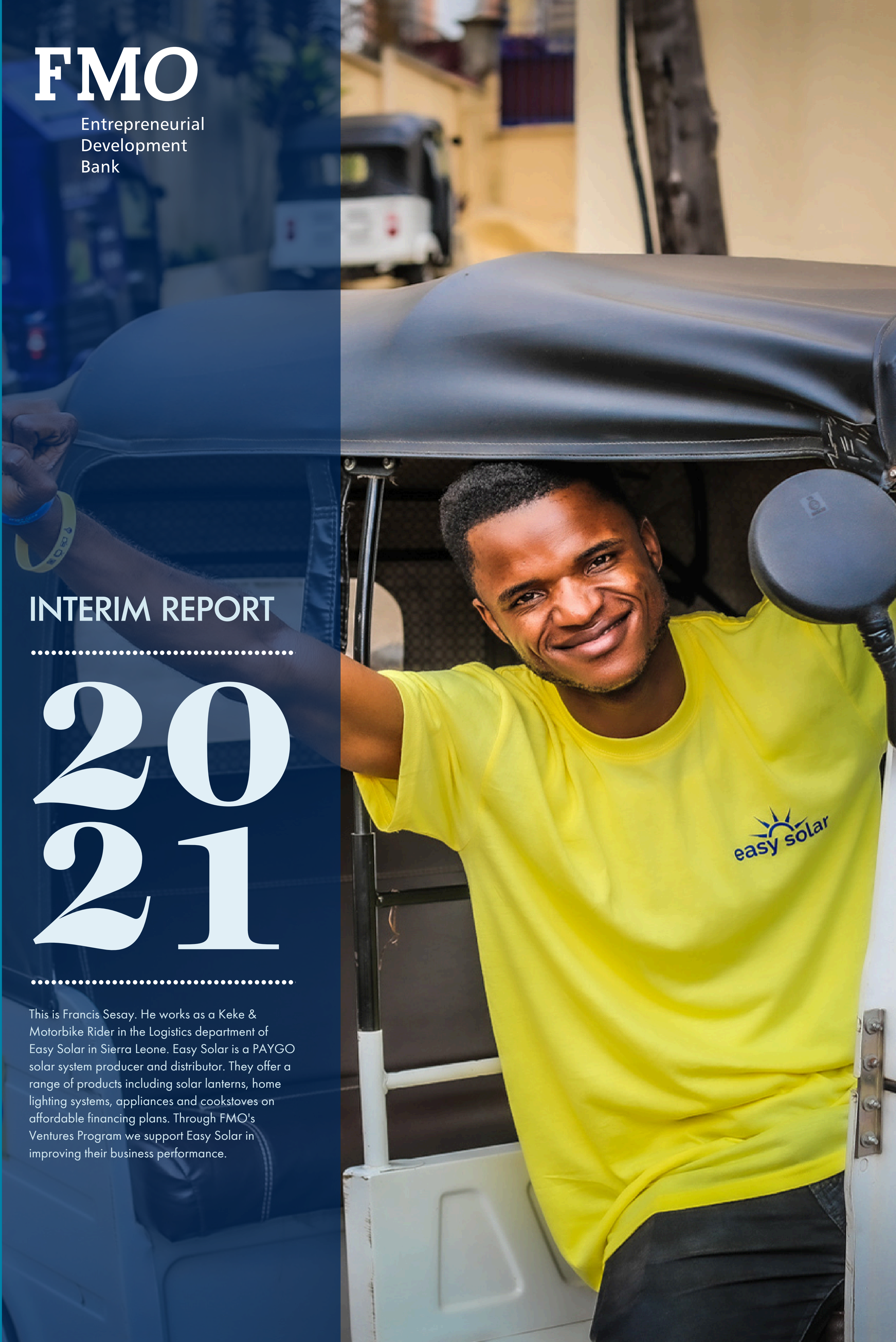
FMO

Entrepreneurial
Development
Bank

INTERIM REPORT

2021



This is Francis Sesay. He works as a Keke & Motorbike Rider in the Logistics department of Easy Solar in Sierra Leone. Easy Solar is a PAYGO solar system producer and distributor. They offer a range of products including solar lanterns, home lighting systems, appliances and cookstoves on affordable financing plans. Through FMO's Ventures Program we support Easy Solar in improving their business performance.

Our mission is to
empower entrepreneurs to
build a better world

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AT A GLANCE

FMO is the Dutch entrepreneurial development bank

Since 1970 we have been a driving force behind investments empowering local entrepreneurs in emerging markets. We believe in a world in which, in 2050, more than 9 billion people live well and within the means of the planet’s resources.

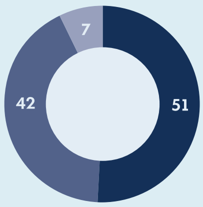
We invest with the aim of enhancing local prosperity in emerging markets and take risks that the commercial banking sector is not willing to take. We focus on the private sector in the following industries: Energy, Financial Institutions and Agribusiness, Food & Water. Through our investments in these industries we empower entrepreneurs to build a better world.

Our role extends beyond financing, as we challenge and support businesses to meet international environmental, social and governance standards. These businesses, in turn, support job creation, reduce inequality and improve our climate. Our strategy is to be your preferred partner to invest in local prosperity.

FMO has its head office in The Hague, the Netherlands, with local offices in Johannesburg, South Africa, and Nairobi, Kenya. We also have a representative office registered in Singapore.

Organization and ratings

Ownership structure %



- The State of the Netherlands
- Dutch banks
- Employers' associations, trade unions, corporate and individual investors

Ratings

AAA
Fitch ratings

AAA
Standard&Poor’s

1st/966 banks
Sustainalytics relative performance (1st=lowest risk)

Prime
ISS ESG rating

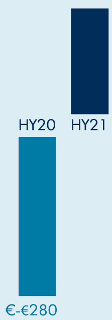
Employees

617
Total number of employees

61
Number of nationalities

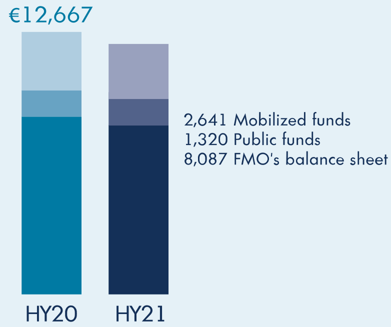
42%
of women in senior and middle management

Financial performance

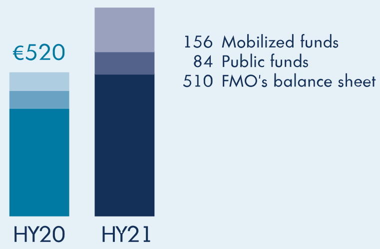


€198 million
Net profit/loss

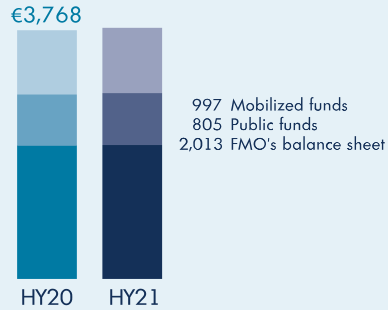
23.4%
CET1(%)



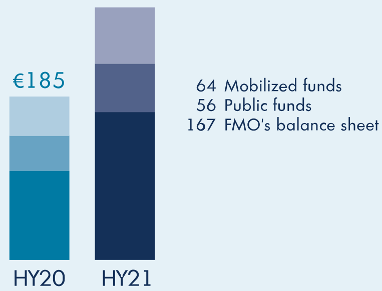
€12,048 million
Total committed portfolio



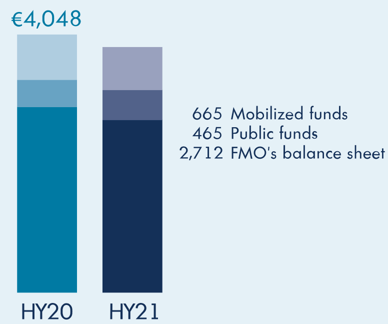
€750 million
Total new investment volume



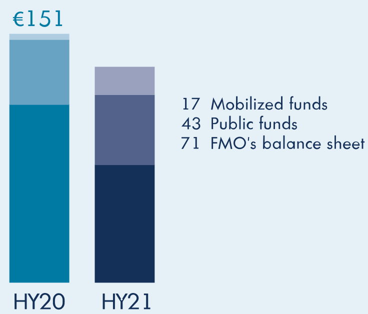
€3,815 million
Reducing Inequality-labelled
committed portfolio



€287 million
Reducing Inequality-labelled
new investment volume



€3,842 million
Green-labelled
committed portfolio



€131 million
Green-labelled
new investment volume

We further measure our impact on the Sustainable Development Goals by reporting on the number of (in)direct jobs supported and financed avoided greenhouse gas emissions. Contrary to previous years, these figures have been excluded from the interim report as the underlying methodologies are currently being aligned with PCAF and the joint impact model is undergoing rigorous testing. These figures will be included in the 2021 Annual Report.

OUR VISION

We believe in a world in which, in 2050, more than 9 billion people live well and within the means of the planet's resources.

OUR MISSION

We empower entrepreneurs to build a better world.

OUR SDGs

STRATEGIC GOAL

Your preferred partner to invest in local prosperity.

OUR MARKETS

OUR STRATEGY

→ Higher Impact Portfolio

→ Deeper Relationships

→ Higher Productivity

OUR VALUES AND BEHAVIORS

Making the difference	Diversity	Quality	Integrity
We are courageous and entrepreneurial	We respect differences and listen	We communicate expectations and share feedback	We are responsible and compliant
We create value for all our stakeholders	We embrace dilemmas	We learn, professionalize and innovate together	We are transparent and build trust
We accelerate sustainable development	We include multiple perspectives	We are accountable and support clear decisions	We are true to our vision and mission

LETTER FROM THE MANAGEMENT BOARD

The effects of the pandemic have continued to dominate the headlines in the first half of 2021. The world has entered a new phase of the pandemic with the rollout of the COVID-19 vaccines and new variants of the virus. One positive outcome of the pandemic is that the short development time of these vaccines has shown that it is possible for countries and international organizations to rally together to achieve a common goal. An approach also required in addressing two of the most persistent global issues we face today: the climate crisis and inequality.

While we welcome the systemic change and steps taken towards addressing the climate crisis, including the new EU regulations on sustainable finance for which FMO is getting ready, the recent IPCC Report is a stark reminder that immediate action is needed. As UN Secretary-General António Guterres put it: "greenhouse-gas emissions from fossil-fuel burning and deforestation are choking our planet and putting billions of people at immediate risk. Global heating is affecting every region on Earth, with many of the changes becoming irreversible". The issue of inequality is also reaching critical levels, further amplified by the lack of access and uneven distribution of vaccines in many of the markets in which we operate. These topics will, therefore, remain front and center in FMO's 2030 strategy review.

The IMF calls for multilateral action to diminish the increasing divergence across countries, caused by the pandemic, and to strengthen global economic prospects. In 2021, emerging markets and low-income countries are expected to grow by 6.3% and 3.9% respectively, adjusted downward from earlier projections due to the resurgence of (new) variants of the virus and a slower-than-anticipated vaccine rollout in these countries. The IMF warns for downside risks. Recovery, even among countries currently reporting low infection rates, is uncertain as the slow vaccine rollout will allow the virus to mutate further. Developing economies could also face tighter external financial conditions, for instance if prolonged inflationary pressures lead to a reassessment of the monitory policy outlook in advanced economies, which could severely set back their recovery and drag drown global growth.

Supporting customers and forming new partnerships to scale up impact

Against this context, FMO is more determined than ever to drive transformational impact in developing economies. The NASIRA Risk Sharing Facility is an important tool in the Financial Institutions sector to unlock lending to underserved groups. Technical Assistance (TA) is an essential part of this offering. Through the NASIRA TA Facility, we supported *Sasfin Bank* (South Africa) to strengthen its internal risk management capabilities to effectively provide finance to businesses owned by women and youth and those that have been impacted by the pandemic.

We are increasing our investments in agri-tech in the Agriculture, Food & Water sector. Through FMO's Ventures Program, we provided an additional US$ 3 million of risk capital to *WayCool Foods & Products*, an AgriTech company that aims to build India's largest, tech-enabled, food logistics & distribution platform. By transforming the fragmented Indian agri-space, farmers' incomes can improve, food wastage is reduced, and consumers have access to higher quality produce.

