfolio at December 31, 2011, amounted to €753,366 (2010: €637,802). The total outstanding investment in investment funds equals €592,433 (2010: €485,120).

It can be difficult to assess the fair value of the investment when market data is lacking or when the market is illiquid. Under these circumstances, FMO values equity investments at cost minus impairment. In total, €171,513 (2010: €161,365) of the equity portfolio is valued at cost minus impairment, of which the majority is quoted in US dollars: 48% (2010: 53%). The equity portfolio valued at cost minus impairment denominated in other currencies than euros is not revalued for the exchange rate movements. The equity portfolio valued at fair value is revalued for changes in the value of the equity investment and the movements in the exchange rates, which is accounted for in the available for sale (AFS) reserve.

Equity portfolio distributed by region and sector

At December 31, 2011	Financial institutions: Excl. investment funds	Financial institutions: Investment funds	Energy	Housing	Agribusiness, food & water	Diverse sectors	Total
Africa	46,862	90,598	22,133	-	-	32,620	192,213
Asia	16,308	112,894	32,767	2	7,569	-	169,540
Europe & Central Asia	5,525	156,268	175	-	-	3,012	164,980
Latin America & the Caribbean	12,837	71,211	6,825	426	14,141	17,905	123,345
Non-region specific	6,703	88,165	8,420	-	-	-	103,288
Total	**88,235**	**519,136**	**70,320**	**428**	**21,710**	**53,537**	**753,366**

At December 31, 2010	Financial institutions: Excl. investment funds	Financial institutions: Investment funds	Energy	Housing	Agribusiness, food & water	Diverse sectors	Total
Africa	39,166	74,477	18,634	-	-	14,023	146,300
Asia	22,332	95,582	18,519	-	5,939	7,381	149,753
Europe & Central Asia	5,525	131,143	-	-	-	6,747	143,415
Latin America & the Caribbean	17,954	65,469	4,655	176	10,640	20,890	119,784
Non-region specific	6,697	63,547	8,306	-	-	-	78,550
Total	**91,674**	**430,218**	**50,114**	**176**	**16,579**	**49,041**	**637,802**

Currency risk

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

Limits have been set on currency positions and are monitored on a daily basis. Currency risks are managed by matching the currency characteristics of the company's assets and liabilities, using derivative instruments such as (cross-) currency swaps and currency forwards. Equity investments are excluded from the currency position as the size and the timing of the cash flows are uncertain. With respect to equity investments, the expected returns in local currencies are assessed in terms of their sufficiency to compensate for the currency risk. Reference is made to the previous paragraph on equity risk.

Since 2006, FMO has increasingly offered loans in emerging market currencies. This aims to better match the needs of local banks and corporates, thereby reducing their currency risk. At December 31, 2011, 15% (2010: 14%) of the net loans to the private sector were in emerging market currency. The emerging market currency loans are swapped to US dollars via either commercial parties or via The Currency Exchange Fund (TCX Fund N.V.); as a result, FMO's open emerging market currency position of the investment portfolio, apart from equity, is limited. Local currency exposure of non-exotic currencies is hedged via commercial counterparties.

Currency risk exposure (at carrying values)

At December 31, 2011	€	US $	¥	Other	Total
ASSETS					
Banks	28,050	12,054	99	1,911	42,114
Short-term deposits	315,745	177,321	-	5,721	498,787
Derivative financial instruments [1)]	325,939	-999,868	785,806	222,185	334,062
Loans to the private sector	252,372	1,883,031	-	386,709	2,522,112
Loans guaranteed by the State	33,041	29,509	-	-	62,550
Equity investments	157,036	499,588	-	96,742	753,366
Investments in associates	7,456	26,387	-	8,230	42,073
Interest-bearing securities	671,578	-	-	-	671,578
Tangible fixed assets	3,599	5,784	-	-	9,383
Deferred income tax assets	3,682	-	-	-	3,682
Current income tax receivables	4,560	-	-	-	4,560
Other receivables	11,966	15,777	-	5,153	32,896
Accrued income	29,518	30,667	6,529	15,402	82,116
Total assets	**1,844,542**	**1,680,250**	**792,434**	**742,053**	**5,059,279**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Short-term credits	536,855	20,805	-	-	557,660
Derivative financial instruments [1)]	-469,590	660,236	-	-124,608	66,038
Debt securities	22,429	-	-	-	22,429
Debentures and notes	655,990	450,703	785,777	763,641	2,656,111
Other liabilities	844	10,120	-	3,224	14,188
Current accounts with State funds and other programs	624	-	-	-	624
Wage tax liabilities	1,846	-	-	-	1,846
Deferred income tax liabilities	4,501	-	-	-	4,501
Accrued liabilities	16,740	16,590	6,529	15,240	55,099
Provisions	16,074	119	-	-	16,193
Shareholders' equity	1,664,590	-	-	-	1,664,590
Total liabilities and shareholders' equity	**2,450,903**	**1,158,573**	**792,306**	**657,497**	**5,059,279**
Currency sensitivity gap 2011		**521,677**	**128**	**84,556**	
Currency sensitivity gap 2011 excluding equity investments and investments in associates		**-4,298**	**128**	**-20,416**	

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

At December 31, 2010	€	US $	¥	Other	Total
Total assets	1,601,455	1,018,341	760,045	925,221	4,305,062
Total liabilities and shareholders' equity	2,159,285	556,888	760,037	828,852	4,305,062
Currency sensitivity gap 2010		**461,453**	**8**	**96,369**	
Currency sensitivity gap 2010 excluding investments in equity and associates		**27,539**	**8**	**-25,471**	

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

	At December 31, 2011		At December 31, 2010	
Change of value relative to the euro 1)	Sensitivity of income	Sensitivity of shareholders' equity 2)	Sensitivity of income	Sensitivity of shareholders' equity 2)
US $ value increase of 10%	-430	38,638	2,760	34,236
US $ value decrease of 10%	430	-38,638	-2,760	-34,236
¥ value increase of 10%	13	13	1	1
¥ value decrease of 10%	-13	-13	-1	-1

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

Interest rate risk

Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Interest rate risk within FMO stems from the following products: loans, funding instruments, bonds/deposits, derivatives and money market funds. FMO manages its interest position through the Price Value per Basis Point (PVBP). The PVBP expresses the impact on the fair value of the financial instruments by a basis point change in yield.

FMO's policy with regard to interest rate risk is to match funding within set boundaries: to match interest rate characteristics for assets, liabilities and derivatives per currency, and per remaining term as much as possible; and to generate stable income on FMO's capital by investing in fixed bonds and loans.

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

Interest re-pricing characteristics

At December 31, 2011	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
ASSETS						
Banks	42,114	-	-	-	-	42,114
Short-term deposits	464,176	34,611	-	-	-	498,787
Derivative financial instruments [1)]	-965,010	-421,198	1,496,919	208,812	14,539	334,062
Loans to the private sector	1,011,585	913,539	242,975	354,013	-	2,522,112
Loans guaranteed by the State	-	3,336	42,791	16,423	-	62,550
Equity investments	-	-	-	-	753,366	753,366
Investments in associates	-	-	-	-	42,073	42,073
Interest-bearing securities	44,952	74,438	439,289	112,899	-	671,578
Tangible fixed assets	-	-	-	-	9,383	9,383
Deferred income tax assets	-	-	-	-	3,682	3,682
Current income tax receivables	-	-	-	-	4,560	4,560
Other receivables	-	-	-	-	32,896	32,896
Accrued income	-	-	-	-	82,116	82,116
Total assets	**597,817**	**604,726**	**2,221,974**	**692,147**	**942,615**	**5,059,279**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Short-term credits	317,660	240,000	-	-	-	557,660
Derivative financial instruments [1)]	-414,553	214,513	240,814	25,264	-	66,038
Debt securities	8,293	-	14,136	-	-	22,429
Debentures and notes	510,577	341,519	1,595,552	208,463	-	2,656,111
Other liabilities	-	-	-	-	14,188	14,188
Current accounts with State funds and other programs	-	-	-	-	624	624
Wage tax liabilities	-	-	-	-	1,846	1,846
Deferred income tax liabilities	-	-	-	-	4,501	4,501
Accrued liabilities	-	-	-	-	55,099	55,099
Provisions	-	-	-	-	16,193	16,193
Shareholders' equity	-	-	-	-	1,664,590	1,664,590
Total liabilities and shareholders' equity	**421,977**	**796,032**	**1,850,502**	**233,727**	**1,757,041**	**5,059,279**
Interest sensitivity gap 2011	**175,840**	**-191,306**	**371,472**	**458,420**	**-814,426**	**-**

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

At December 31, 2010	< 3 months	3-12 months	1-5 years	> 5 years	Non-interest-bearing	Total
Total assets	550,567	285,889	1,848,638	810,831	809,137	4,305,062
Total liabilities and shareholders' equity	503,101	409,875	1,418,836	356,476	1,616,774	4,305,062
Interest sensitivity gap 2010	**47,466**	**-123,986**	**429,802**	**454,355**	**-807,637**	**-**

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

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

	Sensitivity of net	Sensitivity of shareholders' equity				
At December 31, 2010	**interest income [1]**	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Increase of 100 basis points	-765	669	1,889	-7,721	-8,871	-14,033
Decrease of 100 basis points	765	-669	-1,889	7,721	8,871	14,033

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

Liquidity risk

Liquidity risk is the risk that insufficient funds are available to meet financial commitments. FMO's policy is to have matched funding, that is the tenor of its funding is matched to its assets, in order to reduce liquidity risk. The liquidity policy is based on a three pillar approach. This policy ensures: (i) that the maturity mismatch is limited to €500 million (cash outflow) per bucket and that the refinancing risk is limited to €250 million per bucket; (ii) that FMO has sufficient cash, liquidity buffers and access to emergency lines to survive a stress period, where the funding market is totally closed for 6 months and; (iii) that FMO's funding sources are well diversified in terms of geography and instrument type. The policy is managed by a model which places forecasted cash flows into time buckets. The net cash flows per bucket are tested against the limits.

