FMO

Entrepreneurial
Development
Bank

INTERIM REPORT

2023

Kılıç Deniz is Turkey's leading aquaculture player. They specialize in growing, producing, and exporting sustainably certified fish. The company stands out due to its commitment to sustainable practices within the aquaculture value chain and its proactive approach in becoming a leader in climate action. Some of their operations were severely affected by the earthquake that struck in February 2023. To aid Kılıç Deniz during this difficult time, FMO provided financial support for temporary housing to accommodate its blue-collar employees working at the Kahramanmaraş trout packaging plant and their families.

TABLE OF CONTENTS

AT A GLANCE

FMO is the Dutch entrepreneurial development bank

FMO is the Dutch entrepreneurial development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs.

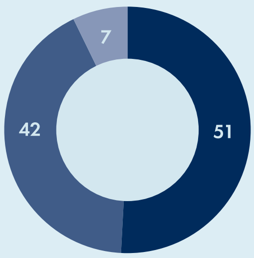
FMO believes that a strong private sector leads to economic and social development and has a 50+ year proven track-record in enabling entrepreneurs to make local economies more inclusive, productive, resilient and sustainable.

FMO focuses on three sectors that have high development impact: Agribusiness, Food & Water, Energy, and Financial Institutions.

FMO has its head office in The Hague, the Netherlands, with regional offices in Johannesburg, South Africa, Nairobi, Kenya, and San José, Costa Rica.

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

2nd /987 banks
Sustainalytics relative performance (1st=lowest risk)

Prime
ISS ESG rating

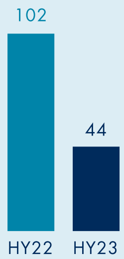
Employees

748
Total number of employees

69
Number of nationalities

47%
of women in senior and middle management

Financial performance



€44 million
Net profit

23.2%
CET1 ratio

Half-Year 2023 Performance

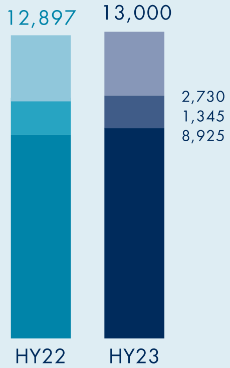
Investing in inclusive and sustainable prosperity[1]

	Decent Work and Economic Growth	Reduced Inequalities	Climate Action

Total committed portfolio[2]

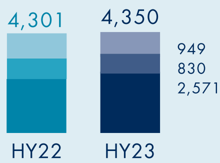
33% of our total committed portfolio aims to contribute to reduced inequalities and 35% to climate action.

- Mobilized funds
- Public funds
- FMO's balance sheet



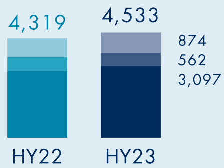
€13,000 million
Total committed portfolio

of which



€4,350 million
Reducing Inequality-labelled total committed portfolio

and

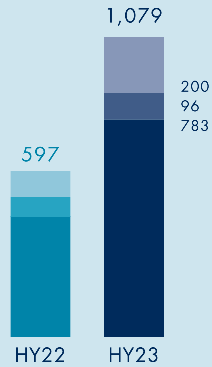


€4,533 million
Green-labelled total committed portfolio

Total new investments[2]

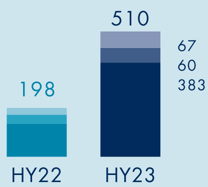
47% of total new investments aims to contribute to reduced inequalities and 46% to climate action.

- Mobilized funds
- Public funds
- FMO's balance sheet



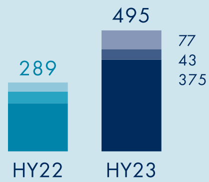
€1,079 million
Total new investments

of which



€510 million
Reducing Inequality-labelled total new investments

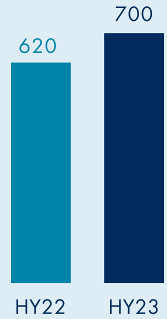
and



€495 million
Green-labelled total new investments

Other key indicators

Our portfolio resulted in an estimated 700 thousands jobs supported and 1,306 ktCO2e financed avoided GHG emissions.