In the Energy sector, we are increasing our focus on (green) transmission and distribution. FMO signed a US$ 5 million top-up of its existing senior loan to *Greenlight Planet Inc.*, a diversified off-grid solar company with a presence across the full value chain and one of the leaders in this sector. FMO's local currency facility will help the company deploy more solar home systems across Sub-Saharan Africa on a pay-as-you-go basis and, as such, provide affordable energy to underserved and rural communities.

We continue to join forces with others to scale up impact. FMO Investment Management launched a *new US$ 150 million compartment for the NN-FMO Emerging Markets Loans Fund* with one single investor, demonstrating the continued interest among investors to invest alongside FMO. Together with DFC, the U.S. International Development Finance Corporation, we also launched the *DFC-MASSIF COVID-19 Response Co-Financing Facility*. This US$ 75 million facility seeks to bring liquidity to financial intermediaries to support micro-, small-, and medium-sized enterprises impacted by the COVID-19 crisis and promote new investment to support economic sustainability in developing countries. Furthermore, the UK government entrusted us to manage their *'Mobilising Finance for Forests'* program aimed at unlocking private sector investment in projects that protect and restore tropical forests across Africa, Asia and Latin America.

Full compliance with FEC / KYC laws

In 2020, we launched the Financial Economic Crime (FEC) Enhancement program to demonstrate full compliance with the Anti-Money laundering and Anti-Terrorist Financing Act (in Dutch: Wwft) and the Sanctions Law by the end of 2021, as agreed upon with DNB. In the past six months, this has received FMO's full attention and will continue to do so moving forward. We have freed up temporary resources to support the remediation efforts to align the Know Your Customer (KYC) files with best practices and (inter)national standards in line with the agreed upon deadline. Approximately, 120 FTE of internal and external professionals are currently fully dedicated to working on this. At the end of June, we achieved 94% of our half year target. Meanwhile, we continued to strengthen internal processes, policies and the internal organization. We implemented our updated FEC operations framework, including transaction monitoring and automated daily screening of customers. In addition, we defined the target end-state for a new KYC department and started recruitment for key positions. Furthermore, we initiated additional mandatory trainings for in-depth KYC topics to improve the quality of assessments.

Ensuring financial sustainability

In July, we decided to further intensify our efforts to ensure timely completion of the FEC enhancement program. Among others, by temporarily halting new business activities with *existing* customers, following an earlier decision to limit business activities with *new* customers. In the short-term, this means we will accept a smaller pipeline of projects and that, ultimately, we will not achieve year-end portfolio targets. This has not yet impacted the financial results, which show an improvement in the first half of 2021. In 2020, following the COVID-19 pandemic, we reported a loss of € 205 million resulting from a substantial devaluation of FMO's private equity portfolio and higher impairment levels. In the first half of 2021, this picture has improved. Global equity prices partially recovered across sectors and geographies, leading to a net profit of € 198 million. The USD appreciation during the first half of 2021 also had an upward effect on the financial performance of our equity investments. Although global conditions remain uncertain, deterioration in the credit quality of our customers has been limited and few new loan defaults have occurred. The impact of the COVID-19 pandemic on the non-performing loan (NPL) ratio remains relatively limited. The NPL ratio increased from 9.1% in 2020 to 9.8% in the first half of 2021, which is mainly explained by new NPLs in Myanmar, because of the military coup last February. Furthermore, revised GDP forecasts, have had a positive effect on the impairment levels.

FMO's capital buffers exceed the minimum required by the Dutch Central Bank and the higher requirements defined by our internal risk appetite. At the end of June, our total capital ratio was 25.0%, which remains above the combined ratio of the SREP minimum and FMO's internal requirements.

Investing in our organization

We greatly appreciate the resilience and dedication of our employees as we stepped up our efforts on KYC and continued to work remotely. In the past six months, we increased our focus on employee wellbeing to maintain and build resilience and positively influence our workplace culture and experience. Several initiatives have been launched, including a new policy to assist home office set-up, options to temporarily set up office overseas, learning programs designed to maintain resilience and (pulse) surveys to identify areas for improvement. Lastly, our culture conversations are ongoing to ensure we continue to openly address topics like inclusion, unconscious bias and constructive feedback.

In June, our Supervisory Board announced several changes in FMO's Management Board and Supervisory Board. From September 1st, we will welcome Michael Jongeneel as our new CEO. Michael joins from Bain & Company, an international consulting firm, where he was partner in the Amsterdam office and the firm's global lead for sustainable finance. As of September 1st, Linda Broekhuizen will depart FMO. It is with mixed feelings, she says: "It has been a privilege to have partnered with so many inspiring entrepreneurs all over the world, and after 21 years the time has come for me to pursue other opportunities outside FMO.'' We thank Linda for the impact she has made on our customers as well as our organization and wish her well in her future endeavors. Following in her footsteps, Huib-Jan de Ruijter has been appointed as Chief Investment Officer. Fatoumata Bouaré has been appointed for a second term as Chief Risk & Finance Officer. Koos Timmermans, member of the Supervisory Board, was also appointed for a second term.

Outlook: getting ready for the future

Our financial forecasts suggest that the current upward trend in global equity prices will continue and, as such, that FMO will exceed the budgeted net profit by year-end. However, we continue to face uncertainties around COVID-19 and currency movements in the market, which could negatively influence our year-end results. The long-term effects of COVID-19 since the start of the pandemic on the NPL levels are currently unknown. In addition, the lower new investment volumes realized in 2020 and 2021 will have a longer-term impact on FMO's financial results. Therefore, later this year, our focus will be on rebuilding FMO's portfolio and on managing our resources effectively to achieve this goal as well as to ensure we continue to comply with (new) regulatory requirements.

In the meantime, we have intensified our engagement with our stakeholders including the Dutch State, regulators, NGOs, customers, and partner organizations in taking important steps to prepare for the future. First, we launched our Position Statement on Fossil Fuels in Direct Investments. FMO commits to further reducing fossil fuel investments by no longer directly investing in upstream or mid-stream stand-alone fossil fuel-related activities. There is a five-year transition period in which we will phase out direct investments in integrated mid/down-stream fossil fuel activities for power generation.

Second, following approval from the Dutch Senate in July, Invest International was officially incorporated on 27 July 2021. Invest International will be fully operational on 1 October 2021, as of which FMO's NL Business team and activities will transfer to this new entity. FMO will hold 49 percent of shares, the Dutch state the majority stake with 51 percent of shares. Invest International will be the one-stop-shop for financing international activities of Dutch-based companies abroad. FMO's mandate will continue to complement these activities, which offers ample opportunity for collaboration in the future.

Several complex projects will continue to receive our full attention. In July, we learned that the CEO of our former customer DESA was convicted of involvement in the murder of Berta Cáceres, human rights activist and chair of COPINH, the organization that opposed the construction of the hydroelectric facility Agua Zarca. Learning from this experience and from other complex projects is an ongoing process, and these learnings continue to feed into how FMO conducts its business.

In the coming months, all eyes will be on three key global events that will bring the world together; the decisions taken there will shape our collective future. Through the UN Food Systems Summit, The COP15 on Biodiversity and COP26 on Climate, we hope the feeling of togetherness will translate into action that the world needs. As for FMO's part, we will be ready to fully contribute as impact investors: through empowering entrepreneurs, reducing the inequality gap and fighting climate change.

Responsibility statement

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

- The 2021 condensed consolidated interim accounts give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated undertakings;
- This Interim Report 2021 includes a fair overview of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim accounts 2021; and
- This Interim Report 2021 includes a description of the principal risks and uncertainties for the remaining six months of the financial year.

The Hague, August 12, 2021

Fatoumata Bouaré, Chief Risk & Finance Officer
Huib-Jan de Ruijter, Chief Investment Officer
Linda Broekhuizen, Chief Executive Officer a.i.

Condensed consolidated balance sheet

	Notes	June 30, 2021	December 31, 2020
Assets			
Banks		52,672	46,775
Current accounts with State funds and other programs		230	678
Short-term deposits	(5)		
-of which: Amortized cost		1,071,175	994,814
-of which: Fair value through profit or loss		806,734	302,547
Other receivables		21,341	17,370
Interest-bearing securities at amortized cost		419,763	371,076
Derivative financial instruments	(5)	347,961	462,269
Loans to the private sector			
-of which: Amortized cost		3,990,618	4,172,748
-of which: Fair value through profit or loss		581,425	585,716
Equity investments			
-of which: Fair value through OCI		121,854	115,504
-of which: Fair value through profit or loss		1,818,178	1,688,437
Investments in associates		204,391	179,955
Current tax receivables		-	-
Property, plant and equipment		28,163	29,504
Intangible assets		19,713	20,867
Deferred income tax assets		9,003	9,847
Total assets		**9,493,221**	**8,998,107**
Liabilities			
Short-term credits	(8)	253,616	341,199
Current accounts with State funds and other programs		433	214
Derivative financial instruments	(5)	139,552	129,592
Debentures and notes	(7)	5,850,336	5,485,949
Current tax liabilities		31,037	3,863
Wage tax liabilities		516	429
Accrued liabilities		21,785	42,203
Other liabilities		27,485	26,704
Provisions		50,348	66,190
Deferred income tax liabilities		6,277	5,063
Total liabilities		**6,381,385**	**6,101,406**
Shareholders' equity			
Share capital		9,076	9,076
Share premium reserve		29,272	29,272
Contractual reserve		2,180,172	2,180,172
Development fund		657,981	657,981
Fair value reserve		31,335	26,200
Actuarial result pensions		-11,463	-17,156
Translation reserve		-11,815	-17,727
Other reserves		28,813	32,162
Undistributed profit/(loss)		198,425	-3,347
Shareholders' equity (parent)		**3,111,796**	**2,896,633**
Non-controlling interests		40	68
Total shareholders' equity		**3,111,836**	**2,896,701**
Total liabilities and shareholders' equity		**9,493,221**	**8,998,107**
Contingent liabilities			
- Encumbered funds (single resolution fund)	(6)	1,453	832
- Effective guarantees issued	(6)	123,216	66,009
- Effective guarantees received	(6)	-267,018	-233,679
Irrevocable facilities	(6)	1,419,306	1,549,869

Condensed consolidated profit and loss account

	Notes	June 30, 2021	June 30, 2020
Income			
Interest income from financial instruments measured at AC	(9)	138,930	166,083
Interest income from financial instruments measured at FVPL[1]	(9)	-2,820	6,745
Interest expenses from financial instruments measured at AC	(10)	-52,441	-61,655
Interest expenses from financial instruments measured at FVPL	(10)	36,926	3,650
Interest expenses on leases	(10)	-80	-89
Net interest income		**120,515**	**114,734**
Fee and commission income		8,979	3,131
Fee and commission expense		-1,329	-3,697
Net fee and commission income	**(11)**	**7,650**	**-566**
Dividend income	(12)	9,850	20,166
Results from equity investments	(13)	102,853	-189,481
Total results from equity investments		**112,703**	**-169,315**
Results from financial transactions	(14)	-2,729	-28,081
Remuneration for services rendered	(16)	14,540	15,221
Gains and losses due to derecognition		1,152	2,000
Other operating income		59	615
Total other income		**13,022**	**-10,245**
Total income		**253,890**	**-65,392**
Operating expenses			
Staff costs		-45,864	-46,772
Other administrative expenses		-14,061	-13,447
Depreciation and impairment of PP&E and intangible assets		-5,533	-4,976
Other operating expenses		-129	-129
Total operating expenses		**-65,587**	**-65,324**
Impairments on			
Interest-bearing securities		61	-43
Loans		25,432	-102,499
Loan commitments		-258	-400
Guarantees issued		3,011	-2,823
Total impairments		**28,246**	**-105,765**
Results on associates			
Share in the result of associates		8,789	-66,950
Total result on associates		**8,789**	**-66,950**
Profit/(loss) before taxation		225,338	-303,431
Income tax	(17)	-26,941	23,829
Net profit/(loss)		**198,397**	**-279,602**
Net profit/(loss) attributable to			
Owners of the parent company		198,425	-279,588
Non controlling interests		-28	-14
Net profit/(loss)		**198,397**	**-279,602**

1 Amount is related to interest from those derivative financial instruments that are associated with the 'loans to the private sector' and is therefore considered as 'interest income'.