FMO traditionally has a conservative liquidity policy and funding strategy that is well suited to the business it does. Stress tests are conducted on FMO's liquidity position at least once a month to ensure this conservative position is maintained. In the case of a crisis there are various sources of emergency liquidity available. FMO's first buffer for liquidity is its bond portfolio. This can be used as collateral to obtain short-term loans from the ECB. Secondly a committed facility from a highly rated bank is available.

The liquidity position is well within FMO's limits and even under various stress tests the liquidity position is still within limits. Nevertheless liquidity remains a key point for the ALCO, Risk Management and Treasury. A continuous review is performed on the liquidity position, FMO's assumptions, internal expectations and external market conditions to ensure that FMO's liquidity overview remains relevant and accurate.

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

Categorization of the balance sheet per maturity bucket

At December 31, 2011	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
ASSETS						
Banks	42,114	-	-	-	-	42,114
Short-term deposits	482,883	-	-	-	15,750	498,633
Derivative financial instruments	-900	21,571	259,194	63,722	-	343,587
Loans to the private sector	104,392	368,810	1,733,578	737,735	-	2,944,515
Loans guaranteed by the State	6,022	10,549	53,665	4,084	-	74,320
Equity investments	-	-	-	-	753,366	753,366
Investments in associates	-	-	-	-	42,073	42,073
Interest-bearing securities	50,857	89,864	479,456	109,535	-	729,712
Tangible fixed assets	-	-	-	-	9,383	9,383
Deferred income tax assets	-	-	-	-	3,682	3,682
Current income tax receivables	4,560	-	-	-	-	4,560
Other receivables	32,896	-	-	-	-	32,896
Accrued income	82,116	-	-	-	-	82,116
Total assets	**804,940**	**490,794**	**2,525,893**	**915,076**	**824,254**	**5,560,957**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Short-term credits	20,780	243,493	-	-	296,880	561,153
Derivative financial instruments	-967	9,491	65,073	3,263	-	76,860
Debt securities	3,459	24,595	1,318,998	-	-	1,347,052
Debentures and notes	62,564	179,428	961,070	214,457	-	1,417,519
Other liabilities	-	-	-	-	14,188	14,188
Current accounts with State funds and other programs	624	-	-	-	-	624
Wage tax liabilities	1,846	-	-	-	-	1,846
Deferred income tax liabilities	-	-	-	-	4,501	4,501
Accrued liabilities	55,099	-	-	-	-	55,099
Provisions	-	-	-	-	16,193	16,193
Shareholders' equity	-	-	-	-	1,664,590	1,664,590
Total liabilities and shareholders' equity	**143,405**	**457,007**	**2,345,141**	**217,720**	**1,996,352**	**5,159,625**
Liquidity gap 2011	**661,535**	**33,787**	**180,752**	**697,356**	**-1,172,098**	**401,332**

At December 31, 2010	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Total assets	597,158	466,976	2,340,809	820,399	703,066	4,928,408
Total liabilities and shareholders' equity	159,970	278,002	1,858,552	369,270	1,794,204	4,459,998
Liquidity gap 2010	**437,188**	**188,974**	**482,257**	**451,129**	**-1,091,138**	**468,410**

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

Contractual maturity of contingent liabilities and irrevocable facilities

At December 31, 2011	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Contingent liabilities	36,515	-14,340	3,721	6,186	-	32,082
Irrevocable facilities	145,371	249,442	403,666	390,277	-	1,188,756
Total off-balance [1)]	**181,886**	**235,102**	**407,387**	**396,463**	**-**	**1,220,838**

At December 31, 2010	< 3 months	3-12 months	1-5 years	>5 years	Maturity undefined	Total
Contingent liabilities [2)]	60,126	1,390	2,576	19,146	-	83,238
Irrevocable facilities [2)]	145,840	307,461	290,051	393,564	-	1,136,918
Total off-balance [1)]	**205,966**	**308,851**	**292,627**	**412,710**	**-**	**1,220,156**

1) FMO expects that not all of these off-balance items will be drawn before expiry. For contingent liabilities, guarantees provided are netted for guarantees received from third parties.
2) Adjusted for comparison purposes (based on final availability date instead of maturity date).

Capital management

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

The company has an external and internal ratio to express its capital position. The external ratio is calculated based on the standardized approach of the Basel II regulation; the internal capital ratio is based on the internal economic capital model. Economic capital is the amount of capital allocated as a buffer against potential losses from business activities. The main difference between the internal and external capital requirement is the calculation of the level of capital needed for credit risk on the loan portfolio, which is higher according to the internal model. Under the standardized approach FMO's capital requirement for credit risk is lower than under the internal approach given the fact that the credit assessment is standardized for unrated entities. FMO's portfolio is invested in parties in emerging markets, which results in a riskier credit profile than generally applies to parties in developed economies.

External capital requirement

FMO complies with the Basel II requirements and reports its BIS-ratio to the Dutch Central Bank on a quarterly basis. FMO calculates its external capital requirement for its entire portfolio based on the standardized approach. Of the total capital requirement, 84% is related to credit risk (equity investments included), 11% to market risk and 5% to operational risk. FMO mainly has tier-1 capital; its tier-2 capital consists of the AFS reserve for equity investments. The BIS-ratio equaled 29.4% at the end of 2011 (2010: 29.0%). Under Basel III the leverage ratio will become a mandatory reporting requirement in 2018. The minimum leverage ratio is set at 3%, FMO's leverage ratio equals 25.6%.

	At December 31, 2011	At December 31, 2010
Core capital (tier 1)	1,462,643	1,372,507
Additional capital (tier 2)	150,693	85,390
Risk-weighted assets	5,484,025	5,030,925
Tier-1 ratio	26.70%	27.30%
BIS-ratio	29.40%	29.00%
Leverage ratio	25.60%	25.40%

Internal capital requirement

In addition to its external capital requirement, FMO calculates an internal capital requirement. As of January 1, 2012, a new model has been introduced for our internal capital requirement. This model is based on Basel's Internal Ratings-Based (IRB) methodology for measuring credit risk – which is transparent, and best practice among financial institutions.

Credit risk resulting from FMO's emerging market loan portfolio represents FMO's main financial risk. The credit risk of the loan portfolio is determined based on the IRB methodology. The most important input parameters for the IRB model are Probability of Default (PD) and Loss Given Default (LGD). The PD is based on the outcome of FMO's new ratings methodology validated by one of the leading rating agencies. The client is assigned a rating class on a scale of F1 to F21, with the majority of the ratings of FMO clients in the range of F10-F17, or BBB- to CCC+ in S&P-comparable rating terms. The LGD is determined under the Advanced IRB (A-IRB) on the basis of internal expert assessments. LGDs depend on security coverage, liquidity, enforceability of guarantees and on extraordinary circumstances. LGD for senior secured loans is between 20% - 30%, for unsecured loans 40%, and for unsecured subordinated loans 75%. Credit risk for equity is based on the simple risk weight approach. For quantifying the credit risk in FMO's treasury portfolio, the market and operational risk, the Basel II standardized approach is used.

Economic capital includes both Pillar 1 and Pillar 2 risks. As part of Pillar 2, model risk, reputation risk, interest rate risk and concentration risk are included in the assessment of economic capital. Economic capital is calculated using a conservative confidence level of 99.99%. The economic capital at year-end 2011 amounted to €956 million. Since the new model has been implemented as per January 1, 2012, the 2011 numbers are presented in the table below.

At December 31, 2011	
PILLAR 1	
Credit risk emerging market portfolio (99.99% interval)	753
Credit risk treasury portfolio	27
Market risk	47
Operational risk	24
PILLAR 2	
Concentration risk	30
Interest rate risk in the banking book	41
Reputation risk	32
Model risk	2
Economic capital (Pillar 1 & 2)	**956**
AVAILABLE CAPITAL	
Tier I & II	1,613
Surplus provisioning (capped at 0.6% RWA) [1]	64
Total available capital	**1,677**

1) Surplus provisioning for the loan portfolio is only calculated at total provisioning (€336 mln) minus total expected loss (€142 mln), which equals €194 mln. The amount to be included in the available capital is according to the BIS-guidelines capped at 0.6% risk weighted assets (RWA), which equals €64 mln at December 31, 2011.

Only for comparative purposes FMO calculates its internal capital ratio at a 99.90% confidence level (for pillar I only). Under the new IRB model this ratio equalled 18.8% at December 31, 2011.