700 thousand
Jobs supported

1,306 ktCO_2e
Total financed avoided greenhouse gas emissions

1. In addition to investments made on its own balance sheet, FMO also invests public and mobilized funds to create higher impact. These funds are managed but not owned by FMO. The risk exposure for these assets is for the third-party providers of this capital.
2. This is an alternative performance measure (APM) that is not included in the financial statements and is designed for steering purposes.

Genneia,
The Necochea Wind Farm, located in the province of Buenos Aires, Argentina, supplies green electricity to around 37,000 homes, avoiding ~75,000 tons of CO_2 emissions annually.

LETTER FROM THE MANAGEMENT BOARD

In the first six months of the year, global economic and political instability prevailed, particularly in FMO's geographies. High inflation and increasing borrowing costs have made loan repayments and fundraising more expensive for developing countries. This negatively affected the livelihoods of many; the UN Development Programme estimates that the economic shocks of the past three years[1] pushed 165 million people into poverty - using the US$3.65-a-day poverty line - bringing the total to 1.8 billion people.

Meanwhile, climate change continued to disproportionately impact the world's poorest and most vulnerable. The Horn of Africa, which is experiencing its longest and most severe drought on record, is just one example. FMO is committed to a just and inclusive transition, in which environmental, economic, and social aspects are addressed holistically. While all governments need to adhere to agreed climate goals, we believe countries that have historically emitted the most must assume the highest responsibility and take decisive action.

Growing impactful business

Last year, we updated our strategy towards 2030 in order to maximize our impact. Underpinning this ambition, we have set 'growing impactful business' and 'organizational development' as priorities for this year, while a third element is ensuring FMO's foundations remain solid.

Our results for the first half of 2023 show an increase in volume compared to the previous year. We built up a pipeline of opportunities that resulted in €1,079 million in total new investments, of which €495 million went towards green projects and €510 million towards reducing inequalities. Although we were able to source more opportunities with a greater contribution to the SDGs, investments in least developed countries continued to fall behind. This is due to the previously mentioned political unrest and macroeconomic instability.

A few examples of our impact investments in 2023 include:

- Khan Bank Mongolia issued the first-ever green bond in the country, with FMO investing €35 million in the US$ 60 million, five-year bond. The bank will grow its climate portfolio by funding projects that support renewable energy, energy efficiency, green buildings, green mobility, and climate-smart agriculture in Mongolia.
- Supporting Taprobane Seafoods, a Sri Lankan company that sustainably produces vannamei (whiteleg) shrimp. The US$15 million loan will help to rehabilitate abandoned shrimp farms, renew hatcheries, and set up eco-friendly processing factories. The loan was financed through Dutch government funds Building Prospects and Dutch Fund for Climate and Development.
- Walo Storage in Senegal. This first battery storage project in West Africa will bring much-needed stability to the local grid and reduce power outages. FMO provided a 16-year loan of €11 million from our own balance sheet (FMO-A) and a 19-year loan of €8 million from the Dutch government Access to Energy Fund.
- Investing in Arohan Financial Services, a microfinance institution that currently serves around 2 million low-income female borrowers - mostly in economically less developed regions of Eastern and Northern India. The equity investment (US$11 million equivalent in INR) is expected to catalyze growth of Arohan.
- Enabling Faten Palestine for Credit and Development to increase access to finance for un(der)banked groups through a US$10 million loan and a NASIRA risk sharing facility. Despite operating in a very challenging environment, Faten is the largest microfinance institution in the West Bank and Gaza, providing crucial access to finance in the area.
- Supporting ACA, an Argentinian co-operative of co-operatives, during the difficult macroeconomic circumstances in the country. A syndicate of US$80 million provides ACA, which is owned by 50,000 farmers, with the stable hard currency working capital it needs to export grains and oilseeds.

1 UNDP (July 2023). The Human Cost of Inaction: Poverty, Social Protection and Debt Servicing, 2020–2023.

Strengthening partnerships is an essential part of our strategy. In this context, our extended cooperation with the European Union represents a significant and strategic step. In mid-2022, the European Commission (EC) launched the European Fund for Sustainable Development Plus (EFSD+). In recognition of the success of two previous EC guarantee programs (NASIRA and FMO Ventures Program) that we set up, we have received approval for three new proposals totaling €475 million. This amounts to a significant portion of EFSD+ funding. Additionally, we have jointly secured approval for nearly €470 million of EFSD+ funding proposals, which will be delegated to our partners for execution.