Condensed consolidated statement of comprehensive income

	Notes	June 30, 2021	June 30, 2020
Net profit/(loss)		**198,397**	**-279,602**
Other comprehensive income			
Share of other comprehensive income of associates due to exchange differences		5,912	925
Income tax effect		-	-
Items to be reclassified to profit and loss		**5,912**	**925**
Fair value reserve of equity instruments at FVOCI		6,349	-14,967
Actuarial gains/(losses) on defined benefit plans		7,590	1,124
Income tax effect		-3,111	2,151
Items not reclassified to profit and loss		**10,828**	**-11,692**
Total other comprehensive income, net of tax		**16,740**	**-10,767**
Total comprehensive income		**215,137**	**-290,369**
Total comprehensive income attributable to			
Owners of the parent company		215,165	-290,354
Non-controlling interests		-28	-14
Total comprehensive income		**215,137**	**-290,368**

Condensed consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Contractual reserve	Development fund	Fair value reserve	Actuarial result pensions	Translation reserve	Other reserves	Undistributed profit	Non-controlling interests	Total
Balance at January 1, 2020	**9,076**	**29,272**	**2,379,350**	**657,981**	**33,082**	**-13,974**	**-2,742**	**32,162**	**2,707**	**123**	**3,127,037**
Total other comprehensive income, net of tax	-	-	-	-	-12,573	-	925	-	-	-	-11,648
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	881	-	-	-	-	881
Changes in subsidiary Equis DFI Feeder L.P.	-	-	-	-	-	-	-	-	-	-14	-14
Net profit/(loss)	-	-	-	-	-	-	-	-	-279,588	-	-279,588
Dividends	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2020	**9,076**	**29,272**	**2,379,350**	**657,981**	**20,509**	**-13,093**	**-1,817**	**32,162**	**-276,881**	**109**	**2,836,668**
Balance at December 31, 2020	**9,076**	**29,272**	**2,180,172**	**657,981**	**26,200**	**-17,156**	**-17,727**	**32,162**	**-3,347**	**68**	**2,896,701**
Total other comprehensive income, net of tax	-	-	-	-	5,135	-	5,912	-	-	-	11,047
Actuarial gains/losses on defined benefit plans, net of tax	-	-	-	-	-	5,693	-	-	-	-	5,693
Changes in subsidiary Equis DFI Feeder L.P.	-	-	-	-	-	-	-	-	-	-	-
Net profit/(loss)	-	-	-	-	-	-	-	-3,349	201,772	-28	198,395
Dividends	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2021	**9,076**	**29,272**	**2,180,172**	**657,981**	**31,335**	**-11,463**	**-11,815**	**28,813**	**198,425**	**40**	**3,111,836**

Condensed consolidated statement of cash flows

	Notes	June 30, 2021	June 30, 2020
Operational activities			
Net profit/(loss)		198,397	-279,602
Adjustment for non-cash items:			
- Result of associates		-8,789	66,950
- Unrealised (gains) losses arising from changes in fair value[1]		-44,465	219,572
- Unrealised (gains) losses arising from changes in foreign exchange rates		-93,590	17,946
- Unrealised (gains) losses arising from other changes[2]		-6,924	-8,910
- Amortization of premiums/discounts debentures and notes		5,650	5,457
- Impairments		-28,246	105,766
- Depreciation and impairment of PP&E assets		5,533	4,976
- Income tax expense		26,941	-23,829
Changes in:			
- Income taxes payable / receivable		23,825	22,567
- Loans		313,716	-95,917
- Equity investments		-31,535	-37,651
- Other assets and liabilities[3]		-30,921	-36,876
- Short-term deposits > 3 months[3]		-59,044	-133,633
- Short-term credits[3]		-89,550	95,987
Net cash flow from operational activities		**180,998**	**-77,197**
Investment activities			
Purchase of interest-bearing securities		-92,102	-99,193
Redemption/sale of interest-bearing securities		47,084	50,707
Investments in PP&E and intangible fixed assets		-742	-7,671
Disinvestments in PP&E and intangible fixed assets		-	-
Investments in Associates		-10,195	-6,012
Divestments in Associates		636	4,640
Net cash flow from investment activities		**-55,319**	**-57,529**
Financing activities			
Proceeds from issuance of debt securities, debentures and notes	(7)	526,731	926,230
Redemption of debt securities, debentures and notes	(7)	-173,429	-646,089
Lease payments		-1,685	-1,745
Dividend paid		-	-
Net cash flow from financing activities		**351,617**	**278,396**
Net cash flow		**477,296**	**143,670**
Cash and cash equivalents			
Net foreign exchange difference		50,105	-467
Banks and short term deposits at January 1		1,344,136	1,438,103
Banks and short term deposits at June 30		1,871,537	1,581,306
Total cash flow		**477,296**	**143,670**
Operational cash flows from interest and dividends			
Interest received		147,619	192,328
Interest paid		-15,514	-58,094
Dividend received		9,850	20,166
Interest paid for lease liabilities		-80	-89

1 Unrealized (gains) losses arising from changes in fair value related to fair value changes in loans to private sector, derivatives, equity investments, debentures and notes.

2 Unrealized (gains) losses arising from other changes relate to changes in accrual and amortizable fees of financial assets and liabilities.

3 Movement is excluding foreign exchange results. Foreign exchange results are included in unrealized gains (losses) arising from foreign exchange rates.

Banks and short term deposits

The balance as mentioned in the cash flow statement corresponds with the following items in the consolidated balance sheet:

Cash position maturity bucket < 3 months	June 30, 2021	June 30, 2020
Banks	52,672	60,339
Short term deposits measured at AC	1,071,175	615,341
Short term deposits measured at FVPL	806,734	1,016,741
-of which > 3 months	-59,044	-111,115
Banks and short term deposits < 3 months	**1,871,537**	**1,581,306**

Notes to the consolidated interim accounts

1 Corporate information

FMO was incorporated in 1970 as a public limited company with 51% of shares held by the Dutch Government and 49% held by commercial banks, state unions and other members of the private sector. The company is located at Anna van Saksenlaan 71, The Hague, The Netherlands and is registered under ID 27078545 in the Chamber of Commerce. FMO finances activities in developing countries to stimulate private sector development. In addition, FMO provides services in relation to government funds and programs.

Financing and investing activities

FMO is the Dutch entrepreneurial development bank. We support sustainable private sector growth in developing and emerging markets by investing in ambitious entrepreneurs. We specialize in sectors where our contribution can have the highest long-term impact: financial institutions, energy and agribusiness.

FMO's main activity consists of providing loans, guarantees and equity capital to the private sector in developing countries. Furthermore FMO offers institutional investors access to its expertise in responsible emerging market investing through its subsidiary FMO Investment Management B.V.

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

We arrange syndicated loans by bringing together investors – commercial banks and other development finance institutions (DFIs) - with FMO structuring the financing. This enables us to provide our clients with increased access to finance and more diversified lending, while giving our financial partners efficient opportunities to enter new markets.

FMO also supports Dutch investments in emerging markets. Apart from focusing on Dutch companies, including SME's investing abroad, FMO supports companies seeking trade finance for their exports to our markets when commercial financial products are not available.

Commercial fund management

FMO's subsidiary, FMO Investment Management B.V. (FMO IM), provides investment advice for third party investment funds, which are invested in FMO's transactions in emerging and developing markets. Through these funds FMO IM offers investors access to our expertise in responsible emerging market investing.

Services in relation to government and public funding

Apart from financing activities from its own resources, FMO provides loans, guarantees and equity capital from government funds, within the conditions and objectives of those funds. The funds consist of subsidies provided by the Dutch Government under the General Administrative Law Act regarding MASSIF, Access to Energy Fund (AEF), Building Prospects (BP), Capacity Development Program (CD), Partnership Development Fund (PDF), Development Accelerator (DA), Fund Emerging Markets for Developing Countries (also called FOM-OS) and Dutch Fund for Climate and Development (DFCD). In addition, funding is provided by the UK Government for Mobilizing Finance for Forests (MFF).

FMO incurs a risk in MASSIF as it has an equity share of 2.17% (2020: 2.17%). With respect to the remaining interest in MASSIF and the full risk in the other government funds, FMO has a contractual right and obligation to settle the results arising from the funds' activities with the Dutch State. The economic risks related to these funds are predominantly taken by the Dutch government and FMO has limited power over policy issues regarding these funds. FMO receives remuneration fees for managing these funds. Therefore, with the exception of FMO's equity share in MASSIF, the funds' assets, results and liabilities are not included in the annual accounts.

In 2016, the EDFI Management Company (of which FMO is one of the shareholders together with the other EDFIs) has been established in Brussels to manage European Commission (EC) funding for the Electri-FI global facility. In 2018 the Agri-FI investment facility as well as the Electri-FI Country Windows investment facility have been added. FMO, as accredited entity for the EC, acts as delegatee (contractee) for the EC and has sub-delegated all operational activities related to Electri-FI/Agri-FI and Electri-FI Country Windows to the EDFIMC.

In 2016, FMO was accredited with Green Climate Fund (GCF) and capitalizes on FMO's experience in mobilizing and enabling the private sector in developing countries towards low-emission and climate-resilient investments. In that context, FMO has received funds from the EU, USAID and the Dutch Government with the purpose to invest directly in Climate Investor One, a facility raised by FMO and managed by Climate Fund Managers (CFM). Climate Investor One (CIO) is a blended finance, capital-recycling facility mandated with delivering renewable energy infrastructure projects in emerging markets through its contribution to each phase of a projects lifecycle.

In December 2018, the EC approved up to €75 million in guarantees and signed the contract for risk sharing facility NASIRA. The facility uses guarantees to allow banks to on-lend to underserved entrepreneurs within the European neighborhood and Sub-Saharan Africa. It targets portfolios consisting of loans of young, female and migrant entrepreneurs including refugees, returnees and internally displaced people. The goal of these guarantees is to allow local banks to provide loans to groups they perceive as too risky. Risk sharing reduces the perceived and real risks of lending to vulnerable and underserved parts of the population and enables financing for people who want to grow their business. Following the COVID - 19 pandemic, the EC together with FMO scaled up the NASIRA financial guarantee to support small COVID-19 affected entrepreneurs in Africa and EU Neighborhood. The measures are a joint response and include a top-up of €25 million from the European Fund for Sustainable Development and an expansion in scope to support COVID-19 affected entrepreneurs.

In November 2019, FMO and the European Commission (EC) signed the guarantee agreement for the FMO Ventures Program. The EC has provided €40 million in guarantees to FMO's innovative early-stage investment program. FMO Ventures Program contributes to FMO's ambition to further strengthen the focus on early-stage investments that deploy an innovative, technology-enabled business model. The program aims to invest a total of €200 million in both fund and direct investments in Africa, the European Neighborhood and Asia (excluding China). The direct investments focus on start and scale-ups in AgriTech, Energy Access, and FinTech. Next to equity investments, the Program also has a dedicated technical assistance program, for which the EC has provided €6.5 million, that seek to support investees of FMO Ventures Program and promote the development of local Venture Capital ecosystems in emerging markets in general.

In 2021, Mobilising Finance for Forests (MFF) was established by the United Kingdom (UK) government as a blended finance investment program to combat deforestation and other environmentally unsustainable land use practices contributing to global climate change. Through MFF, FMO have been appointed by the UK government to invest up to £150 million across a mix of investment funds and direct investments in selected tropical forest regions in Africa, Asia and Latin America.

2 Basis of preparation and changes to accounting policies

2.1 Basis of preparation

The condensed consolidated interim accounts as at June 30, 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These 2021 condensed consolidated interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies, presentation and methods of computation are consistent with those applied in the preparation of FMO's consolidated financial statements for the year ended December 31, 2020. The consolidated interim accounts do not include all the information and disclosures that are required for the consolidated annual accounts and should be read in conjunction with FMO's consolidated annual accounts as at December 31, 2020.

2.2 Group accounting and consolidation

The company accounts of FMO and the company accounts of the subsidiaries Asia Participations B.V., FMO Investment Management B.V.,Equis DFI Feeder L.P.,Nuevo Banco Comercial Holding B.V. and Nedlinx B.V. are consolidated in these interim accounts. During first half of 2021, FMO Medu II Investment Trust Ltd. was liquidated and is no longer part of the consolidation structure of FMO consolidated accounts. The subsidiary was 100% owned by FMO. The event of liquidation of this entity does not have a material impact on FMO's balance sheet or FMO's current business activities.