Segment information

Segment reporting by operating segments

FMO's primary goal is development impact. A sector based approach on Financial institutions, Energy, Housing and Agribusiness, food & water is leading in the strategy to optimize development impact. The company product range includes commercial loans, equity investments and guarantees. The services rendered are related to funds managed on behalf of the Dutch State and catalyzing funds (such as syndications). FMO's primary segmentation is the sector based approach because strategic and operating decisions by the Management Board are made based upon this segmentation. Besides the focus sectors the segments Diverse sectors and Treasury are distinguished for segment information reporting purposes as well. For information about the performance of the different product and services reference is made to the paragraph 'Information about products and services'.

For the measurement of profit and loss items per operating segment, FMO has followed its accounting policies, which are stated under the 'accounting policies' paragraph. In general the allocation of revenues and expenses to the segments is based upon the sector classification of financing projects. In addition to this, the funding costs (interest expenses) related to commercial loans are allocated to the segments based on an internal allocation model as FMO does not attract its funding on an individual operating segment base. Furthermore, the interest free shareholders' equity is allocated as funding to the company's equity investments and interest-bearing securities portfolio. The company holds an interest-bearing securities portfolio for liquidity purposes and therefore the related interest income is allocated to the segment Treasury.

In 2011, there were no transactions between the operating segments. During 2011, the company decided to add an additional sector Agribusiness, food & water to the focus sectors. As a result, the segment reporting now also includes this segment. The segment Diverse sectors includes financing of projects outside the focus sectors mainly via partnerships. The segments include diverse products and services. The segment Financial institutions includes (private equity) investment funds, which are reported separately in the following table.

At December 31, 2011	Financial institutions: Excl. investment funds	Financial institutions: Investment funds	Energy	Housing	Agribusiness food & water	Diverse sectors	Treasury	Total
Net interest income	**41,672**	**2,391**	**16,529**	**5,954**	**15,198**	**31,840**	**33,384**	**146,968**
Fee and commission income	2,031	1,188	929	282	569	1,649	-	6,648
Fee and commission expense	-	-	-	-	-	-	-165	-165
Net fee and commission income	**2,031**	**1,188**	**929**	**282**	**569**	**1,649**	**-165**	**6,483**
Dividend income	3,252	9,202	1,146	-	43	-	-	13,643
Results from equity investments	11,758	10,654	-	-	-	9,716	-	32,128
Results from financial transactions	679	7	-	986	54	8,473	3,083	13,282
Remuneration for services rendered	7,842	2,930	3,483	1,595	634	1,951	-	18,435
Other operating income	-2	-	-	116	4,016	925	1,918	6,973
Total other income	**23,529**	**22,793**	**4,629**	**2,697**	**4,747**	**21,065**	**5,001**	**84,461**
Share in the results of associates and subsidiaries	-15	-9,238	-	-	-	-	-	-9,253
Total revenue	**67,217**	**17,134**	**22,087**	**8,933**	**20,514**	**54,554**	**38,220**	**228,659**
Value adjustments on loans and guarantees - additions	-19,910	183	-10,156	-8,638	-6,630	-14,767	-	-59,918
Value adjustments on loans and guarantees - releases	8,053	-303	1,599	2,572	3,749	21,138	-	36,808
Value adjustments on equity investments and associates	-4,217	-12,261	-6,687	-456	-	-12,677	-	-36,298
Total value adjustments	**-16,074**	**-12,381**	**-15,244**	**-6,522**	**-2,881**	**-6,306**	**-**	**-59,408**
Operating expenses	-16,510	-9,670	-8,918	-3,685	-2,893	-9,822	-	-51,498
Total expenses	**-32,584**	**-22,051**	**-24,162**	**-10,207**	**-5,774**	**-16,128**	**-**	**-110,906**
Income tax	-4,664	3,747	832	77	-3,792	-10,816	-9,746	-24,362
Net profit	**29,969**	**-1,170**	**-1,243**	**-1,197**	**10,948**	**27,610**	**28,474**	**93,391**
SEGMENT ASSETS								
Loans (incl. guaranteed by the State)	1,124,046	40,845	341,462	213,308	262,759	602,241	-	2,584,662
Equity investments and investments in associates (excl. associates using equity method)	88,236	519,149	70,320	429	21,709	53,537	-	753,379
Associates using equity method	8,229	33,831	-	-	-	-	-	42,060
Other assets	-	-	-	-	-	-	1,679,178	1,679,178
Total assets	**1,220,511**	**593,825**	**411,782**	**213,737**	**284,468**	**655,778**	**1,679,178**	**5,059,279**

	Financial institutions							
At December 31, 2010	**Excl. investment funds**	**Investment funds**	**Energy**	**Housing**	**Agribusiness food & water**	**Diverse sectors**	**Treasury**	**Total**
Net interest income	**31,197**	**2,492**	**12,416**	**8,656**	**12,944**	**37,201**	**28,194**	**133,100**
Fee and commission income	704	1,024	424	80	649	3,823	-	6,704
Fee and commission expense	-	-	-	-	-	-	-119	-119
Net fee and commission income	**704**	**1,024**	**424**	**80**	**649**	**3,823**	**-119**	**6,585**
Dividend income	3,658	11,124	200	-	-	184	-	15,166
Results from equity investments	14,612	6,121	14,412	-	-	1,195	-	36,340
Results from financial transactions	9	-1	-	135	-148	3,364	2,648	6,007
Remuneration for services rendered	8,540	2,376	3,295	2,237	428	2,380	-	19,256
Other operating income	602	-	-	-	5,738	2,095	287	8,722
Total other income	**27,421**	**19,620**	**17,907**	**2,372**	**6,018**	**9,218**	**2,935**	**85,491**
Share in the results of associates and subsidiaries	1,445	2,765	776	-	428	30	-	5,444
Total revenue	**60,767**	**25,901**	**31,523**	**11,108**	**20,039**	**50,272**	**31,010**	**230,620**
Value adjustments on loans and guarantees – additions	-16,311	7	-6,191	-17,222	-4,485	-12,840	-	-57,042
Value adjustments on loans and guarantees – releases	6,995	-	733	-	13,878	16,943	-	38,549
Value adjustments on equity investments and associates	-524	-6,713	-799	-	-	-2,931	-	-10,967
Total value adjustments	**-9,840**	**-6,706**	**-6,257**	**-17,222**	**9,393**	**1,172**	**-**	**-29,460**
Operating expenses	-16,395	-9,939	-6,491	-3,828	-3,138	-9,998	-	-49,789
Total expenses	**-26,235**	**-16,645**	**-12,748**	**-21,050**	**6,255**	**-8,826**	**-**	**-79,249**
Income tax	-3,986	2,729	-2,276	2,535	-6,596	-9,648	-7,908	-25,150
Net profit	**30,546**	**11,985**	**16,499**	**-7,407**	**19,698**	**31,798**	**23,102**	**126,221**
SEGMENT ASSETS								
Loans (incl. guaranteed by the State)	886,648	46,077	284,307	185,187	240,689	626,097	-	2,269,005
Equity investments and investments in associates (excl. associates using equity method)	91,674	434,393	50,113	176	16,579	49,042	-	641,977
Associates using equity method	5,705	40,505	-	-	-	-	-	46,210
Other assets	-	-	-	-	-	-	1,347,870	1,347,870
Total assets	**984,027**	**520,975**	**334,420**	**185,363**	**257,268**	**675,139**	**1,347,870**	**4,305,062**

Information about products and services

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

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

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

At December 31, 2010	Loans	Equity investments	Guarantees	Remuneration for services rendered	Share in the result of associates and subsidiaries	Other	Total
Income	120,176	52,062	4,923	19,256	-	28,759	225,176
Share in the results of associates and subsidiaries	-	-	-	-	5,444	-	5,444
Total revenue	**120,176**	**52,062**	**4,923**	**19,256**	**5,444**	**28,759**	**230,620**

Information about geographical areas

FMO operates in the following four geographical markets: Africa, Asia, Europe & Central Asia, Latin America & the Caribbean. The allocation of revenues to the markets is based upon the geographical classification of the financing projects. The interest income on interest-bearing securities has been allocated to 'Treasury'.

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

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

At December 31, 2010	Africa	Asia	Europe & Central Asia	Latin America & Caribbean	Non-region specific	Treasury	Total
Income	49,409	50,980	37,216	55,048	-	32,523	225,176
Share in the results of associates and subsidiaries	-2,620	7,331	-	703	-	30	5,444
Total revenue	**46,789**	**58,311**	**37,216**	**55,751**	**-**	**32,553**	**230,620**

Information about major customers

In 2011 and 2010, FMO did not have any customers that individually contributed more than 10% to FMO's total revenues.

Segment reporting by funds managed for the risk of the State

FMO AND FUNDS MANAGED FOR THE RISK OF THE STATE

Apart from making disbursements from its own resources, FMO provides loans, guarantees and equity investments from special government funds, within the conditions and objectives of these facilities. The funds consist of subsidies provided under the General Administrative Law Act and other official third parties. In the case of MASSIF, FMO has an equity stake of 2.66% (2010: 2.66%). In 'related parties', the relationship between the State and FMO regarding these funds and programs is described in detail.