Another highlight of the first half of this year is developing our approach to Market Creation. FMO seeks to join forces with different players that support nascent businesses in emerging markets and enable ecosystem development. Parallel to this, our FMO Ventures Program continued to build partnerships and ecosystems that support start-ups, specifically in Ghana, Morocco and Tanzania.

Ensuring a solid foundation

In the first six months of the year (the period ending 30 June 2023), our net profit amounted to €44 million. The movements in the US dollar/Euro exchange rate and devaluation of local currencies against the USD, had the biggest impact on our financial performance, resulting in a downward adjustment of our private equity portfolio. Loan provisions were lower than the corresponding amount last year, then largely impacted by exposures in Ukraine, Sri Lanka and Myanmar. The non-performing loans ratio on 30 June was 9.9%. The common equity tier 1 (CET 1) ratio at the end of the reporting period was 23.21%.

To ensure FMO continues to comply with regulations, several work streams and projects are currently ongoing. For instance, we are in the process of implementing the Corporate Sustainability Reporting Directive (CSRD) and we intend to align with the European Central Bank's expectations in relation to climate-related and environmental risks by the end of 2024. We will be required to publish our first report in accordance with the CSRD in 2025, based on the company's 2024 financial year performance. We are also preparing for alignment with the international banking standards Basel IV, which need to be realized gradually towards 2030.

As progress towards our focus SDGs can be severely hampered by financial economic crime (FEC), we take our role as gatekeeper to the financial system very seriously. In 2020, we launched the Financial Economic Crime Enhancement program to ensure full compliance with the Anti-Money Laundering and Anti-Terrorist Financing Act (in Dutch: Wwft) and the Sanctions Law. We finalized this program at the end of 2021, including the related KYC file remediation.

In 2022, we initiated a follow-up on the recommendations the Dutch Central Bank (DNB) gave in its conclusions and observations. This included acknowledgement of the improvements we made. We have further enhanced our KYC capabilities by embedding the KYC department in the frontline of the investment process, giving KYC a natural position in any project decision.

As a result of the file remediation, we reported a limited number of incidents to DNB at the end of 2021 and the beginning of 2022. These involved late notifications of unusual transactions to the Financial Intelligence Unit (FIU). DNB reviewed these late notifications and the related KYC files. As a result, DNB decided on enforcement measures. FMO has requested DNB, by means of objection, to reconsider these measures.

Organizational development

To increase our impact and meet the expectations of our stakeholders, we continued to strengthen and streamline our organization. The recruitment of new colleagues progressed well and we prioritized employee wellbeing and engagement. Efficiency, meanwhile, is also high on the agenda. Projects were put in place that will make the administration within the investment process more user friendly, and we began implementing an agile way of working on IT projects, while outsourcing our IT-system to state-of-the-art datacenter, increasing our overall flexibility.

Effectory, an independent provider of employee feedback solutions, conducted our bi-annual employee engagement survey. Based on this, they classified FMO as a 'World Class Workplace', awarded only to organizations that score above the benchmark for engagement and employership. The survey showed that engagement levels and work satisfaction are improving, in contrast to the overall labor market, which continues to experience negative effects from the pandemic. Our employees are proud of our vision and goals, as well as the atmosphere and trust within their team. We are also on the right track regarding efficiency and cross team collaboration, both areas of improvement.

Looking ahead

We look forward to the Future of Finance – our bi-annual flagship event – at the beginning of October. During this first edition following the pandemic, we will bring together financial institutions, impact investors, and other partners from over 60 countries, to share and expand knowledge on inclusive climate finance and the role of technology, data and AI in providing financial services.

Although we are pleased with the good results in the first half year with respect to impactful investments, we recognize that the outlook for the rest of 2023 remains uncertain due to the fragile global economic and political situation in some of our markets. Still, while achieving the necessary growth and maximizing our impact will be challenging, we see it as our role to be countercyclical and focus on the long term, to invest when others shy away. In light of the challenges that lie ahead, a just and inclusive transition is not an option, but a necessity, and we will do our utmost to contribute to this goal.

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 2023 condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit of FMO and its consolidated undertakings;
- This Interim Report 2023 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 financial statements 2023; and
- This Interim Report 2023 includes a description of the principal risks and uncertainties for the remaining six months of the financial year.