The activities of Asia Participations B.V., Nuevo Banco Comercial Holding B.V. and Equis DFI Feeder L.P. consist of providing equity capital to companies in developing countries. FMO Investment Management B.V. carries out portfolio management activities for third party investment funds, which are invested in FMO’s transactions in emerging and developing markets. Nedlinx B.V. is incorporated to finance Dutch companies with activities in developing countries. FMO has a 63% stake in Equis DFI Feeder L.P. and all other subsidiaries are 100% owned by FMO.

2.3 Foreign currency translation

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

2.4 Adoption of new standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of FMO’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of January 1, 2021. FMO has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following standards, amendments to published standards and interpretations were adopted in the current year.

Interest Rate Benchmark - Reform Phase 2 - Amendments to IFRS 9, IAS 39 and IFRS 7

These amendments, mandatory and effective from 1 January 2021, provide reliefs and practical expedients on issues that affect financial reporting when an existing interest rate benchmark is replaced with a RFR. No early adoption of Phase 2 amendments is implemented by FMO. The main IBOR rate used by FMO is USD LIBOR for pricing of loans to private sector, derivatives and debentures and notes (funding). FMO is managing the transition in the form of a project and has planned the transition is various working streams. FMO is currently preparing to originate new loans, derivatives and funding with new reference rates as from the fourth quarter of 2021. FMO will use SOFR as the successor base rate for USD LIBOR. Transition of existing loans and existing derivatives to the new reference rates is planned from 2022 onwards and is expected to last up to the first half-year of 2023.

USD libor is applied currently in around 45% of the total loan portfolio, 50% of the derivatives and about 10% of FMO's funding portfolio. Considering the transition in 2020 from EONIA to ESTR discounting and from FedFunds to SOFR discounting did not have a material impact from a financial perspective, the effect of the transition further is expected to be immaterial. The impact related to the operational aspect is considered as medium. The table below summarizes the maximum amount of exposures per financial instrument category impacted by IBOR reform as per June 30, 2021.

	USD LIBOR	EURIBOR	Other benchmark rates	Not subject to IBOR Reform	Total
Non-deriviative financial assets					
Loans to private sector	2,076,447	349,302	257,633	1,888,661	4,572,043
Non - derivative financial liabilities					
Debentures and notes	420,101	-	104,067	5,326,168	5,850,336
Derivatives (notional amounts)	2,236,611	1,828,928	1,104,883	3,137,405	8,307,827

Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond June 30, 2021 – Amendments to IFRS 16

IFRS 16 Leases has been amended to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment was effective from June 1, 2020.

In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

FMO has not made use of any rent concessions.

2.5 Standards issued but not yet effective

Other significant standards issued, but not yet endorsed by the European Union and not yet effective up to the date of issuance of FMO’s Interim Report 2021, are listed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. In June 2020 IFRS 17 was amended whereby the effective date was extended to financial periods beginning on or after January 1, 2023. This standard does not have an impact on FMO.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

These amendments affect the presentation of liabilities in the statement of financial position. They clarify the considerations that determine whether a liability should be classified as current or non-current. The amendments are not expected to have a material impact on how FMO classifies liabilities in the statement of financial position. The amendments are effective from 1 January 2023 and are applied retrospectively.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to change the way FMO applies materiality judgements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on FMO and will be considered for judgement purposes, when changes are to be applied in a reporting period.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments to IFRS 3 update the reference to the 2018 Conceptual Framework, as well as making reference to IAS 37 when determining whether a present obligation exists as a part of an acquisition. In addition, IFRS 3 now explicitly states contingent assets acquired in a business combination are not recognised. The amendments are effective for business combinations entered into on or after 1 January 2022. They are not expected to have a material impact on FMO's treatment of business combinations.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. The amendments are effective for annual periods beginning on or after 1 January 2022 and are applied retrospectively. Given the nature of FMO's property, plant and equipment, this amendment is not expected to have an impact on the accounting treatment of these items.

Amendments to IAS 37 - Onerous Contracts

The amendments provide clarity on which costs an entity considers in assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022 and to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. There are currently no contracts which FMO believes will be impacted by the amendments.

Annual Improvements 2018-2020

Subsidiary as a First-Time Adopter (IFRS 1)

IFRS 1 allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. The amendment extends this relief to the cumulative translation differences for foreign operations. The amendment is effective for annual periods beginning on or after 1 January 2022. The amendment will not have an impact on the consolidated financial statements of FMO.

Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (IFRS 9)

When considering the derecognition of a financial liability, IFRS 9 indicates that the terms of the instrument are deemed to be substantially different (and therefore qualify for derecognition) if the discounted present value of the remaining cash flows under the new terms are at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability ('10 per cent' test). The amendment clarifies which fees an entity should include when applying the '10 per cent' test. The amendment is effective for annual periods beginning on or after 1 January 2022 and is not expected to have a material impact on the accounting treatment for derecognition of financial liabilities.

Lease Incentives (IFRS 16)

The amendment removes an illustrative example on the reimbursement of leasehold improvements and has no impact on the accounting treatment for leases.

2.6 Estimates and assumptions

In preparing the condensed consolidated interim accounts in conformity with IAS 34, management is required to make estimates and assumptions affected reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The same methods for making estimates and assumptions have been followed in the condensed consolidated interim accounts as were applied in the preparation of FMO's consolidated annual accounts as at December 31, 2020.

In the first half of 2020, a management overlay was introduced to reflect the impact of significant increases in credit risk on certain exposures of the loan portfolio, as a consequence of COVID-19. The overlay was derived by changing the country cap ('country crisis override') applied when assessing the client's credit rating as a part of calculating the expected credit losses ('ECL'). During the second half of 2020 FMO unwound the manual overrides on exposures where more relevant and up-to-date customer information become available for use in the regular ECL calculation process. The overall impact of the country crisis override in the financial results for the year ending December 2020 was an increase in impairments of EUR 34 million. During the first half of 2021, FMO has continued to substitute credit ratings previously overwritten as a part of the country crisis override as new relevant information becomes available. Updated information is available for most customers as at this reporting date, thereby negating the need for manually overwritten client ratings. After taking into account updated individual client ratings, there has been a release of Stage 1 and Stage 2 allowances of approximately EUR 11 million for the current loan portfolio. The remaining impact of the 2020 overlay is mainly released due to a high amount of prepayments during first half of 2021 or is embedded in the updated individual client ratings. The details and impact of the above item is presented in the 'Risk Developments' section, in the 'Credit Risk' paragraph.

2.7 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 presents its operating segments based on servicing unit. Reference is made to the Segment Information note for more details on operating segments.

3 Risk developments

For a detailed overview of FMO's risk governance and risk management approach please refer to the section "Risk Management" in FMO's consolidated annual accounts as of 31 December 2020. The risk developments in the first half year of 2021 are disclosed below.

The ongoing COVID – 19 pandemic continued to affect FMO's markets and clients in 2021, with signs of economic recovery appearing in some markets. FMO continued to monitor the impact on its portfolio and other risk types, which remains limited.

3.1 Capital adequacy

FMO complies with the CRR/CRD requirements and reports its capital ratios to the Dutch Central Bank on a quarterly basis. FMO calculates the capital requirement for its entire portfolio based on the standardized approach. At the end of June 2021, the Total Capital ratio amounted to 25.0%.

The increase of the total capital ratio is mainly a result of a decrease in risk weighted assets, caused by repayments of loans and lower market values for the derivatives.

FMO's capital ratio remains above the combined ratio of the SREP minimum and FMO's internal requirements.

	Jun 30, 2021	December 31, 2020
IFRS shareholders' equity	3,111,796	2,896,636
Tier 2 capital	250,000	250,000
Regulatory adjustments:		
-Interim profit not included in CET 1 capital	-198,425	-
-Other adjustments (deducted from CET 1)	-202,371	-171,239
-Other adjustments (deducted from Tier 2)	-67,276	-67,868
Total capital	**2,893,724**	**2,907,529**
Of which Common Equity Tier 1 capital	*2,711,001*	*2,725,398*
Risk weighted assets	**11,596,275**	**11,685,685**
Of which:		
-Credit and counterparty risk	*9,542,185*	*9,560,702*
-Foreign exchange	*1,535,527*	*1,574,772*
-Operational risk	*492,475*	*510,739*
-Credit valuation adjustment	*26,088*	*39,472*
Total capital ratio	25.0%	24.9%
Common Equity Tier 1 ratio	23.4%	23.3%

1 Following specific provisions in the CRR, FMO is required to deduct from its regulatory capital significant and insignificant stakes for subordinated loans and (in)direct holdings of financial sector entities above certain thresholds. These thresholds correspond to approximately 10% of regulatory capital. Exposures below the 10% thresholds are risk- weighted accordingly.

3.2 Credit risk

While the COVID – 19 pandemic had a severe impact on economic activities 2020, there are signs of economic recovery in 2021. In the April 2021 report, the IMF estimates the global contraction of the economy to be 3.3% in 2020. For 2021, it expects an economic growth of 6%, although uncertainties and regional differences are expected to remain.

During the first half of 2021, FMO's NPL ratio increased from 9.1% to 9.8%. The increase is caused largely due to NPL's in Myanmar and South Africa. The impact of the COVID – 19 pandemic on FMO's NPL levels remains relatively limited.

In March 2020, in response to the emerging COVID – 19 pandemic, FMO implemented a country crisis override (considered a management overlay) in the rating methodology, to be applied to the entire loan portfolio. Country ratings were considered the best proxy to estimate the increased risk of the individual clients. Risk ratings of a large number of clients were downgraded as FMO temporarily implemented more stringent country caps with respect to client sectors.

During second half of 2020, the overrides were reassessed on basis of most recent information available about individual clients. FMO observed that the initial override was too conservative. Therefore FMO decided to release a part of the management overlay in Q4 2020. Please refer to the Annual Report 2020 for more details. In first half of 2021, recent information for most individual customers was available for FMO. As recent information reflects the effects of the COVID – 19 pandemic in comparison with information available in 2020, FMO decided to remove the country crises override. This resulted in a release of ECL stage 1 and stage 2 allowances of about approximately €11 million. In addition, a significant amount of ECL stage 1 and stage 2 amounts was released arising from large number of prepayments during first half of 2021.

Past due information related to FMO's portfolio loans and receivables are presented in the table below. This categorization does not apply to financial assets other than loans, including interest- bearing securities and short-term deposits.

Loans past due and impairments as per June 30, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Fair Value**	**Total**
Loans not past due	3,334,326	530,484	59,510	588,979	4,513,299
Loans past due:					
-Past due up to 30 days	3,690	8,759	23,533	10,982	46,964
-Past due 30-60 days	-	35,907	-	-	35,907
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	247,360	39,353	286,713
Gross Exposure	**3,338,016**	**575,150**	**330,403**	**639,314**	**4,882,883**
Less: amortizable fees	-37,278	-5,466	-2,206	-	-44,950
Less: ECL allowance	-25,769	-25,741	-156,491	-	-208,001
Less: FV adjustments	-	-	-	-57,889	-57,889
Carrying amount	**3,274,969**	**543,943**	**171,706**	**581,425**	**4,572,043**

Loans past due and impairments as per December 31, 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Fair Value**	**Total**
Loans not past due	3,326,888	785,485	46,284	589,659	4,748,316
Loans past due:				-	
-Past due up to 30 days	-	2,752	-	6,528	9,280
-Past due 30-60 days	-	33,611	-	-	33,611
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	257,755	38,073	295,828
Gross Exposure	**3,326,888**	**821,848**	**304,039**	**634,260**	**5,087,035**
Less: amortizable fees	-37,142	-7,486	-2,178	-	-46,806
Less: ECL allowance	-40,608	-45,870	-146,743	-	-233,221
Less: FV adjustments	-	-	-	-48,544	-48,544
Carrying amount	**3,249,138**	**768,492**	**155,118**	**585,716**	**4,758,464**

All Interest Bearing Securities (credit quality of AA or higher) and Banks (credit quality of BBB- or higher) are classified as Stage 1. An amount of €42 thousand is calculated for the ECL of both asset classes as per June 30, 2021.

The following table shows the credit quality and the exposure to credit risk of the loans to the private sector at amortized cost and fair value at June 30, 2021.