LOANS AND EQUITY MANAGED FOR THE RISK OF THE STATE

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

	2011	2010
Loans	323,536	325,150
Equity investments	222,900	179,861
Total	**546,436**	**505,011**

LOANS MANAGED FOR THE RISK OF THE STATE

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

	2011	2010
MASSIF	139,118	154,000
LDC Infrastructure Fund	152,138	143,408
Access to Energy Fund	32,280	27,742
Total	**323,536**	**325,150**

EQUITY INVESTMENTS MANAGED FOR THE RISK OF THE STATE

The equity investments have been made by the following funds:

	2011	2010
MASSIF	139,007	118,131
LDC Infrastructure Fund	75,239	50,584
European Investment Bank	4,989	5,812
Access to Energy Fund	3,665	5,334
Total	**222,900**	**179,861**

Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured either at fair value or at amortized cost on an ongoing basis. The significant accounting policies summary describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table gives a breakdown of the carrying amounts of the financial assets and financial liabilities by category as defined in IAS 39 and by balance sheet heading.

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

At December 31, 2010	**Held for trading**	**Designated at fair value**	**Loans and receivables at amortized cost**	**Available for sale**	**Financial liabilities at amortized cost**	**Derivatives at fair value used as hedging instruments**	**Other**	**Total**
ASSETS								
Banks	-	-	18,698	-	-	-	-	18,698
Short-term deposits	-	333,175	-	-	-	-	-	333,175
Derivative financial instruments	253,647	1,142	-	-	-	62,190	-	316,979
Loans to the private sector	-	-	2,212,713	-	-	-	-	2,212,713
Loans guaranteed by the State	-	-	56,292	-	-	-	-	56,292
Equity investments	-	-	-	637,802	-	-	-	637,802
Investments in associates	-	-	-	-	-	-	50,385	50,385
Interest-bearing securities	-	-	-	563,710	-	-	-	563,710
Tangible fixed assets	-	-	-	-	-	-	8,492	8,492
Deferred income tax assets	-	-	-	-	-	-	4,197	4,197
Current income tax receivables	-	-	8	-	-	-	-	8
Other receivables	-	-	31,461	-	-	-	-	31,461
Accrued income	-	-	71,150	-	-	-	-	71,150
Total assets	**253,647**	**334,317**	**2,390,322**	**1,201,512**	**-**	**62,190**	**63,074**	**4,305,062**
LIABILITIES AND SHAREHOLDERS' EQUITY								
Short-term credits	-	-	-	-	278,590	-	-	278,590
Derivative financial instruments	44,274	157	-	-	-	-	-	44,431
Debt securities	-	42,311	-	-	9,356	-	-	51,667
Debentures and notes	-	1,672,894	-	-	640,706	-	-	2,313,600
Other liabilities	-	-	-	-	28,638	-	-	28,638
Current accounts with State funds and other programs	-	-	-	-	1,248	-	-	1,248
Wage tax liabilities	-	-	-	-	1,795	-	-	1,795
Deferred income tax liabilities	-	-	-	-	-	-	3,256	3,256
Accrued liabilities	-	-	-	-	50,958	-	-	50,958
Provisions	-	-	-	-	-	-	17,087	17,087
Shareholders' equity	-	-	-	-	-	-	1,513,792	1,513,792
Total liabilities and shareholders' equity	**44,274**	**1,715,362**	**-**	**-**	**1,011,291**	**-**	**1,534,135**	**4,305,062**

Fair value of financial assets and liabilities

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

If a market for a financial instrument is not active, the fair value is established using a valuation technique. Valuation techniques include:
1. recent dealer price quotations
2. discounted cash flow models
3. option-pricing models

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

The carrying values in the financial asset and liability categories approximate their fair values, except private sector loans with a fixed interest rate, and non-hedged funding. Loans to the private sector are valued at amortized cost. The underlying changes to the fair value of these assets are therefore not recognized in the balance sheet. At December 31, 2011, the fair value of these loans was €145,696 (2010: €65,876) 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 €10,987 (2010: €12,187).

FMO uses internal valuation models to value its financial instruments. Due to model imperfections, there are differences between the transaction price and the calculated fair value. These differences are not recorded in the profit and loss at once but are amortized over the remaining maturity of the transactions. Per December 31, 2011, the unamortized accrual amounts to €3,265 (2010: €10,075). An amount of €3,050 was recorded as a loss in the profit and loss (2010: €4,174).

The following table gives an overview of the financial instruments valued at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Please note that the fair value hedges have not been included in the following table.

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

At December 31, 2010	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Short-term deposits	-	333,175	-	333,175
Derivative financial instruments	-	316,979	-	316,979
AVAILABLE FOR SALE FINANCIAL ASSETS				
Equity investments	51,915	-	424,522	476,437
Interest-bearing securities	563,710	-	-	563,710
Total financial assets at fair value	**615,625**	**650,154**	**424,522**	**1,690,301**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivative financial instruments	-	44,431	-	44,431
Debentures and notes	-	36,011	-	36,011
Total financial liabilities at fair value	**-**	**80,442**	**-**	**80,442**

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

Available for sale financial assets: equity investments

	2011	2010
Balance at January 1	**424,522**	**310,721**
Total gains or losses		
• In profit and loss	-12,053	-6,691
• In other comprehensive income	61,344	52,054
Purchases	113,339	91,701
Sales	-63,935	-29,299
Transfers into level 3	22,197	19,994
Transfers out of level 3	-	-13,958
Balance at December 31	**545,414**	**424,522**

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

Notes to the consolidated annual accounts

Notes to the consolidated balance sheet: assets

1. BANKS

	2011	2010
Banks	38,909	14,744
Mandatory reserve deposit with Dutch central bank	3,205	3,954
Total	**42,114**	**18,698**

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

2. SHORT-TERM DEPOSITS

	2011	2010
Collateral delivered	15,750	2,190
Commercial paper	69,246	-
Money market funds	113,794	280,990
Dutch central bank	299,997	49,995
Total	**498,787**	**333,175**

3. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

The increased notionals of derivatives other than hedging instruments are due to the hedging of interest rate and foreign exchange risks for loans in local currencies and funding in currencies other than euros and US dollars. FMO does not apply hedge accounting for these derivatives. FMO does not hold derivatives for trading purposes.

At December 31, 2011, FMO had no structured funding anymore.

The following table summarizes the notional amounts and the fair values of the derivatives designated as fair value hedges.

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

For the year ended December 31, 2011, FMO recognized an ineffectiveness of €0.3 million net profit (2010: €1.0 million net profit) on the fair value hedges. The profit on the hedging instruments amounted to €19.9 million (2010: €12.8 million loss). The loss on hedged items attributable to the hedged risk amounted to €19.6 million (2010: €13.8 million profit).

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

At December 31, 2010	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedging instruments:			
• Currency swaps	272,116	779	-7,909
• Interest rate swaps	265,845	343	-621
• Cross-currency interest rate swaps	2,220,792	246,881	-35,744
Sub-total	**2,758,753**	**248,003**	**-44,274**
Derivatives related to asset portfolio	-	5,644	-
Total derivative assets (/liabilities) other than hedging instruments	**2,758,753**	**253,647**	**-44,274**

At December 31, 2010	Notional amounts	Fair value assets	Fair value liabilities
Derivatives structured:			
• Interest rate swaps	3,738	-	-157
• Cross-currency interest rate swaps	9,196	1,142	-
Total derivative assets (/liabilities) structured	**12,934**	**1,142**	**-157**

At December 31, 2010	Notional amounts	Fair value assets	Fair value liabilities
Derivatives designated as fair value hedges:			
• Interest rate swaps	1,627,121	62,190	-
Total derivatives designated as fair value hedges	**1,627,121**	**62,190**	**-**
Total derivative financial instruments assets (/liabilities)	**4,398,808**	**316,979**	**-44,431**

4. LOANS TO THE PRIVATE SECTOR

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

	2011	2010
Balance at January 1	2,509,157	2,180,567
Disbursements	867,363	586,623
Re-class from equity investments	-4,787	794
Repayments	-545,421	-394,095
Write-offs	-18,433	-5,830
Changes in amortizable fees	-896	-7,797
Changes in fair value	856	-
Exchange rate differences	30,290	148,895
Balance at December 31	**2,838,129**	**2,509,157**
Value adjustments	-316,017	-296,444
Net balance at December 31	**2,522,112**	**2,212,713**

The following table summarizes the loans segmented by sector.

	2011	2010
Financial institutions	1,164,891	932,725
Energy	341,462	284,307
Housing	213,308	185,187
Agribusiness, food & water	218,709	196,886
Diverse sectors	583,742	613,608
Net balance at December 31	**2,522,112**	**2,212,713**

	2011	2010
Gross amount of loans to companies in which FMO has equity investments	189,896	174,634
Gross amount of subordinated loans	496,712	466,736
Gross amount of non-performing loans	97,350	58,571

A loan is classified as non-performing when payments of interest or principal are past due by 90 days or more.