The Hague, August 10, 2023

Fatoumata Bouaré, Chief Finance & Operations Officer
Franca Vossen, Chief Risk Officer
Huib-Jan de Ruijter, Co-Chief Investment Officer
Michael Jongeneel, Chief Executive Officer
Peter Maila, Co-Chief Investment Officer

Condensed Consolidated Interim Financial Statements

Condensed consolidated statement of financial position

	Notes	June 30, 2023	December 31, 2022
Assets			
Banks		61,013	26,807
Current accounts with State funds and other programs		1,752	956
Short-term deposits	(5.2)		
-of which: Amortized cost		915,364	1,144,801
-of which: Fair value through profit or loss		577,485	223,575
Other receivables		16,324	17,251
Interest-bearing securities at amortized cost		553,273	537,825
Derivative financial instruments	(5.3)	187,962	195,239
Loans to the private sector			
-of which: Amortized cost		4,557,477	4,623,568
-of which: Fair value through profit or loss		458,459	486,067
Current tax receivables		32,006	20,942
Equity investments	(5.4)		
-of which: Fair value through OCI		155,728	150,733
-of which: Fair value through profit or loss		2,146,779	2,130,903
Investments in associates	(5.5)	308,207	297,960
Property, plant and equipment		21,686	23,321
Intangible assets		14,394	11,955
Deferred income tax assets		8,476	8,058
Total assets		**10,016,385**	**9,899,961**
Liabilities			
Short-term credits	(6)	69,762	52,156
Current accounts with State funds and other programs		77	1,058
Derivative financial instruments	(5.3)	610,877	610,976
Other financial liabilities	(5.6)		
-of which: fair value through profit or loss		81,275	82,328
Debentures and notes	(7)	5,630,907	5,572,253
Current tax liabilities		-	-
Wage tax liabilities		3,535	615
Accrued liabilities		48,012	24,466
Other liabilities		21,390	52,263
Provisions		46,293	42,113
Deferred income tax liabilities		14,696	13,407
Total liabilities		**6,526,824**	**6,451,635**
Shareholders' equity			
Share capital		9,076	9,076
Share premium reserve		29,272	29,272
Contractual reserve		2,659,053	2,659,053
Development fund		657,981	657,981
Fair value reserve		42,265	38,559
Actuarial result pensions		-7,464	-6,533
Translation reserve		11,803	17,544
Other reserves		43,338	43,338
Undistributed result		44,237	36
Shareholders' equity (parent)		**3,489,561**	**3,448,326**
Non-controlling interests		-	-
Total shareholders' equity		**3,489,561**	**3,448,326**
Total liabilities and shareholders' equity		**10,016,385**	**9,899,961**

Condensed consolidated statement of profit and loss

	Notes	June 30, 2023	June 30, 2022
Income			
Interest income from financial instruments measured at AC	(9)	228,803	142,781
Interest income from financial instruments measured at FVPL	(9)	27,916	-476
Interest expenses from financial instruments measured at AC	(10)	-75,789	-57,707
Interest expenses from financial instruments measured at FVPL	(10)	-67,790	34,327
Interest expenses on leases	(10)	-66	-73
Net interest income		**113,074**	**118,852**
Dividend income	(11)	11,443	31,998
Results from equity investments	(12)	-13,943	119,278
Total results from equity investments		**-2,500**	**151,276**
Fee and commission income		3,381	5,090
Fee and commission expense		-6,056	-6,211
Net fee and commission income	**(13)**	**-2,675**	**-1,121**
Results from financial transactions	(14)	2,880	11,524
Remuneration for services rendered	(15)	16,011	17,964
Gains and losses due to derecognition		1,504	3
Other operating income		-	-167
Total other income		**20,395**	**29,324**
Total income		**128,294**	**298,331**
Operating expenses			
Staff costs		-59,167	-51,484
Administrative expenses		-17,168	-15,963
Depreciation and impairment of PP&E and intangible assets		-4,855	-5,749
Other operating expenses		-202	-193
Total operating expenses		**-81,392**	**-73,389**
Impairments on			
Interest-bearing securities		-4	-19
Loans		-30,969	-103,303
Loan commitments		-5,295	-668
Guarantees issued		2,176	-10,652
Total impairments		**-34,092**	**-114,642**
Results on associates			
Share in the result of associates		32,102	-15,357
Total result on associates	**(5.5)**	**32,102**	**-15,357**
Profit/(loss) before taxation		44,912	94,943
Income tax	(16)	-711	7,069
Net profit/(loss)		**44,201**	**102,012**
Net profit/(loss) attributable to			
Owners of the parent company		44,201	102,010
Non controlling interests		-	2
Net profit/(loss)		**44,201**	**102,012**