Loans to the private sector at June 30, 2021 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair value	Total	%
F1-F10 (BBB- and higher)	209,916	2,349	-	-	212,265	4%
F11-F13 (BB-,BB,BB+)	1,774,602	82,033	2,125	273,829	2,132,589	44%
F14-F16 (B-,B,B+)	1,304,654	228,950	-	211,424	1,745,028	36%
F17 and lower (CCC+ and lower)	48,844	261,818	328,278	154,061	793,001	16%
Gross exposure	**3,338,016**	**575,150**	**330,403**	**639,314**	**4,882,883**	**100%**
Less: amortizable fees	-37,278	-5,466	-2,206	-	-44,950	
Less: ECL allowance	-25,769	-25,741	-156,491	-	-208,001	
Less: FV adjustments	-	-	-	-57,889	-57,889	
Carrying amount	**3,274,969**	**543,943**	**171,706**	**581,425**	**4,572,043**	

Loans to the private sector at December 31, 2020 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair value	Total
F1-F10 (BBB- and higher)	116,469	3,965	-	-	120,434
F11-F13 (BB-,BB,BB+)	1,379,685	66,660	-	214,999	1,661,344
F14-F16 (B-,B,B+)	1,757,032	451,781	-	277,524	2,486,337
F17 and lower (CCC+ and lower)	73,702	299,442	304,039	141,737	818,920
Gross exposure	**3,326,888**	**821,848**	**304,039**	**634,260**	**5,087,035**
Less: amortizable fees	-37,142	-7,486	-2,178	-	-46,806
Less: ECL allowance	-40,608	-45,870	-146,743	-	-233,221
Less: FV adjustments	-	-	-	-48,544	-48,544
Carrying amount	**3,249,138**	**768,492**	**155,118**	**585,716**	**4,758,464**

The following table shows the credit quality and the exposure to credit risk of the financial guarantees on June 30, 2021.

Financial guarantees[1)		June 30, 2021		
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
F1-F10 (BBB- and higher)	26,439	3,882	-	30,321
F11-F13 (BB-,BB,BB+)	69,168	-	-	69,168
F14-F16 (B-,B,B+)	99,904	14,331	-	114,235
F17 and lower (CCC+ and lower)	11,455	-	-	11,455
Sub-total	**206,966**	**18,213**	**-**	**225,179**
ECL allowance	-1,488	-172	-	-1,660
Total	**205,478**	**18,041**	**-**	**223,519**

Financial guarantees		December 31, 2020		
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
F1-F10 (BBB- and higher)	24,532	-	-	24,532
F11-F13 (BB-,BB,BB+)	76,306	26,972	-	103,278
F14-F16 (B-,B,B+)	189,003	32,848	-	221,851
F17 and lower (CCC+ and lower)	11,098	45,792	-	56,890
Sub-total	**300,939**	**105,612**	**-**	**406,551**
ECL allowance	-1,875	-2,630	-	-4,505
Total	**299,064**	**102,982**	**-**	**402,046**

The following table shows the credit quality and the exposure to credit risk of the loan commitments to private sector on June 30, 2021. These represent contracts signed but not disbursed yet. A similar trend is visible for these exposures as loans to the private sector due to phase out of management overlay.

Loans commitments			**June 30, 2021**		
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Other [2)]**	**Total**
F1-F10 (BBB- and higher)	5,913	35,487	-	-	41,400
F11-F13 (BB-,BB,BB+)	259,215	31,904	-	1,173	292,292
F14-F16 (B-,B,B+)	213,524	10,894	-	19,228	243,646
F17 and lower (CCC+ and lower)	394	7,948	10,616	697	19,655
Total nominal amount	**479,046**	**86,233**	**10,616**	**21,098**	**596,993**
ECL allowance	-1,561	-3,755	-	-	-5,316
Total	**477,485**	**82,478**	**10,616**	**21,098**	**591,677**

1 Total financial guarantees represent €123,216 classified as contingent liabilities and €101,963 classified as irrevocable facilities, as per Section 6 Commitments and Contingent Liabilities.

2 Loan commitments for which no ECL is calculated (Fair Value loans or expired availability date).

Loans commitments			**December 31, 2020**		
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Other**	**Total**
F1-F10 (BBB- and higher)	13,141	-	-	-	13,141
F11-F13 (BB-,BB,BB+)	124,256	40,232	-	16,355	180,843
F14-F16 (B-,B,B+)	213,055	1,794	-	35,545	250,394
F17 and lower (CCC+ and lower)	28,538	12,878	18,360	2,742	62,518
Total nominal amount	**378,990**	**54,904**	**18,360**	**54,642**	**506,896**
ECL allowance	-3,160	-1,748	-	-	-4,908
Total	**375,830**	**53,156**	**18,360**	**54,642**	**501,988**

The following tables shows the changes in loans for the period June 30, 2021.

Changes in Loans to the private sector at AC in 2021	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross amount	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**	**Gross amount**	**ECL allowance**
At January 1, 2021	3,289,746	-40,608	814,362	-45,870	301,861	-146,743	4,405,969	-233,221
Additions	294,795	-2,095	6,983	-563	-	-	301,778	-2,658
Exposure derecognised or matured/lapsed (excluding write offs)	-454,056	16,627	-141,379	9,690	-14,504	5,093	-609,939	31,410
Transfers to Stage 1	214,991	-10,587	-214,991	10,587	-	-	-	-
Transfers to Stage 2	-118,745	1,782	119,701	-1,917	-956	135	-	-
Transfers to Stage 3	-10,767	227	-30,372	2,912	41,139	-3,139	-	-
Modifications of financial assets (including derecognition)	-1,602	-	1,837	-	1,488	-	1,723	-
Changes in risk profile not related to transfers	-	10,391	-	551	-	-16,216	-	-5,274
Amounts written off/disposals	-	-	-	-	-8,919	8,919	-8,919	8,919
Changes in amortizable fees	3,113	-	-	-	-	-	3,113	-
Changes in accrued income	-833	-	1,625	-	-619	-	173	-
Foreign exchange adjustments	84,096	-1,506	11,918	-1,131	8,707	-4,540	104,721	-7,177
At June 30, 2021	**3,300,738**	**-25,769**	**569,684**	**-25,741**	**328,197**	**-156,491**	**4,198,619**	**-208,001**

Movement financial guarantees[1] in 2021	Stage 1		Stage 2		Stage 3		Total	
	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance	Outstanding exposure/ Nominal amount	ECL allowance
At January 1, 2021	300,939	-1,875	105,612	-2,630	-	-	406,551	-4,505
Additions	89,292	-844	633	-	-	-	89,925	-844
Exposures matured (excluding write-offs)	-194,040	666	-91,323	2,543	-	-	-285,363	3,209
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	630	-	-1	-	-	-	629
Foreign exchange adjustments	10,775	-65	3,291	-84	-	-	14,066	-149
At June 30, 2021	**206,966**	**-1,488**	**18,213**	**-172**	**-**	**-**	**225,179**	**-1,660**

1 Total financial guarantees represent €123,216 classified as contingent liabilities and €101,963 classified as irrevocable facilities, as per Section 6 Commitments and Contingent Liabilities.

Movement of loan commitments in 2021	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
At January 1, 2021	378,990	-3,160	54,904	-1,748	18,360	-	452,254	-4,908
Additions	194,008	-702	35,487	-2,713	-	-	229,495	-3,415
Exposures derecognised or matured (excluding write-offs)	-96,213	1,773	-9,564	1,007	-11,699	-	-117,476	2,780
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-3,698	52	3,698	-52	-	-	-	-
Transfers to Stage 3	-3,693	-	-	-	3,693	-	-	-
Changes to models and inputs used for ECL calculations	-	566	-	-190	-	-38	-	338
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	9,652	-90	1,708	-59	262	38	11,622	-111
At June 30, 2021	**479,046**	**-1,561**	**86,233**	**-3,755**	**10,616**	**-**	**575,895**	**-5,316**

The modelling methodologies, assumptions and inputs applied in determining ECL in the current period are consistent with those applied in the financial year ending December 31, 2020, except for further release of the country caps.

The macroeconomic scenarios' model was updated following the publication of the new macroeconomic outlook data by the International Monetary Fund (IMF) in April 2021. The updates of the model based on more optimistic GDP forecast, caused new point-in-time adjustments to probability of defaults in the impairment model, leading to a release of €21.28 million in combined stage-1 and stage-2 impairment charge.

IMF GDP % Growth Forecasts (the figures are based on the latest forecasts in April 2021)	2021	2022
Turkey	6.0	3.5
India	12.5	6.9
Georgia	3.5	5.8
Argentina	5.8	2.5
Nigeria	2.5	2.3
Uganda	6.3	5.0
Armenia	1.0	3.5
South Africa	3.1	2.0
Mongolia	5.0	7.5
Kenya	7.6	5.7
Ivory Coast	6.0	6.5
Ukraine	4.0	3.4

June 30, 2021	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector[1)]	Guarantees	Bonds and Cash	Total
ECL Scenario:						
Upside	193,394	2%	3,839	28	1	3,868
Base case	215,019	50%	106,658	830	21	107,509
Downside	246,087	48%	117,079	1,023	20	118,122
Total			**227,576**	**1,881**	**42**	**229,499**

1 Loans to private sector in this table include amounts related to ECL allowances for off balance loan commitments (refer to note 6).

December 31, 2020	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector[1)]	Guarantees	Bonds and Cash	Total
ECL Scenario:						
Upside	204,023	2%	4,021	58	2	4,080
Base case	242,737	50%	119,065	2,252	51	121,368
Downside	296,666	48%	139,413	2,938	49	142,400
Total			**262,499**	**5,248**	**102**	**267,849**

1 Loans to private sector in this table include amounts related to ECL allowances for off balance loan commitments (refer to note 6).

June 30, 2021

ECL allowance Stage 2 - Trigger assessment	Loans to private Sector	Guarantees	Loan Commitments	Total
More than 30 days past due	-	-	-	-
Forbearance	-7,944	-	-625	-8,569
Deterioration in credit risk rating	-17,797	-172	-3,130	-21,099
Total	**-25,741**	**-172**	**-3,755**	**-29,668**

December 31, 2020

ECL allowance Stage 2 - Trigger assessment	Loans to private Sector	Guarantees	Loan Commitments	Total
More than 30 days past due	-	-	-	-
Forbearance	-11,785	-	-886	-12,671
Deterioration in credit risk rating	-34,085	-2,630	-862	-37,577
Total	**-45,870**	**-2,630**	**-1,748**	**-50,248**

FMO continues to support clients by undertaking several restructuring measures (See table below for forborn exposures). These include granting payment holidays (temporarily forbearing repayment of notional) to clients with short term liquidity needs. Since the start of COVID – 19, existing clients can also apply for loans providing additional liquidity.

June 30, 2021	Performing	*of which: performing but past due > 30 days and <=90 days*	*of which: performing forborne*	Non Performing	*of which: non performing forborne*	*of which: impaired*	Gross Exposure	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loans to the private sector (Amortised Cost)	3,880,660	35,907	219,607	362,909	124,446	329,293	4,243,569	-44,950	-208,001	-	3,990,618
Loans to the private sector (Fair value)	520,720	-	6,608	118,594	85,728	-	639,314	-	-	-57,889	581,425
Total	**4,401,380**	**35,907**	**226,215**	**481,503**	**210,174**	**329,293**	**4,882,883**	**-44,950**	**-208,001**	**-57,889**	**4,572,043**

December 31, 2020	Performing	of which: performing but past due > 30 days and <=90 days	of which: performing forborne	Non Performing	of which: non performing forborne	of which: impaired	Gross Exposure	Less: amortizable fees	Less: ECL allowance	Plus: fair value adjustments	Carrying value
Loans to the private sector (Amortised Cost)	**4,096,033**	33,611	218,083	**356,742**	84,577	292,501	**4,452,775**	-46,806	-233,221	-	**4,172,748**
Loans to the private sector (Fair value)	**526,801**	-	9,071	**107,459**	80,331	-	**634,260**	-	-	-48,544	**585,716**
Total	**4,622,834**	33,611	227,154	**464,201**	164,908	292,501	**5,087,035**	-46,806	-233,221	-48,544	**4,758,464**

3.3 Equity investment risk

The global effects following the COVID – 19 pandemic in 2020 resulted in a substantial depreciation of FMO's private equity portfolio. At the end of June 2021, this picture has improved significantly as global equity prices partially recovered across sectors and geographies. Moreover, the USD appreciation during the first half of 2021 also had an upward effect on the financial performance of these assets. These two factors have resulted in a profit for these investments. Results from valuations amounted to a gain of €52.8 million (H1 2020: loss of €166.3 million) and FX effect amounted to a gain of 45.4 million (H1 2020: loss of 19.2 million). Moreover, sales and distributions amount to a gain of €4.6 million (H1 2020: loss of €4.0 million). However the gain from valuations has increased during 2021, FMO has received less dividends as financial institutions around the globe are still restricted to payout dividends.