5. LOANS GUARANTEED BY THE STATE

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

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

	2011	2010
Balance at January 1	62,475	51,050
Disbursements	14,821	32,831
Repayments	-8,465	-11,277
Write-offs	-526	-10,897
Changes in amortizable fees	200	185
Exchange rate differences	849	583
Balance at December 31	**69,354**	**62,475**
Value adjustments	-6,804	-6,183
Net balance at December 31	**62,550**	**56,292**

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

	2011	2010
Financial institutions	-	-
Energy	-	-
Housing	-	-
Agribusiness, food & water	44,050	38,064
Diverse sectors	18,500	18,228
Net balance at December 31	**62,550**	**56,292**
Gross amount of subordinated loans	40,479	40,132
Gross amount of non-performing loans	6,139	6,303

6. EQUITY INVESTMENTS

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

	2011	2010
Net balance at January 1	637,802	489,232
Purchases and contributions	179,488	150,153
Re-class to loans	4,787	-794
Re-class from/to associates	-	1,709
Decrease due to loss deconsolidation BanyanTree Growth Capital L.C.C.	-	-1,166
Sales	-86,521	-52,460
Value adjustments	-36,298	-10,967
Changes in fair value	54,108	62,095
Net balance at December 31	**753,366**	**637,802**

	2011	2010
Equity investments at fair value	581,853	476,437
Equity investments at cost less impairment	171,513	161,365
Net balance at December 31	**753,366**	**637,802**

The following table summarizes the equity investments segmented by sector.

	2011	2010
Financial institutions - of which investment funds: €519,136 (2010: €430,218)	607,371	521,892
Energy	70,320	50,113
Housing	429	176
Agribusiness, food & water	21,709	16,579
Diverse sectors	53,537	49,042
Net balance at December 31	**753,366**	**637,802**

7. INVESTMENTS IN ASSOCIATES

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

	2011	2010
Net balance at January 1	50,385	41,577
Purchases and contributions	9,886	7,420
Re-class to/from equity investments	-	-1,709
Re-class from subsidiaries	-	12,346
Sales	-10,134	-15,316
Share in net results	-9,253	4,291
Translation differences	1,189	1,776
Net balance at december 31	**42,073**	**50,385**

	2011	2010
Associates at cost	12	4,175
Associates at equity method	42,061	46,210
Net balance at December 31	**42,073**	**50,385**

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

	Associates at equity method	Associates at cost less impairment	Total
Total assets	106,681	12	106,693
Total liabilities	64,620	-	64,620
Total income	4,643	-	4,643
Total profit/loss	-9,253	-	-9,253

The associates valued at cost less impairment have incurred no cumulative impairment losses (2010: €0).

8. MOVEMENT IN VALUE ADJUSTMENTS

Movement in value adjustments FMO portfolio

	Guarantees	Loans	Total
Balance at January 1, 2010	16,237	275,264	291,501
Additions	11,708	45,551	57,259
Reversals	-1,924	-38,112	-40,036
Exchange rate differences	1,474	19,571	21,045
Write-offs	-	-5,830	-5,830
Balance at December 31, 2010	**27,495**	**296,444**	**323,939**
Additions	-	59,592	59,592
Reversals	-13,791	-22,877	-36,668
Exchange rate differences	-160	1,291	1,131
Write-offs	-	-18,433	-18,433
Balance at December 31, 2011	**13,544**	**316,017**	**329,561**

Movement in value adjustments on loans guaranteed by the State

	2011	2010
Balance at January 1	6,183	14,494
Additions	1,287	3,000
Reversals	-140	-414
Write-offs	-526	-10,897
Balance at December 31	**6,804**	**6,183**

FMO's own risk participation with regard to FOM (5% to 20%) is not guaranteed. The guaranteed part is recorded under other receivables (see note 11), and this amounts to €961 (2010: €2,161) for the value adjustment recognized in 2011.

9. INTEREST-BEARING SECURITIES

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

	2011	2010
Bonds (listed)	666,660	558,709
Private loans	4,918	5,001
Balance at December 31	**671,578**	**563,710**

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

	2011	2010
Balance at January 1	563,710	629,567
Amortization premiums/discounts	-2,089	-1,042
Purchases	130,845	152,424
Sale and redemption	-26,129	-220,346
Revaluation	5,241	3,107
Balance at December 31	**671,578**	**563,710**

The interest-bearing securities have been issued by.

	2011	2010
Private parties:		
• Credit institutions	521,169	471,041
• Other	41,821	43,350
Public bodies	108,588	49,319
Balance at December 31	**671,578**	**563,710**

10. TANGIBLE FIXED ASSETS

	Furniture	ICT equipment	Leasehold improvement	Land and buildings due to business combination	Total 2011	Total 2010
Historical cost price at January 1	6,258	22,251	870	5,026	34,405	33,194
Accumulated depreciation at January 1	-5,646	-19,544	-723	-	-25,913	-23,133
Balance at January 1	**612**	**2,707**	**147**	**5,026**	**8,492**	**10,061**
Decrease historical cost price due to sale subsidiary TCX Investment Management Company B.V.	-	-	-	-	-	-93
Decrease accumulated depreciation due to subsidiary TCX Investment Management Company B.V.	-	-	-	-	-	15
Investments	331	1,432	9	1,105	2,877	1,304
Depreciation	-238	-1,259	-47	-347	-1,891	-2,795
Accumulated depreciation on divestments	5	19,346	711	-	20,062	-
Divestments historical cost price	-138	-19,263	-756	-	-20,157	-
Balance at December 31	**572**	**2,963**	**64**	**5,784**	**9,383**	**8,492**
Historical cost price at December 31	6,451	4,420	123	6,131	17,125	34,405
Accumulated depreciation at December 31	-5,879	-1,457	-59	-347	-7,742	-25,913
Balance at December 31	**572**	**2,963**	**64**	**5,784**	**9,383**	**8,492**

The land, buildings and equipment due to business combinations (€5,784) relate to Blauser S.A.

11. OTHER RECEIVABLES

	2011	2010
Debtors related to sale of equity investments	2,231	997
Taxes and social premiums	380	378
To be declared on State guaranteed loans	5,948	6,707
Accrued management fees State funds	4,235	4,106
Other receivables	20,102	19,273
Balance at December 31	**32,896**	**31,461**

12. ACCRUED INCOME

	2011	2010
Accrued interest on loans	37,828	31,464
Accrued interest on swaps and other assets	43,983	39,686
Other accrued income	305	-
Balance at December 31	**82,116**	**71,150**

Notes to the consolidated balance sheet: liabilities

13. SHORT-TERM CREDITS

	2011	2010
Collateral received	296,880	231,431
Deposits placed by financial institutions	260,780	47,159
Short-term credits	**557,660**	**278,590**

14. DEBT SECURITIES

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

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

	2011	2010
Balance at January 1	51,667	50,937
Amortization of premiums/discounts	-2,631	1,253
Proceeds from issuance	681	3,910
Redemptions	-27,335	-3,415
Changes in fair value	-887	-1,018
Exchange rate differences	934	-
Balance at December 31	**22,429**	**51,667**

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

	2011	2010
Debt securities valued at fair value under hedge accounting	15,622	42,311
Debt securities valued at amortized costs	6,807	9,356
Balance at December 31	**22,429**	**51,667**

The nominal amounts of the debt securities are as follows:

	2011	2010
Debt securities valued at fair value under hedge accounting	10,289	34,140
Debt securities valued at amortized costs	6,807	9,356
Balance at December 31	**17,096**	**43,496**

15. DEBENTURES AND NOTES

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

	2011	2010
Balance at January 1	2,313,600	2,129,554
Amortization of premiums/discounts	2,964	7,248
Proceeds from issuance	460,556	432,888
Redemptions	-247,969	-484,348
Changes in fair value	22,193	-4,162
Exchange rate differences	104,767	232,420
Balance at December 31	**2,656,111**	**2,313,600**

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

	2011	2010
Debentures and notes valued at fair value under the fair value option	-	36,011
Debentures and notes valued at fair value under hedge accounting	1,919,296	1,636,883
Debentures and notes valued at amortized costs	736,815	640,706
Balance at December 31	**2,656,111**	**2,313,600**

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

	2011	2010
Debentures and notes valued at fair value under the fair value option	-	35,923
Debentures and notes valued at fair value under hedge accounting	1,845,135	1,566,404
Debentures and notes valued at amortized costs	736,815	640,706
Balance at December 31	**2,581,950**	**2,243,033**

16. OTHER LIABILITIES

	2011	2010
Amortized costs related to guarantees	644	881
Liabilities for guarantees	13,544	27,495
Other liabilities	-	262
Balance at December 31	**14,188**	**28,638**

17. CURRENT ACCOUNTS WITH STATE FUNDS AND OTHER PROGRAMS

	2011	2010
Current account MASSIF	-	4
Current account European Investment Bank	624	1,244
Balance at December 31	**624**	**1,248**

18. ACCRUED LIABILITIES

	2011	2010
Accrued interest on banks, debt securities and debentures and notes	45,049	40,292
Other accrued liabilities	10,050	10,666
Balance at December 31	**55,099**	**50,958**

19. PROVISIONS

The amounts recognized in the balance sheet are as follows:

	2011	2010
Pension schemes	16,141	16,704
Other provisions	52	383
Balance at December 31	**16,193**	**17,087**

Pension schemes

FMO has established a number of pension schemes covering all its employees. Most of the pension schemes are average salary-defined benefit plans. FMO has outsourced the management of the pension assets to an asset manager. FMO has agreed strict guidelines with the asset manager. The assets of the funded plans are held independently of FMO's assets by the insurance company in separately administered funds. Independent actuaries value the schemes every year using the projected unit credit method. The latest actuarial valuations were carried out as per December 31, 2011.