Condensed consolidated statement of comprehensive income

	Notes	June 30, 2023	June 30, 2022
Net profit/(loss)		**44,201**	**102,012**
Other comprehensive income			
Share of other comprehensive income of associates due to exchange differences		-5,741	25,879
Income tax effect		-	-
Items to be reclassified to profit and loss		**-5,741**	**25,879**
Fair value reserve of equity instruments at FVOCI		4,995	1,316
Actuarial gains/(losses) on defined benefit plans		-1,254	9,680
Income tax effect		-966	-2,497
Items not reclassified to profit and loss		**2,775**	**8,499**
Total other comprehensive income, net of tax		**-2,966**	**34,378**
Total comprehensive income		**41,235**	**136,390**
Total comprehensive income attributable to:			
Owners of the parent company		41,235	136,388
Non-controlling interests		-	2
Total comprehensive income		**41,235**	**136,390**

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 result	Non-controlling interests	Total
Balance at December 31, 2021	**9,076**	**29,272**	**2,658,032**	**657,981**	**30,910**	**-7,433**	**-392**	**43,338**	**12,831**	**24**	**3,433,639**
Exchange differences on associates	-	-	-	-	-	-	25,879	-	-	-	25,879
Fair value reserve of equity instruments at FVOCI	-	-	-	-	1,316	-	-	-	-	-	1,316
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	9,680	-	-	-	-	9,680
Income tax effect other comprehensive income	-	-	-	-	-	-2,497	-	-	-	-	-2,497
Total other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**1,316**	**7,183**	**25,879**	**-**	**-**	**-**	**34,378**
Changes in subsidiary Equis DFI Feeder L.P.[2]	-	-	-	-	-	-	-	-	-	-	-
Release from fair value reserve	-	-	-	-	-	-	-	-	-	-	-
Net profit /(loss)[1]	-	-	-	-	-	-	-	-	102,010	2	102,012
Dividend distributed	-	-	-	-	-	-	-	-	-12,831	-	-12,831
Balance at June 30, 2022	**9,076**	**29,272**	**2,658,032**	**657,981**	**32,226**	**-250**	**25,487**	**43,338**	**102,010**	**26**	**3,557,198**
Balance at December 31, 2022	**9,076**	**29,272**	**2,659,053**	**657,981**	**38,559**	**-6,533**	**17,544**	**43,338**	**36**	**-**	**3,448,326**
Exchange differences on associates	-	-	-	-	-	-	-5,741	-	-	-	-5,741
Fair value reserve of equity instruments at FVOCI	-	-	-	-	4,995	-	-	-	-	-	4,995
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	-1,254	-	-	-	-	-1,254
Income tax effect other comprehensive income	-	-	-	-	-1,289	323	-	-	-	-	-966
Total other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**3,706**	**-931**	**-5,741**	**-**	**-**	**-**	**-2,966**
Changes in subsidiary Equis DFI Feeder L.P.[2]	-	-	-	-	-	-	-	-	-	-	-
Release from fair value reserve	-	-	-	-	-	-	-	-	-	-	-
Net profit /(loss)[1]	-	-	-	-	-	-	-	-	44,201	-	44,201
Dividend distributed	-	-	-	-	-	-	-	-		-	-
Balance at June 30, 2023	**9,076**	**29,272**	**2,659,053**	**657,981**	**42,265**	**-7,464**	**11,803**	**43,338**	**44,237**	**-**	**3,489,561**

1 Under the Agreement State - FMO 2023, this part of the net profit is added to the contractual reserve and is therefore not distributable.