3.4 Concentration risk

Concentration risk is the risk that FMO's exposures are too concentrated within or across different risk categories. Strong diversification within FMO's emerging market portfolio is ensured through stringent limits on individual counterparties, sectors, countries and regions. To ensure diversification within FMO's emerging market portfolio across regions, a country limit framework is in place to mitigate concentration risk from the perspective of the portfolio as a whole. Country limits range from 8% to 22% of FMO's shareholders' equity, depending on the country rating, where FMO sets higher limits in less risky countries. Sector limits are in place, with a limit equal to 50% of the country limit for each sector in any given country.

During the first half of 2021, country risk in FMO's markets has generally stabilized compared to 2020, with few rating changes. The most noteworthy downgrades during this period were in Ethiopia, Kenya and Tunisia. Due to the downgrades of these African countries also the regional rating for Africa was reduced by one notch. In general, the economic outlooks for FMO's markets are positive compared to the strong observed contraction in 2020. Economic recovery is projected in 2021 for nearly all important markets. In this regard the outlook for Myanmar forms an exception, whereby the military coup has prompted a mass civil disobedience movement. The unstable situation in the country leads to an expected contraction of -8.9% of the economy (IMF WEO April 2021) and the situation is closely monitored by FMO.

3.5 Market risk - Currency Risk

FMO continued the limited appetite for currency risk in 2021. Exposures are hedged through matching currency characteristics of assets with liabilities, or through derivative transactions such as cross-currency swaps and FX forwards conducted with either commercial parties or with The Currency Exchange Fund (TCX Fund N.V.). Most currency exposures are hedged to US dollars on a micro-hedge basis, whereby the US dollar position is managed on a portfolio basis accordingly. FMO does not take any active positions in any currency for purpose of making a profit. Each individual currency is managed within a strict position limit and an overall appetite level is set at 1% of shareholder's equity for the total open position across all currencies. Individual exposures and total open currency positions were within risk appetite in 2021. FMO maintains a deliberately unhedged foreign currency position which stems from the private equity investments and which serves the purpose of a structural hedge for our capital ratio.

3.6 Compliance risk

Following a DNB onsite inspection in 2018, DNB identified several shortcomings in the way FMO conducts Customer Due Diligence/Know Your Customer. As FMO sees this as an area where the risk of non-compliance with Wwft and Sanctions Law is present, a FEC Enhancement program (FEC EP) was set up to demonstrate full compliance by the end of 2021. In 2019 FMO started with execution of the FEC EP which consisted of, amongst others, conducting the Systematic Integrity Risk Assessment (SIRA), the Risk Appetite Statement on Integrity, which was updated to include Tax Integrity Risk as well, and enhancing the CDD-AML Policy, CDD-AML Manual and a wide range of guidance notes. It became clear in September 2020 that the progress of the FEC Enhancement program was not fast enough. The updated FEC Framework has meanwhile been implemented. Part of the FEC EP consists of remediation of the customer KYC files and bringing them in line with the updated framework. The remediation of customer KYC files continues in 2021 and progress is closely monitored by the Management Board. As agreed with DNB, the project is to be finalized on December 31, 2021.

3.7 Regulatory risk

During the unprecedented COVID – 19 pandemic in 2020, regulators implemented a set of supervisory relief measures with the aim to alleviate the operational burden for banks and to support lending. Therefore supervisors have temporarily allowed banks to operate below certain capital buffers (CCB and P2G), which is a measure that was still in place when writing this report.

Despite the high priority level of the COVID – 19 pandemic, European supervisors and legislators remain committed to further advancing the management and disclosure of climate-related and environmental risks. On 27 November 2020 the ECB published a final Guide on climate-related and environmental risks, which lays down the supervisory expectation on how these risks should be managed and disclosed under prudential rules. The guide focuses on how climate change can translate into financial risks for the financial sector. In early 2021 a project was started with the aim to embed the management of climate-related risks within FMO’s risk management framework, disclosures and strategy over the coming 2-3 years.

4 Segment information

The Management Board sets performance targets, approves and monitors the budgets prepared by operating segments. operating segments are not identical to the strategic sectors.

FMO's strategic sectors represent the economic sectors in which FMO operates. The three strategic sectors are Agribusiness Food & Water, Financial Institutions and Energy, which also represent economic sectors. FMO's Management Board steers on the following six operating segments: Agribusiness, Food & Water, Financial Institutions and Energy, Private Equity, Partnership for impact and Other. In first half of 2021, no transactions are identified which are reallocated to a different operating segments.

FMO presents the results of the operating segments using a financial performance measure called underlying profit. Underlying profit excludes the EUR/USD currency effects related to the results from equity investments. Since the adoption of IFRS 9, all fair value changes including currency effects are now recorded in the profit and loss account instead of shareholder's equity.

Underlying profit as presented below is an alternative performance measure. The table below shows a reconciliation of the underlying net profit to the net profit.

At June 30, 2021	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Interest income	52,425	53,361	24,055	2,038	187	4,044	136,110
Interest expenses	-3,428	-3,962	-1,857	-4,910	-45	-1,393	-15,595
Net fee and commission income	1,110	6,515	24	175	-	-174	7,650
Dividend income	-	-	-	9,850	-	-	9,850
Results from equity investments	-	-	-	57,412	-	-	57,412
Results from financial transactions	3,355	-7,688	-2,055	-2,368	-	6,027	-2,729
Remuneration for services rendered	2,261	2,994	1,928	4,179	3,096	82	14,540
Gains and losses due to recognition	-	58	1,094	-	-	-	1,152
Other operating income	-	-	-	-	-	59	59
Total underlying income	**55,723**	**51,278**	**23,189**	**66,376**	**3,238**	**8,645**	**208,449**
Operating expenses	-14,845	-13,621	-11,598	-17,030	-4,945	-3,548	-65,587
Total operating expenses	**-14,845**	**-13,621**	**-11,598**	**-17,030**	**-4,945**	**-3,548**	**-65,587**
Impairments on loans and guarantees	21,900	5,480	3,688	-724	135	-2,233	28,246
Total impairments	**21,900**	**5,480**	**3,688**	**-724**	**135**	**-2,233**	**28,246**
Profit/(loss) before taxation	62,778	43,137	15,279	48,622	-1,572	2,864	171,108
Share in results from associates	-	-	-	8,789	-	-	8,789
Taxation	-15,218	-10,457	-3,704	3,897	393	-716	-25,805
Underlying net profit/(loss)	**47,560**	**32,680**	**11,575**	**61,308**	**-1,179**	**2,148**	**154,092**
Currency effect equity investments				44,305			44,305
Net profit/(loss)	**47,560**	**32,680**	**11,575**	**105,613**	**-1,179**	**2,148**	**198,397**

Segment assets at June 30, 2021	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Loans to the private sector	1,995,172	1,547,624	932,038	35,749	14,519	46,941	4,572,043
Equity investments and investments in associates	-	-	-	2,144,423	-	-	2,144,423
Other assets	824,854	639,827	385,328	901,338	6,003	19,405	2,776,755
Total assets	**2,820,026**	**2,187,451**	**1,317,366**	**3,081,510**	**20,522**	**66,346**	**9,493,221**
Contingent liabilities – Effective guarantees issued	78,726	43,994	-	496	-	-	123,216
Assets under management (loans and equity investments) managed for the risk of the state	148,772	180,279	145,869	508,275	-	-	983,195

At June 30, 2020	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Interest income	71,859	66,509	26,308	2,120	391	5,641	172,828
Interest expenses	-13,331	-15,628	-6,612	-15,442	-212	-6,869	-58,094
Net fee and commission income	569	-1,218	-303	540	-	-154	-566
Dividend income	-	-	-	20,166	-	-	20,166
Results from equity investments	-	-	-	-170,319	-	-	-170,319
Results from financial transactions	-6,307	2,035	-4,969	-2,419	-	-16,421	-28,081
Remuneration for services rendered	2,493	3,261	1,694	4,494	3,195	84	15,221
Gains and losses due to recognition	-	-	2,000	-	-	-	2,000
Other operating income	-	-	-	38	-	577	615
Total underlying income	**55,283**	**54,959**	**18,118**	**-160,822**	**3,374**	**-17,142**	**-46,230**
Operating expenses	-15,759	-14,126	-11,854	-16,396	-4,252	-2,937	-65,324
Total operating expenses	**-15,759**	**-14,126**	**-11,854**	**-16,396**	**-4,252**	**-2,937**	**-65,324**
Impairments on loans and guarantees	-43,417	-44,301	-17,326	-464	-51	-206	-105,765
Total impairments	**-43,417**	**-44,301**	**-17,326**	**-464**	**-51**	**-206**	**-105,765**
Profit/(loss) before taxation	-3,893	-3,468	-11,062	-177,682	-929	-20,285	-217,319
Share in results from associates	-	-	-	-66,950	-	-	-66,950
Taxation	973	867	2,765	10,636	232	7,876	23,349
Underlying net profit/(loss)	**-2,920**	**-2,601**	**-8,297**	**-233,996**	**-697**	**-12,409**	**-260,920**
Currency effect equity investments	-	-	-	-18,682	-	-	-18,682
Net profit/(loss)	**-2,920**	**-2,601**	**-8,297**	**-252,678**	**-697**	**-12,409**	**-279,602**

Segment assets at June 30, 2020	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Partnership for impact	Other	Total
Loans to the private sector	2,134,659	1,755,437	958,399	33,577	17,694	55,292	4,955,058
Equity investments and investments in associates	-	-	-	1,938,007	-	-	1,938,007
Other assets	830,585	683,032	372,908	767,134	6,884	21,515	2,682,058
Total assets	**2,965,244**	**2,438,469**	**1,331,307**	**2,738,718**	**24,578**	**76,807**	**9,575,123**
Contingent liabilities – Effective guarantees issued	27,425	47,352	-	-	-	-	74,777
Assets under management (loans and equity investments) managed for the risk of the state	160,633	200,859	145,848	470,946	-	-	978,286

5 Financial Instruments

5.1 Accounting classification

The following table shows the carrying amounts of financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which FMO has access at that date.

At June 30, 2021	FVPL - mandatorily	Fair value hedging instruments	FVOCI-equity instruments	Amortized cost	Financial liabilities used as hedged items	Total
Financial assets measured at fair value						
Short-term deposits	806,734	-	-		-	806,734
Derivative financial instruments	193,247	154,714	-	-	-	347,961
Loans to the private sector	581,425	-	-	-	-	581,425
Equity investments	1,818,178	-	121,854	-	-	1,940,032
Total	**3,399,584**	**154,714**	**121,854**	**-**	**-**	**3,676,152**
Financial assets not measured at fair value						
Banks	-	-	-	52,672	-	52,672
Current accounts with state funds and other programs	-	-	-	230	-	230
Short-term deposits	-	-	-	1,071,175	-	1,071,175
Interest-bearing securities	-	-	-	419,763	-	419,763
Loans to the private sector	-	-	-	3,990,618	-	3,990,618
Other receivables	-	-	-	21,341	-	21,341
Total	**-**	**-**	**-**	**5,555,799**	**-**	**5,555,799**
Financial liabilities measured at fair value						
Derivative financial instruments	131,866	7,686	-	-	-	139,552
Total	**131,866**	**7,686**	**-**	**-**	**-**	**139,552**
Financial liabilities not measured at fair value						
Short-term credits	-	-	-	253,616	-	253,616
Current accounts with state funds and other programs	-	-	-	433		433
Debentures and notes	-	-	-	1,366,915	4,483,421	5,850,336
Accrued liabilities	-	-	-	21,785	-	21,785
Other liabilities	-	-	-	27,485	-	27,485
Total	**-**	**-**	**-**	**1,670,234**	**4,483,421**	**6,153,655**