The amounts recognized in the balance sheet are as follows:

	2011	2010
Present value of funded defined benefit obligations	88,224	83,344
Fair value of plan assets	-88,531	-74,023
	-307	**9,321**
Unrecognized actuarial gains/(losses)	16,448	7,383
Liability in the balance sheet	**16,141**	**16,704**

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

	2011	2010
Fair value at January 1	-74,023	-61,087
Expected return on plan assets	-3,795	-3,520
Employer contribution	-3,924	-4,529
Plan participants' contributions	-906	-860
Actuarial (gains)/losses	-7,670	-5,673
Benefits paid	1,787	1,646
Fair value at December 31	**-88,531**	**-74,023**

Determination of expected return on assets

An important element for financial reporting is the assumption for return on assets (ROA). The ROA is updated at least annually, taking into consideration the pension plan's asset allocation, historical returns on the types of assets held in the fund and the current economic environment. Based on these factors, it is expected that the fund's assets will earn an average percentage per year over the long term. This estimate takes into account a deduction for administrative expenses and investment manager's fees paid from the fund. For estimation purposes, it is assumed the long-term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the plan, and the need for future cash contributions. The actual return on plan assets was 14.4% (2010: 14.3%).

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

	2011 (%)	2010 (%)
Equities	19	23
Fixed income	81	77
	100	**100**

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

	2011	2010
Present value at January 1	83,344	69,115
Service cost	4,442	3,817
Interest cost	3,883	3,620
Actuarial (gains)/losses	-1,658	8,438
Benefits paid	-1,787	-1,646
Present value at December 31	**88,224**	**83,344**

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

	2011	2010
Current service cost	4,817	4,597
Interest cost	3,883	3,620
Actuarial (gains) / losses	-	-428
Expected return on plan assets	-3,795	-3,520
	4,905	**4,269**
Contribution by plan participants	-906	-860
Total annual expense	**3,999**	**3,409**

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

	2011	2010
Balance at January 1	16,704	18,545
Annual expense	3,999	3,409
Contributions paid	-4,092	-4,706
Other payments	-470	-544
Balance at December 31	**16,141**	**16,704**

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

	2011 (%)	2010 (%)
Discount rate	4.5	4.5
Expected return on plan assets	4.9	5.0
Expected long-term wage inflation	2.0	2.0
Future pension increases	2.1	2.0

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

Other provisions

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

	2011	2010
Balance at January 1	383	120
Addition	52	383
Release	-8	-74
Paid out	-375	-46
Balance at December 31	**52**	**383**

20. SHAREHOLDERS' EQUITY

Share capital

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

	2011	2010
AUTHORIZED SHARE CAPITAL		
1,020,000 A shares x €22.69	23,144	23,144
980,000 B shares x €22.69	22,236	22,236
Balance at December 31	**45,380**	**45,380**
ISSUED AND PAID-UP SHARE CAPITAL		
204,000 A shares x €22.69	4,629	4,629
196,000 B shares x €22.69	4,447	4,447
Balance at December 31	**9,076**	**9,076**

Share premium reserve

	2011	2010
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State at the time of the financial restructuring	8,061	8,061
Share premium reserve shareholder B, contributed on the transfer to the company of investments administered on behalf of the State on the financial restructuring	21,211	21,211
Balance at December 31	**29,272**	**29,272**

Other reserves

Dividend distributed in 2011 to shareholders of A shares and B shares was equal and amounted to €4.66 (2010: €3.81) per share.

Contractual reserve

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

Development fund

This special purpose reserve contains the allocation of risk capital provided by the State to finance the portfolio of loans and equity investments. In 2005, FMO received the final contribution (€37,260) to the development fund under the Agreement State-FMO of November 16, 1998.

Available for sale reserve

	Equity investments	Interest-bearing securities	Total available for sale reserve
Balance at January 1, 2010	46,494	7,194	53,688
Fair value changes	54,591	3,960	58,551
Foreign exchange differences	18,436	-	18,436
Transfers due to sale	-15,963	-853	-16,816
Transfers due to impairment	5,031	-	5,031
Tax effect	-	-793	-793
Balance at December 31, 2010	**108,589**	**9,508**	**118,097**
Fair value changes	60,201	5,241	65,442
Foreign exchange differences	12,224	-	12,224
Transfers due to sale	-22,103	-	-22,103
Transfers due to impairment	3,786	-	3,786
Tax effect	-	-1,245	-1,245
Balance at December 31, 2011	**162,697**	**13,504**	**176,201**

Included in the available for sale reserve is an amount of €10,136 (2010: €178) for fair value changes in equity investments that were previously impaired.

Translation reserve

	2011	2010
Balance at January 1	2,295	552
Change	1,209	1,565
Release due to sale	-	178
Balance at December 31	**3,504**	**2,295**

Non-controlling interests

Blauser S.A.	2011	2010
Balance at January 1	174	-
Acquisition by third party of non-controlling share	-13	8
Share in net profit	289	166
Currency translation movement	-29	-
Balance at December 31	**421**	**174**

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

21. INTEREST

Interest income

	2011	2010
Interest on loans valued at amortized cost	173,491	159,556
Interest on banks	-235	316
Interest on short-term deposits	2,245	928
Interest on available for sale interest-bearing securities	19,200	19,898
Total interest income	**194,701**	**180,698**

Included in the interest on loans is €9,455 (2010: €11,760) related to loans for which value adjustments have been recorded.

Interest expense

	2011	2010
Interest on debt securities valued at fair value	-1,512	-2,116
Interest on debt securities valued at amortized cost	-699	-452
Interest on debentures and notes valued at fair value	-38,511	-42,023
Interest on debentures and notes valued at amortized cost	-14,098	-8,715
Interest on derivatives	10,011	6,391
Interest on short-term credits	-2,924	-683
Total interest expense	**-47,733**	**-47,598**

22. NET FEE AND COMMISSION INCOME

	2011	2010
Prepayment fees	823	291
Other fees (like arrangement, cancellation and waiver fees)	5,825	6,413
Total fee and commission income	**6,648**	**6,704**
Charges for the early repayment of debt securities	-165	-119
Total fee and commission expense	**-165**	**-119**
Net fee and commission income	**6,483**	**6,585**

23. RESULTS FROM EQUITY INVESTMENTS

	2011	2010
Result from the sale of equity investments at cost	8,440	9,597
Result from the sale of equity investments at fair value	23,831	17,524
Result from the sale of associates	-143	9,219
Total results from equity investments	**32,128**	**36,340**

The carrying amount of the equity investments valued at cost at the time of sale was €18,717 (2010: €18,207). The carrying amount of the equity investments valued at fair value at the time of sale was €67,804 (2010: €34,254). The release from the available for sale reserve at the time of the sale of equity investments at fair value was €22,103 (2010: €15,963); as a result the net result from sale of equity investments at fair value amounted to a gain of €1,728 (2010: gain of €1,561).

24. RESULTS FROM FINANCIAL TRANSACTIONS

	2011	2010
Result on valuation of hedged items	-19,605	13,792
Result on sale and valuation of derivatives designated at fair value (hedging instruments)	19,857	-12,770
	252	**1,022**
Result on sale and valuation of derivatives designated at fair value	41	3,429
Result on sale and valuation of medium-term notes	65	-2,402
	106	**1,027**
Result on sale and valuation of derivatives held for trading1)	2,712	-2,786
Result on sale and valuation of embedded derivatives related to asset portfolio	9,064	7,935
Result on sale of interest-bearing securities	-	1,043
Foreign exchange results	1,256	-2,207
Other	-108	-27
Total results from financial transactions	**13,282**	**6,007**

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

25. REMUNERATION FOR SERVICES RENDERED

	2011	2010
Funds and programs managed on behalf of the State:		
> MASSIF	10,508	9,531
> Infrastructure Development Fund	3,696	3,488
> Capacity Development	900	1,900
> Access to Energy Fund	1,836	1,506
NIO	-	650
Syndication fees, remuneration from directorships and others	1,495	2,181
Total remuneration for services rendered	**18,435**	**19,256**

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

26. OTHER OPERATING INCOME

	2011	2010
Interest on corporate tax	1,981	287
Other operating income	4,992	8,435
Total other operating income	**6,973**	**8,722**

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

27. STAFF COSTS

	2011	2010
Salaries	-23,822	-23,107
Social security costs	-2,486	-2,210
Pension costs	-3,999	-3,409
Temporaries	-1,398	-1,407
Travel and subsistence allowances	-3,079	-2,802
Other personnel expenses	-4,290	-4,308
Total staff costs	**-39,074**	**-37,243**

The number of FTEs at December 31, 2011 amounted to 294 (2010: 274 FTEs).

28. OTHER ADMINISTRATIVE EXPENSES

	2011	2010
Other administrative expenses	**-10,393**	**-9,681**

These expenses consist of services from third parties and other operational expenses. The remuneration paid to the Supervisory Board is included in these expenses. At December 31, 2011, the Supervisory Board consisted of six members (2010: seven). The members of the Supervisory Board were paid a total remuneration of €125 (2010: €130).

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

Fee charged by auditors	2011	2010
Statutory audit of annual accounts	209	214
Other assurance services	105	80
Tax advisory services	-	-
Other non-audit services	10	-
Total	**324**	**294**

29. OTHER OPERATING EXPENSES

	2011	2010
Other operating expenses	**-140**	**-70**

The other operating expenses relate mainly to bank charges.