At December 31, 2020	FVPL - mandatorily	Fair value hedging instruments	FVOCI-equity instruments	Amortized cost	Financial liabilities used as hedged items	Total
Financial assets measured at fair value						
Short-term deposits	302,547	-	-	-	-	302,547
Derivative financial instruments	254,980	207,289	-	-	-	462,269
Loans to the private sector	585,716	-	-	-	-	585,716
Equity investments	1,688,437	-	115,504	-	-	1,803,941
Total	**2,831,680**	**207,289**	**115,504**	**-**	**-**	**3,154,473**
Financial assets not measured at fair value						
Banks	-	-	-	46,775	-	46,775
Current accounts with state funds and other programs	-	-	-	678	-	678
Short-term deposits	-	-	-	994,814	-	994,814
Interest-bearing securities	-	-	-	371,076	-	371,076
Loans to the private sector	-	-	-	4,172,748	-	4,172,748
Current tax receivables	-	-	-	-	-	-
Other receivables	-	-	-	17,370	-	17,370
Total	**-**	**-**	**-**	**5,603,461**	**-**	**5,603,461**
Financial liabilities measured at fair value						
Derivative financial instruments	129,228	364	-	-	-	129,592
Total	**129,228**	**364**	**-**	**-**	**-**	**129,592**
Financial liabilities not measured at fair value						
Short-term credits	-	-	-	341,199	-	341,199
Current accounts with state funds and other programs	-	-	-	214	-	214
Debentures and notes	-	-	-	1,470,480	4,015,469	5,485,949
Accrued liabilities	-	-	-	429	-	429
Other liabilities	-	-	-	42,203	-	42,203
Total	**-**	**-**	**-**	**1,854,525**	**4,015,469**	**5,869,994**

5.2 Short-term deposits

	June 30, 2021	December 31, 2020
Collateral delivered (related to derivative financial instruments)	71,165	59,128
Dutch central bank	997,837	932,747
Mandatory reserve deposit with Dutch central bank	2,173	2,939
Short term deposits measured at AC	**1,071,175**	**994,814**
Commercial paper	558,590	159,425
Money market funds	248,144	143,122
Short term deposits measured at FVPL	**806,734**	**302,547**
Total	**1,877,909**	**1,297,361**

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

5.3 Derivatives

FMO uses various derivatives to hedge it's assets and liabilities against interest rate risk and market risk. During first half of 2021, the derivatives position has decreased and is related to maturing or termination of interest rate swaps and cross - currency interest swaps (see tables below).

June 30, 2021	Notional amount	Carrying amount: Assets	Carrying amount: Liabilities	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recorded in profit or loss	Line item in P&L that includes hedge ineffectiveness
Interest rate swaps	4,325,930	154,714	7,686	-61,930	624	Results from financial transactions
December 31, 2020						
Interest rate swaps	3,792,072	207,289	364	72,346	2,776	Results from financial transactions

June 30, 2021	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item			
Balance sheet line item	**Liabilities**	**Assets**	**Liabilities**	**Change in fair value used for calculating hedge ineffectiveness**	**Accumulated amount remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses**
Debentures and notes	4,483,421	-	-	62,554	-
December 31, 2020					
Debentures and notes	4,015,469	-	-	-69,571	-

June 30, 2021		Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedge accounting instruments:				
•	Currency swaps	101,764	4,779	2,205
•	Interest rate swaps	730,614	18,143	24,961
•	Cross-currency interest rate swaps	3,149,519	166,557	99,645
Subtotal		**3,981,897**	**189,479**	**126,811**
Derivatives related to asset portfolio		-	3,768	5,055
Total derivative assets (/liabilities) other than hedge accounting instruments		**3,981,897**	**193,247**	**131,866**

December 31, 2020		Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedge accounting instruments:				
•	Currency swaps	99,773	50	1,570
•	Interest rate swaps	697,241	10,091	24,182
•	Cross-currency interest rate swaps	3,306,196	240,798	101,782
Subtotal		**4,103,210**	**250,939**	**127,534**
Derivatives related to asset portfolio		-	4,041	1,694
Total derivative assets (/liabilities) other than hedge accounting instruments		**4,103,210**	**254,980**	**129,228**

5.4 Equity Investments

The improvement of fair values related to the equity portfolio can be seen across sectors and geographies and is the result of global recovery in emerging market equity prices.

	Equity measured at FVOCI	Equity measured at FVPL	Total
Net balance at January 1, 2021	115,504	1,688,437	1,803,941
Purchases and contributions	-	117,553	117,553
Conversion of loans to equity	-	-	-
Conversion Associate/FVPL	-	-	-
Return of Capital (including sales)	-	-86,018	-86,018
Changes in fair value	6,350	98,206	104,556
Total balance at June 30, 2021	**121,854**	**1,818,178**	**1,940,032**

5.5 Associates

Net balance at January 1, 2021	179,955
Purchases and contributions	10,195
Conversion from loans to equity	-
Conversion Associates/FVPL	-
Return of capital (including sales)	-636
Share in net results	8,789
Exchange rate differences	6,088
Total balance at June 30, 2021	**204,391**

5.6 Fair values

Fair value hierarchy

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

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

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

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

Valuation processes

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

FMO's fair value methodology and governance over applied methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the Investment Risk Committee (IRC). The IRC approves the fair values measured including the valuation techniques and other significant input parameters used. The appropriateness of the valuation techniques applicable to the underlying instruments is assessed as part of the valuation process and any potential changes between levels in the fair value hierarchy are considered.

Valuation techniques

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

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

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

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

Investments are measured at fair value when a quoted market price in an active market is available or when fair value can be estimated reliably by using a valuation technique. The main part of the fair value measurement related to investments (level 3) is based on net asset values of investment funds as reported by the fund manager and are based on advanced valuation methods and practices. When available, these fund managers value the underlying investments based on quoted prices, if not available multiples are applied as input for the valuation.

The table below presents the carrying value and estimated fair value of FMO's non fair value financial assets and liabilities.

The carrying values in the financial asset and liability categories are valued at amortized cost except for the funding in connection with hedge accounting.

Financial assets-liabilities not measured at fair value	**June 30, 2021**		**December 31, 2020**	
	Carrying value	**Fair Value**	**Carrying amount**	**Fair value**
Short term deposits at AC	1,071,175	1,071,175	994,814	994,814
Banks	52,672	52,672	46,775	46,775
Interest-bearing securities	419,763	425,991	371,076	381,443
Loans to the private sector at AC	3,990,618	4,121,257	4,172,748	4,312,599
Financial assets not measured at fair value	**5,534,228**	**5,671,095**	**5,585,413**	**5,735,631**
Short-term credits	253,616	253,616	341,199	341,199
Debentures and notes	5,850,336	5,871,913	5,485,949	5,512,880
Financial liabilities not measured at fair value	**6,103,952**	**6,125,529**	**5,827,148**	**5,854,079**

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

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

At June 30, 2021	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVPL				
Short-term deposits	806,734	-	-	806,734
Derivative financial instruments	-	344,193	3,768	347,961
Loans to the private sector	59,530	-	521,895	581,425
Equity investments	11,383	-	1,806,795	1,818,178
Financial assets at FVOCI				
Equity investments	-	-	121,854	121,854
Total financial assets at fair value	**877,647**	**344,193**	**2,454,312**	**3,676,152**
Financial liabilities mandatorily at FVPL				
Derivative financial instruments	-	142,914	-3,362	139,552
Total financial liabilities at fair value	**-**	**142,914**	**-3,362**	**139,552**

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVPL				
Short-term deposits	302,547	-	-	302,547
Derivative financial instruments	-	458,228	4,041	462,269
Loans to the private sector	56,837	-	528,879	585,716
Equity investments	10,247	-	1,678,190	1,688,437
Financial assets at FVOCI				
Equity investments	-	-	115,504	115,504
Total financial assets at fair value	**369,631**	**458,228**	**2,326,614**	**3,154,473**
Financial liabilities mandatorily at FVPL				
Derivative financial instruments	-	131,286	-1,694	129,592
Total financial liabilities at fair value	**-**	**131,286**	**-1,694**	**129,592**

Movements in financial instruments measured at fair value based on level 3	Derivative financial instruments	Loans to the private sector	Equity investments	Total
Restated Balance at January 1, 2020	5,788	629,866	1,871,839	2,507,493
Total gains or losses				
-In profit and loss (changes In fair value)	-1,457	-2,529	-85,404	-89,390
-In other comprehensive income (changes in fair value)	-	-	-7,458	-7,458
Purchases /disbursements	-	25,360	228,885	254,245
Sales/repayments	-	-90,080	-112,983	-203,063
Interest Capitalization		8,808	-	8,808
Write-offs	-	-1,610	-	-1,610
Accrued income	-	-1,953	-	-1,953
Exchange rate differences	-290	-38,690	-118,253	-157,233
Derecognition and/or restructuring FVPL versus AC	-	-293	-	-293
Conversion Associate/FVPL	-	-	17,066	17,066
Balance at December 31, 2020	**4,041**	**528,879**	**1,793,694**	**2,326,614**
Total gains or losses				
-In profit and loss (changes In fair value)	-449	-9,742	51,611	41,420
-In other comprehensive income (changes in fair value & exchange rate differences)	-	-	6,350	6,350
Purchases /disbursements	-	1,977	117,553	119,530
Sales/repayments	59	-13,676	-86,018	-99,635
Principal capitalization		3,496	-	3,496
Accrued income	-	-1,028	-	-1,028
Exchange rate differences	117	11,989	45,459	57,565
Balance at June 30, 2021	**3,768**	**521,895**	**1,928,649**	**2,454,312**

Valuation techniques and unobservable inputs used measuring fair value of loans to the private sector

Type of debt investment	Fair value at June 30, 2021	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	88,473	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result in a higher/lower fair value of approx €1million.
	172,698	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch will result in 1% increase/decrease
	54,657	Credit impairment	n/a	n/a
Debt Funds	206,067	Net Asset Value	n/a	n/a
Total	**521,895**			

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

Type of equity investment	Fair value at June 30, 2021	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	966,322	Net Asset Value	n/a	n/a
Private equity direct investments	84,725	Recent transactions	Based on at arm's length recent transactions	n/a
	359,075	Book multiples	1.0 – 1.6	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of €36 million.
	269,863	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 12.0)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €27million.
	34,808	Discounted Cash Flow (DCF)	Based on discounted cash flows	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €3 million.
	104,192	Put option	The guaranteed floor depends on several unobservable data such as IRR, EBITDA multiples, book multiples and Libor rates	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €11 million.
	109,664	Firm offers	Based on offers received from external parties	n/a
Total	**1,928,649**			

6 Commitments and contingent liabilities

To meet the financial needs of borrowers, FMO enters into various irrevocable commitments (loan commitments, equity commitments and guarantee commitments) and contingent liabilities. These contingent liabilities consist among others of financial guarantees, which commit FMO to make payments on behalf of the borrowers in case the borrower fails to fulfill payment obligations. Though these obligations are not recognized on the balance sheet, they do obtain Credit Risk similar to loans to private sector. Therefore, provisions are calculated for financial guarantees and loan commitments according to ECL measurement methodology.

Furthermore, the contingencies include an irrevocable payment commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions with the option to fulfil part of their obligation to pay the annual ex - ante contributions to the Single Resolution Fund (SRF) through IPCs.

	June 30, 2021	December 31, 2020
Contingent liabilities		
Encumbered funds (single resolution fund)	1,453	832
Effective guarantees issued	123,216	66,009
Less: provisions, amortizing fees	-2,446	-5,256
Total guarantees issued	**120,770**	**60,753**
Total contingent liabilities	**122,223**	**61,585**
Guarantees received		
Effective guarantees received	267,018	233,679
Total guarantees received	**267,018**	**233,679**

Nominal amounts for irrevocable facilities is as follows:

	June 30, 2021	December 31, 2020
Irrevocable facilities		
Contractual commitments for disbursements of:		
- Loans	596,993	506,896
- Grants	1,143	-
- Equity investments and associates	719,207	711,599
- Contractual commitments for financial guarantees given	101,963	331,374
Total irrevocable facilities	**1,419,306**	**1,549,869**

7 Debentures and notes

Debentures and notes includes issued debt instruments in various currencies under FMO's Debt Issuance Programs. In addition, a subordinated note of €250 million is also included in the Debenture and Notes. Under IFRS this note is classified as financial liability, but for regulatory purposes it is considered as Tier 2 capital. This note was issued on July 15, 2020 with a maturity date of January 15, 2031. The note is issued at 99.764% of the aggregated nominal amount at a fixed coupon rate of 0.625%. The note is non-convertible and can be called on first call date after five years till July 15, 2026.