30. INCOME TAXES

Income tax by type

	2011	2010
Current income taxes	-23,847	-24,872
Deferred income taxes	-515	-278
Total income tax	**-24,362**	**-25,150**

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

	2011	2010
Profit before taxation	117,753	151,371
Income taxes at statutory rate of 25.0% (2010: 25.5%)	-29,438	-38,600
Increase/decrease resulting from:		
• Settlement with local withholding taxes	1,434	1,147
• Non-taxable income and expense (participation exemption facility)	3,867	11,702
• Tax adjustments to prior periods	-52	615
• Other	-173	-14
Income tax	**-24,362**	**-25,150**
Effective income tax rate	20.7%	16.6%

Current income tax receivables

The company paid €28,246 (2010: €2,525) to tax authorities. The remaining current income tax receivables amount to €4,560 (2010: €8). Per year-end 2011 there were no unused tax losses and unused tax credits amount to €496 (2010: €849).

Deferred tax

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

	2011	2010
DEFERRED TAX ASSETS		
Pension provision	3,204	3,371
Depreciation fixed assets	478	826
Total deferred tax assets	**3,682**	**4,197**
DEFERRED TAX LIABILITIES		
Fair value measurement of interest-bearing securities	-4,501	-3,256
Total deferred tax liabilities	**-4,501**	**-3,256**
Net balance at December 31	**-819**	**941**

Off-balance sheet information

31. COMMITMENTS AND CONTINGENT LIABILITIES

The company issued guarantees regarding principal and interest repayments for a number of projects. The nominal amount of the guarantees is valued at the exchange rate as per December 31, 2011 and December 31, 2010.

	2011	**2010**
CONTINGENT LIABILITIES		
Effective guarantees issued	129,489	143,202
Less: provisions, amortized costs and obligations for guarantees (presented under other liabilities)	-14,188	-28,376
Total contingent liabilities	**115,301**	**114,826**
Effective guarantees received	-97,407	-59,964
Total net contingent liabilities	**17,894**	**54,862**

Of the liabilities for guarantees €0 (2010: €0) is covered by a counter guarantee of the State.

	2011	**2010**
IRREVOCABLE FACILITIES		
Contractual commitments for disbursements of:		
• Loans	738,348	646,137
• Equity investments	380,468	408,916
• Contractual commitments for guarantees	69,940	81,865
Total irrevocable facilities	**1,188,756**	**1,136,918**

32. LEASE AND RENTAL COMMITMENTS

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

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

2010	**≤ 1 year**	**>1 - ≤ 5 years**	**> 5 years**	**Total**
Buildings	2,215	9,167	11,058	22,440
Cars	592	582	-	1,174
Total lease and rental commitments	**2,807**	**9,749**	**11,058**	**23,614**

33. RELATED PARTIES

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

Dutch State

The Dutch State holds 51% of FMO's share capital. The remaining 49% is held by banks and others. In 2005, FMO received its last contribution to the development fund from the Dutch State for the amount of €37,260. FMO has a guarantee provision from the State, which is detailed in 'other information'.

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

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

1. *MASSIF*
   MASSIF extends risk capital and local currency financing to financial intermediaries in developing countries who in turn serve micro- and small-scale entrepreneurs and lower income households. FMO has a 2.66% (2010: 2.66%) stake in this fund. For 2011, FMO received a fixed remuneration of €10,508.
2. *Infrastructure Development Fund*
   Through this fund, FMO concentrates on the development of the social and economic infrastructure in least developed countries. FMO aims to stimulate private investors to invest in private or public-private infrastructure projects in these countries. By providing risk capital, the Infrastructure Development Fund decreases risk for other financiers. As a result, additional private funds are attracted. For 2011, FMO received a fixed remuneration of €3,696 in accordance with the subsidy order.
3. *Capacity Development (CD)*
   The CD program provides clients with financial support to realize their internal business endeavors in areas such as management development, organizational development, corporate governance, environmental and social performance and product development. The program was financed by the Dutch Minister for Development Cooperation and ran from 2006 through 2011. In line with the recent evaluation of the CD program, it is the intention of both the Ministry and FMO to continue the CD program through 2015, mainly benefitting MASSIF and FMO-A clients. For 2011, FMO received a fixed remuneration of €900.
4. *Access to Energy Fund (AEF)*
   FMO agreed with the Dutch Minister for Development Cooperation to execute the subsidy scheme, Access to Energy Fund. Through this fund, FMO provides risk and concessional financing through equity, local currency loans, subordinated debt and grants to facilitate projects that generate, transmit or distribute sustainable energy. For 2011, FMO received a fixed remuneration of €1,836.

Subsidiaries

The consolidated subsidiaries FMO Antillen N.V. and Nuevo Banco Comercial Holding B.V. are used for intermediate holding purposes. The consolidated subsidiary Blauser S.A. is an Ecuadorian fruit processor and exporter.

During 2011, FMO's stake in Blauser S.A. increased from 63.125% to 70.500%.

The transactions during the year are summarized in note 3 of the company balance sheet. At December 31, 2011, FMO has a loan exposure to Blauser S.A. of €8,452 (2010: €5,738).

Remuneration of the Management Board

On December 31, 2011, the Management Board consisted of three statutory members (2010: three). The members of the Management Board have no shares, options or loans related to the company. The performance-related pay shown in the following table relates to the performance year and not to the year in which they are paid. Payments regarding the general profit-sharing scheme, social security, company car and life-course savings scheme are included in other instead of fixed remuneration and performance-related pay.

The total remuneration of the Management Board in 2011 amounts to €1,105 (2010: €1,122) and is specified as follows:

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

	Fixed remuneration 3)	Performance-related pay	Pension	Other 2)	Total 2010
Nanno Kleiterp	263	58	93	40	454
Nico Pijl	177	45	80	33	335
Jurgen Rigterink	201	45	41	46	333
Total	**641**	**148**	**214**	**119**	**1,122**

1) The reported performance-related pay related to 2011 will be partly deferred in line with the guidelines on remuneration policies and practices.
2) Includes contributions to company car, fixed expense allowance, general profit-sharing, life-course savings scheme, compensation of interest on mortgages, compensation for the return of allowances (ADV), and anniversary benefits. This is in line with the general fringe benefits within FMO.
3) Nico Pijl's fixed remuneration includes a six-week unpaid leave in 2010.

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

	Remuneration 2011	Committees 2011	Total 2011	Total 2010
Jean Frijns 2), *Chairman*	19.8	5.0	24.8	12.5
Rein Willems	15.0	3.0	18.0	18.0
Bert Bruggink	15.0	4.0	19.0	19.0
Dolf Collee	15.0	3.0	18.0	18.0
Agnes Jongerius	15.0	2.0	17.0	17.0
Pier Vellinga	15.0	3.0	18.0	18.0
Willy Angenent 1)	8.2	1.8	10.0	27.5
Total	**103.0**	**21.8**	**124.8**	**130.0**

1) Willy Angenent resigned his position in May 2011
2) Jean Frijns was appointed to the Supervisory Board in 2010, and appointed as chairman of the Supervisory Board in May 2011

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

Notes to the consolidated statement of comprehensive income

34. OTHER COMPREHENSIVE INCOME

Other comprehensive income

		2011		2010
Exchange differences on translating foreign operations		1,209		1,743
Available for sale interest-bearing securities:				
• Unrealized results during the year	5,241		5,154	
• Less: reclassification adjustments for results included in profit and loss	-		-2,047	
Total available for sale interest-bearing securities		**5,241**		**3,107**
Available for sale equity investments:				
• Unrealized results during the year	60,201		54,591	
• Foreign exchange results	12,224		18,436	
• Reclassification adjustments for results included in profit and loss	-18,317		-10,932	
Total available for sale equity investments		**54,108**		**62,095**
Total other comprehensive income before tax		**60,558**		**66,945**
Tax effect		-1,245		-793
Balance at December 31		**59,313**		**66,152**

Tax effects relating to each component of other comprehensive income

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

	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	1,743	-	1,743
Available for sale interest-bearing securities	3,107	-793	2,314
Available for sale equity investments	62,095	-	62,095
Balance at December 31, 2010	**66,945**	**-793**	**66,152**

Notes to the consolidated statement of cash flows

The consolidated cash flow statement shows the sources of liquidity that became available during the year and the application of this liquidity. The liquidity is measured by the balance sheet accounts ‘banks’ and ‘short-term deposits’. The cash flows are broken down according to operational, investing and financing activities. The cash flow statement is prepared using the indirect method. The consolidated cash flow statement has been adjusted for presentation purposes; several line items have been aggregated. The comparative figures have been adjusted accordingly.

35. NET CASH FLOW FROM OPERATIONAL ACTIVITIES

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

36. 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.