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

	June 30, 2021	December 31, 2020
Debentures and notes under hedge accounting	4,483,421	4,015,469
Debentures and notes valued at AC	1,366,915	1,470,480
Total debentures and notes	**5,850,336**	**5,485,949**

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

	June 30, 2021	December 31, 2020
Debentures and notes under hedge accounting	4,356,668	3,823,783
Debentures and notes valued at AC	1,347,566	1,450,634
Total debentures and notes	**5,704,234**	**5,274,417**

The movements can be summarized as follows:

	2021
Balance at January 1	5,485,949
Amortization of premiums/discounts	5,650
Proceeds from issuance	526,731
Redemptions	-173,429
Changes in fair value	-62,554
Changes in accrued expense	-5,278
Exchange rate differences	73,267
Balance at June 30	**5,850,336**

Line item 'changes in fair value' represents the fair value changes attributable to the hedge risk in connection with the debentures and notes used for hedge accounting purposes.

8 Short term credits

	June 30, 2021	December 31, 2020
Collateral received (related to derivative financial instruments)	253,616	341,199
Balance	**253,616**	**341,199**

9 Interest Income

	June 30, 2021	June 30, 2020
Interest on loans measured at AC	137,724	164,675
Interest on interest-bearing securities	1,206	1,408
Total interest income from financial instruments measured at AC	**138,930**	**166,083**
Interest on loans measured at FVPL	21,469	23,848
Interest on short-term deposits	173	4,080
Interest on derivatives related to asset portfolio	-24,462	-21,183
Total interest income from financial instruments measured at FVPL	**-2,820**	**6,745**
Total interest income	**136,110**	**172,828**

10 Interest Expense

	June 30, 2021	June 30, 2020
Interest on debentures and notes hedged	-25,475	-26,237
Interest on debentures and notes not hedged	-24,988	-34,071
Interest on short-term credits	71	-519
Interest expenses related to banks (assets)[1]	-2,049	-828
Total interest expense from financial instruments measured at AC	**-52,441**	**-61,655**
Interest on derivatives related to funding portfolio	36,926	3,650
Total interest expense from financial instruments measured at FVPL	**36,926**	**3,650**
Interest on leases	-80	-89
Total interest expense	**-15,595**	**-58,094**

1 Interest expense is related to Cash and balances held at Central bank. Overnight deposits rates at central banks are negative in the Eurozone, implying interest expense on assets.

11 Net fee and commission income

	June 30, 2021	June 30, 2020
Prepayment fees	5,961	470
Fees for FVPL loans	528	-190
Administration fees	1,157	1,117
Other fees (e.g. arrangement, cancellation and waiver fees)	1,333	1,734
Total fee and commission income	**8,979**	**3,131**
Custodian fees and charges for the early repayment of debentures and notes	-270	-350
Guarantee fees related to unfunded risk participants	-1,059	-3,347
Total fee and commission expense	**-1,329**	**-3,697**
Net fee and commission income	**7,650**	**-566**

12 Dividend income

	June 30, 2021	June 30, 2020
Dividend income direct investments	7,361	17,110
Dividend income fund investments	2,489	3,056
Total dividend income	**9,850**	**20,166**

13 Results from equity investments

	June 30, 2021	June 30, 2020
Results from equity investments:		
Unrealized results from capital results	52,762	-166,296
Unrealized results from FX conversions - capital results	1,090	-522
Unrealized results from FX conversions - cost price	44,353	-18,639
Net unrealized results	**98,205**	**-185,457**
Results from sales, distributions:		
Realized results	9,238	-1,498
Release unrealized results	-4,590	-2,526
Net results from sales, distributions and write-offs	**4,648**	**-4,024**
Total results from equity investments	**102,853**	**-189,481**

14 Results from financial transactions

The movement for results from financial transactions can be mainly explained by changes in valuations for derivatives. This movement is primarily driven by changes in cross currency basis spreads and yield curves of various underlying currencies (e.g. INR, TRY).

	June 30, 2021	June 30, 2020
Result on valuation of hedged items	62,554	-92,383
Result on valuation of hedging instruments	-61,930	90,836
Result on hedge accounting	**624**	**-1,547**
Result on sale and valuation of derivatives not under hedge accounting	7,110	-25,254
Result on sale and valuation of derivatives related to asset portfolio	-3,753	-1,959
Result on sale and valuation of loans at FVPL	-5,061	-9,791
Result on financial instruments mandatory at FVPL	**-1,704**	**-37,004**
Foreign exchange results	-2,011	10,519
Other	361	-49
Total result from financial transactions	**-2,729**	**-28,081**

15 Dividends

In 2020, the General Meeting of Shareholders approved the non-binding proposal by the Management Board and Supervisory Board to not pay out the distributable part of the profit of €2.7 million related to financial results of 2019. The General Meeting of Shareholders agreed to allocate this amount to the “contractual reserve”. During the course of 2020, the Management Board and Supervisory Board proposed to allocate this amount to the "other reserves”, based on more insights.

A net loss of €205 million is recorded in 2020. Considering this loss, the Management Board and Supervisory Board proposed to the Shareholders not to pay out dividends related to 2020. Based on the Agreement State-FMO of November 16, 1998, the proposal was made to allocate €6.1 million of the loss (3% of the loss) to "other reserves" and the remaining loss to the "contractual reserve". This approach aligns with the pay-out factor as applied in the allocation of dividend in previous years.

Both proposals were approved during the General Meeting of Shareholders of April 23, 2021.

16 Remuneration for services rendered

	June 30, 2021	June 30, 2020
Funds and programs managed on behalf of the State:		
- MASSIF	5,439	5,413
- Building Prospects	4,356	4,750
- Access to Energy Fund	1,495	1,519
- FOM OS	50	100
- Capacity Development Program	-	-
Syndication fees, remuneration from directorships and others	3,200	3,439
Total remuneration for services rendered	**14,540**	**15,221**

Remuneration for managing funds and programs is assessed for market conformity. Related management expenses are included in operating expenses.

17 Tax

Current income tax liabilities amount to €31.0 million (December 31, 2020: €3.9 million).

The average weighted annual tax rate equals 12.0% (December 2020: -2.2%) and is based on the domestic tax rate of 25% corrected for equity results for which participation exemption is applicable. The current income tax charge for the first half of 2021 amounted to a tax expense of €26.9 million. Per June 30, 2021 there were no unused tax losses (December 31, 2020: €0 million) and the unused tax credits amounted to €0 (December 31, 2020: €0).

		June 30, 2021	December 31, 2020
Profit/(loss) before taxation		225,338	-200,875
Income taxes at statutory rate of 25% (2020: 25%)		-56,335	50,219
Increase/decrease resulting from:			
-	Settlement with local withholding taxes	1,129	5,427
-	Non-taxable income (participation exemption facility)	29,944	-59,799
-	Tax adjustments to prior periods	-1,679	-205
-	Other	-	-33
Total income tax		**-26,941**	**-4,391**
Effective income tax rate		12.0%	-2.2%

	June 30, 2021	December 31, 2020
Deferred tax assets		
Pension provision	4,885	3,925
Actuarial gains and losses on defined benefit plans	3,821	5,718
Tax depreciation fixed assets	254	169
Operational leases	43	35
Total deferred tax assets	**9,003**	**9,847**
Deferred tax liabilities		
Fair value movements equity investments	-6,277	-5,063
Total deferred tax liabilities	**-6,277**	**-5,063**
Net balance	**2,726**	**4,784**

18 Events after the end of the reporting period

Following approval from the Dutch Senate on July 13, 2021, Invest International will be fully operational on October 1, 2021. From this date, FMO's NL business activities will transfer to this new entity. FMO will hold 49 percent of shares and the Dutch Government the majority stake with 51 percent of shares. This event does not impact the interim accounts as per June 30, 2021.

Other than approval for Invest International, there has been no significant subsequent event between the balance sheet date and the date of approval of these accounts, which would impact the interim accounts as per June 30, 2021.

19 Related parties

FMO considers the Dutch Government, subsidiaries, associated companies, the Management Board (MB) and the Supervisory Board (SB) as related parties.

The following changes were announced in first half of 2021 related to composition of MB and SB:

- Starting September 1, 2021, Michael Jongeneel has been appointed as the new CEO and will replace Linda Broekhuizen (CEO ad interim). Linda Broekhuizen will leave FMO by end of 2021.
- Fatoumate Bouaré (CRFO) is appointed for her second term as CRFO.
- Huib-Jan de Ruijter (CIO ad interim) is appointed as CIO.
- Koos Timmermans is appointed for second term in the SB.

In the first half of 2021 no loans or investments were transferred from the State Funds to FMO.

Review report

To: The shareholders and supervisory board of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Our conclusion

We have reviewed the consolidated interim accounts 2021 included in the interim report of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) based in The Hague for the period from 1 January 2021 to 30 June 2021.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim accounts of FMO for the period from 1 January 2021 to 30 June 2021, are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The consolidated interim accounts comprise:

- The condensed consolidated balance sheet as at 30 June 2021
- The following condensed consolidated statements for the period from 1 January 2021 to 30 June 2021: the condensed profit and loss account, the condensed consolidated statement of comprehensive income, changes in shareholders' equity and cash flows
- The notes to the consolidated interim accounts, comprising a summary of the significant accounting policies and other explanatory information

Basis of our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit" (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed interim financial information section of our report.

We are independent of FMO in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of management and the supervisory board for the consolidated interim accounts

Management is responsible for the preparation and presentation of the consolidated interim accounts in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim financial information that is free from material misstatement, whether due to fraud or error. The supervisory board is responsible for overseeing FMO's financial reporting process.

Our responsibilities for the review of the consolidated interim accounts

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410. Our review included among others:

- Updating our understanding of FMO and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within FMO
- Applying analytical procedures with respect to information included in the condensed interim financial information
- Obtaining assurance evidence that the consolidated interim accounts agree with, or reconcile to, FMO's underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed interim financial information
- Considering whether the consolidated interim accounts have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 12 August 2021

Ernst & Young Accountants LLP

Signed by J.G. Kolsters

LIST OF ABBREVIATIONS

AC	Amortized cost
AEF	Access to Energy Fund
AML	Anti Money Laundering
BP	Building Prospects
CD	Capacity Development Program
CCB	Capital Conservation Buffer
CDD	Customer Due Diligence
CEO	Chief Executive Officer
CET-1	Comment Equity Tier 1
CFM	Climate Fund Managers
CIO	Climate Investor One
CRD	Capital Requirements Directive
CRFO	Chief Risk & Financie Officer
CRR	Capital Requirements Regulation
DA	Development Accelerator
DCF	Discounted Cash Flow
DFCD	Dutch Fund for Climate and Development
DNB	De Nederlandse Bank (Dutch Central Bank)
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EC	European Commission
ECB	European Central Bank
ECL	Expected Credit Loss
EDFI	European Development Finance Institution
EU	European Union
FEC	Financial & Economic Crime
FEC_EP	Financial & Economic Crime_ Enhancement Program
FOM	Faciliteit Opkomende Markten
FOM - OS	Fund Emerging Markets for Developing Countries
FMO IM	FMO Investment Management
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GCF	Green Climate Fund
GDP	Gross Domestic Product
IAS	International Accounting Standards
IASB	International Accounting and Standards Board
IBOR	Interbank Offered Rates
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IMF	International Monetary Fund
INR	Indian Rupee
IPC	Irrevocable payment commitment
IPCC	Intergovernmental Panel on Climate Change
IRC	Investment Risk Committee
JIM	Joint Impact Model
KYC	Know Your Customer
LFTF	Liquidity and Financial Task Force

MB	Management Board
MSME	Micro, Small and Medium Enterprises
MFF	Mobilizing Finance for Forests
NGO	Non Governmental Organization
NPL	Non performing loans
OCI	Other comprehensive income
PDF	Partnership Development Fund
PP&E	Property Plant and Equipment
P2G	Pillar 2 Guidance
RI	Reduced Inequalities
RFR	Risk Free Interest - Rate
SB	Supervisory Board
SDG	Sustainable Development Goal
SIRA	Systemic Integrity Risk Assessment
SME	Small and Medium-sized Enterprises
SOFR	Secured Overnight Financing Rate
SRB	Single Resolution Board
SRF	Single Resolution Fund
TA	Technical Assistance
TRY	Turkish Lira
WEO	World Economic Outlook
Wwft	Wet ter voorkoming van witwassen en financieren terrorisme

ADDITIONAL INFORMATION

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REPORTING SCOPE

This interim report covers activities that took place or had effect on the first six months of 2021

FMO publishes its integrated annual report in March. This report is audited by the external auditor. Please read the 2020 auditor’s report for detailed information on the scope and result of their work. Previous reports are available on reporting.fmo.nl or via annualreport.fmo.nl