37. NET CASH FLOW FROM FINANCING ACTIVITIES

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

Company annual accounts

Accounting policies

Activities

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

ABBREVIATED INCOME STATEMENT

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

Significant accounting policies

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

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

REFERENCE TO THE CONSOLIDATED ANNUAL ACCOUNTS

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

ESTIMATES AND ASSUMPTIONS

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

Company balance sheet at December 31

(before profit appropriation)	Notes	Page number	2011	2010
ASSETS				
Banks			29,987	16,352
Short-term deposits			498,633	333,025
Derivative financial instruments			334,062	316,979
Loans to the private sector			2,530,564	2,218,451
Loans guaranteed by the State			62,550	56,292
Equity investments	(1)	136	753,366	630,205
Investments in associates	(2)	136	41,061	49,503
Interest-bearing securities			671,578	563,710
Subsidiaries	(3)	136	15,438	11,727
Tangible fixed assets			3,599	3,466
Deferred income tax assets			3,682	4,197
Current income tax receivables			4,560	8
Current accounts with State funds and other programs			-	-
Other receivables			27,216	27,528
Accrued income			82,116	71,150
Total assets			**5,058,412**	**4,302,593**
LIABILITIES				
Short-term credits			557,660	278,590
Derivative financial instruments			66,038	44,431
Debt securities			22,429	49,118
Debentures and notes			2,656,111	2,313,600
Other liabilities			15,051	29,904
Current accounts with State funds and other programs			624	1,248
Wage tax liabilities			1,846	1,795
Deferred income tax liabilities			4,501	3,256
Accrued liabilities			53,909	50,012
Provisions			16,074	17,021
Total liabilities			**3,394,243**	**2,788,975**
SHAREHOLDERS’ EQUITY				
Share capital			9,076	9,076
Share premium reserve			29,272	29,272
Contractual reserve			753,989	665,173
Development fund			657,981	657,981
Available for sale reserve			176,201	118,097
Translation reserve			3,504	2,295
Other reserves			29,860	25,515
Undistributed profit			4,286	6,209
Total shareholders’ equity	(4)	137	**1,664,169**	**1,513,618**
Total liabilities and shareholders’ equity			**5,058,412**	**4,302,593**
Contingent liabilities			115,301	114,826
Irrevocable facilities			1,188,756	1,136,918

Company profit and loss account

	Notes	Page number	2011	2010
Profit after taxation			89,435	124,605
Income from subsidiaries, after tax	(3)	136	3,667	1,450
Net profit			**93,102**	**126,055**

Notes to the company annual accounts

Notes to the specific items of the balance sheet

1. EQUITY INVESTMENTS

	2011	2010
Balance at January 1	630,205	480,288
Purchases and contributions	179,488	150,134
Re-class to loans	4,787	-794
Re-class from/to associates	-	1,709
Sales	-78,924	-52,260
Value adjustments	-36,298	-10,967
Changes in fair value	54,108	62,095
Balance at December 31	**753,366**	**630,205**

	2011	2010
Equity investments at fair value	581,853	476,437
Equity investments at cost less impairment	171,513	153,768
Balance at December 31	**753,366**	**630,205**

2. INVESTMENTS IN ASSOCIATES

	2011	2010
Balance at January 1	49,503	40,695
Purchases and contributions	9,775	7,420
Re-class to/from equity investments	-	-1,709
Re-class from subsidiaries	-	12,346
Sales	-10,134	-15,316
Share in net results	-9,248	4,363
Translation differences	1,165	1,704
Balance at December 31	**41,061**	**49,503**

3. SUBSIDIARIES

	2011	2010
Balance at January 1	11,727	18,342
Purchases and contributions	-	4,238
Sales and repayment of capital	-	-396
Share in results	3,667	1,450
Re-class to associates	-	-12,346
Dividends declared	-	-30
Share in available for sale reserve	-	241
Translation differences	44	228
Balance at December 31	**15,438**	**11,727**

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

1. Nuevo Banco Comercial Holding B.V.: 100%.
2. FMO Antillen N.V.: 100%.
3. Blauser S.A.: 70.5%.

The following table summarizes the carrying value of the subsidiaries.

	2011	2010
Nuevo Banco Comercial Holding B.V.	12,272	9,282
FMO Antillen N.V.	2,159	2,149
Blauser S.A.	1,007	296
Balance at December 31	**15,438**	**11,727**

During 2011, FMO's stake in Blauser S.A. increased from 63.125% to 70.5%.

4. SHAREHOLDERS' EQUITY

Share capital

The authorized capital amounts to €45,380, consisting of 51% A shares of €22.69 each, which are held only by the State, and 49% B shares, also of €22.69 each, which are held by private investors. The voting rights for A shares and B shares are equal.

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

	2011	2010
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
	45,380	**45,380**

	2011	2010
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
	9,076	**9,076**

Share premium reserve

	2011	2010
Share premium reserve shareholder A, contributed on the transfer to the company of investments administered on behalf of the State on the financial restructuring	8,061	8,061
Share premium reserve shareholder B, contributed on the transfer to the company of investments administered on behalf of the State on the financial restructuring	21,211	21,211
	29,272	**29,272**

Contractual reserve

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

Development fund

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

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

The following table shows the components of the available for sale reserve at December 31, 2011 and December 31, 2010.

	2011	2010
GROSS GAINS AND LOSSES IN THE AFS RESERVE		
Equity investments at fair value	162,697	108,589
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	21,269	12,768
	183,966	**121,357**
DEFERRED TAXES ON GAINS AND LOSSES		
Equity investments at fair value	-	-
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	-7,765	-3,260
	-7,765	**-3,260**
NET GAINS AND LOSSES IN THE AFS RESERVE		
Equity investments at fair value	162,697	108,589
Share in AFS reserve subsidiary	-	-
Interest-bearing securities at fair value	13,504	9,508
	176,201	**118,097**

The statement of changes in the shareholders' equity details the movements in the available for sale reserve during 2011. The statement is included in the consolidated annual accounts.

Other reserves
Dividend distributed to shareholders of A shares and B shares is equal.

Other information

Provision in the Articles of Association concerning the appropriation of profit

The provision and the appropriation of the net profit is based upon the Articles of Association and the Agreement State-FMO of November 16, 1998.

The General Meeting will determine which portion of the result of a financial year is reserved or in which way a loss will be incorporated, as well as the appropriation of the remaining profit, with regard to which the Supervisory Board and the Management Board can make a non-binding proposal in accordance with the provision and dividend policy adopted by the General Meeting, taking into account the relevant provisions in the Agreement State-FMO of November 16, 1998.

PROPOSAL FOR APPROPRIATION OF PROFIT

A company net profit of €93,102 was recorded in 2011. Under the Agreement State-FMO of November 16, 1998, FMO is required to add €88,816 to the contractual reserve. Therefore this profit is not distributable. The distributable element of the net profit amounts to €4,286 (2010: €6,209). The Management Board and the Supervisory Board propose distributing a sum of €2,143 (2010: €1,864) as cash dividend €5.36 per A and B share (2010: €4.66 per A and B share) and to add the remaining amount of €2,143 to the other reserves.

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

ARTICLE 7: MAINTENANCE OBLIGATIONS IN THE EVENT OF DEPLETION OF GENERAL RISKS RESERVE (GRR) FUND AND INADEQUATE COVER FOR EXCEPTIONAL OPERATING RISKS

7.1 To determine whether FMO has grounds for invoking the maintenance obligation (the 'State's Maintenance Obligation') as referred to in Article 7.2.1, the losses incurred by FMO as referred to in Article 7.2.2, as shown by the annual accounts drawn up for the relevant year in accordance with generally accepted accounting principles and in conformity with Part 9 of Book 2 of the Netherlands Civil Code and duly adopted by the competent corporate body, shall first be charged to the GRR fund.

7.2.1 The State undertakes vis-à-vis FMO to defray losses on its operations pursuant to Article 3.1 and 3.2 of this Agreement, as determined in Article 7.2.2, to the extent that such risks have not been covered by specific value adjustments and/or compensation and/or insurance benefits received or yet to be received, provided that:
a) the amount of such losses exceeds the size of the GRR fund as at December 31 of the year in which these losses were incurred; and
b) the inadequacy of the cover for general value adjustments under the GRR fund is due to abnormal operating risks, such as unforeseen political difficulties in, or transfer problems with, particular countries or the collapse of the world economy or a regional economy.

7.2.2 The parties shall consult together to determine the magnitude of such losses. Should they fail to agree, FMO's auditors and an auditor designated by the State shall make a reasonable and equitable calculation of the losses in accordance with generally accepted accounting principles.

7.3 If the circumstances arise as described in Article 7.2.1, under a) and b) and FMO requests the State to fulfill its obligations as referred to in Article 7.2, this shall give rise to a claim against the State, which shall be duly acknowledged by the State, on the first business day of the first financial year following the date of the request. Such request shall be in writing.

ARTICLE 8: OTHER FINANCIAL SECURITY OBLIGATIONS

8.1 Without prejudice to the other provisions in this Agreement, the State shall prevent situations arising in which FMO is unable to meet the following (comprehensive enumerated) commitments on time: FMO's commitments in respect of:
(i) loans raised in the capital market;
(ii) short-term funds raised on the money market with maturities of two years or less;
(iii) swap agreements involving the exchange of principal and payment of interest;
(iv) swap agreements not involving the exchange of principal but with interest payment;
(v) foreign exchange forward contracts and forward rate agreements (FRAs);
(vi) option and futures contracts;
(vii) combinations of the products referred to in (i) to (vi);
(viii) guarantees provided by FMO to third parties in respect of the financing of private companies in developing countries;
(ix) commitments relating to the maintenance of an adequate organization.

NOTES TO THE GUARANTEE PROVISION

The GRR fund referred to in Article 7 is defined in Article 6 of the Agreement State-FMO of November 16, 1998, and consists of the share premium reserve of €21,211 plus the group-specific provision (formerly the general value adjustments) and the contractually required reserve. On December 31, 2011, the fund amounted (rounded) to €999,444 (2010: €876,622).