2 Changes driven by movements in the underlying investment portfolio of Equis DFI Feeder such as subscription and sales.

Condensed consolidated statement of cash flows

	Notes	June 30, 2023	June 30, 2022
Operational activities			
Net profit/(loss)		44,201	102,012
Adjustment for non-cash items:			
- Result of associates		-32,102	15,357
- Unrealised (gains) losses arising from changes in fair value[1]		21,547	-16,189
- Unrealised (gains) losses arising from changes in foreign exchange rates		-4,257	-222,489
- Unrealised (gains) losses arising from other changes[2]		-15,006	-4,865
- Amortization of premiums/discounts debentures and notes		3,962	-3,926
- Impairments		34,092	114,642
- Depreciation and impairment of PP&E assets		4,855	5,749
- Income tax expense		711	-7,069
Changes in:			
- Income taxes payable / receivable		-11,064	-36,929
- Loans		-27,400	127,391
- Equity investments		-31,216	-59,794
- Other assets and liabilities[3]		33,549	1,823
- Short-term deposits > 3 months[3]		-312,889	-330,592
- Short-term credits[3]		14,940	-105,895
Net cash flow from operational activities		**-276,077**	**-420,774**
Investment activities			
Purchase of interest-bearing securities		-93,846	-96,358
Redemption/sale of interest-bearing securities		74,624	36,896
Investments in PP&E and intangible fixed assets		-5,102	-1,358
Disinvestments in PP&E and intangible fixed assets		1,077	1,258
Investments in Associates		-2,058	-7,363
Divestments in Associates		6,657	-
Net cash flow from investment activities		**-18,648**	**-66,925**
Financing activities			
Proceeds from issuance of debt securities, debentures and notes	(7)	817,284	687,382
Redemption of debt securities, debentures and notes	(7)	-648,631	-568,470
Lease payments		-1,704	-1,687
Dividend paid		-	-12,831
Net cash flow from financing activities		**166,949**	**104,394**
Net cash flow		**-127,776**	**-383,305**
Cash and cash equivalents			
Banks and short term deposits at January 1		1,374,780	1,395,141
Net foreign exchange difference		-26,434	103,180
Total cash flow		-127,776	-383,305
Banks and short term deposits at June 30		1,220,570	1,115,016
Operational cash flows from interest and dividends			
Interest received		228,329	131,962
Interest paid		-137,179	-23,380
Dividend received		11,443	31,998
Interest paid for lease liabilities		-66	-73

[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, 2023	June 30, 2022
Banks	61,013	59,060
Short term deposits measured at AC	915,364	811,014
Short term deposits measured at FVPL	577,485	619,445
-of which > 3 months	-333,292	-374,503
Banks and short term deposits < 3 months	**1,220,570**	**1,115,016**

Notes to the condensed consolidated interim financial statements

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 emerging markets and developing economies to stimulate private sector development. In addition, FMO provides services in relation to government and public funds and programs.

During the current financial period FMO entered into an updated support agreement with the Dutch Government. This agreement sets out the conditions for when the Government is obliged to support FMO in meeting its obligations. The agreement includes an arm’s length amount that is payable by FMO annually. The updated agreement is effective from 1 July 2023. The updated agreement introduces a limitation on the amount that can be borrowed by FMO in financial markets. This limitation is currently set at 2.5 times FMO’s current total debt.

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 the emerging markets and developing economies.

We arrange syndicated loans to mobilize funds, by bringing together investors – commercial banks and other development finance institutions (DFIs) - with FMO for structuring these transactions. 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.

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 funding, within the conditions and objectives stipulated in the agreements. The funding consist of subsidies provided under the General Administrative Law Act regarding MASSIF, Access to Energy Fund (AEF), Building Prospects (BP), Capacity Development Program (CD) 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 2.16% (2022: 2.16%). With respect to the remaining interest in MASSIF, and the full risk in the other government programs, FMO has a contractual right and obligation to settle the results arising from the programs’ activities with the Dutch Government. The economic risks related to these funds are predominantly taken by the Dutch Government, and FMO has limited control over policy issues regarding these funds. FMO receives a remuneration fee 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.

The European Development Financial Institutions Management Company (EDFI MC) (of which FMO is one of the shareholders together with the other EDFIs) was established in Brussels to manage European Commission (EC) funding for the Electri-FI global facility, the Agri-FI investment facility and the Electri-FI Country. FMO, as accredited entity for the EC, acts as delegatee (contractee) for the EC and has sub-delegated all operational activities related to these facilities to the EDFIMC.

FMO was accredited by 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 this context, FMO has received funds from the EU, USAID and the Dutch Government with the purpose to invest directly in Climate Investor One (CIO), a facility raised by FMO and managed by Climate Fund Managers (CFM). 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.

The EC and FMO have an agreement for risk sharing facility NASIRA for an amount of €100 million. The facility uses guarantees to allow banks to on-lend to underserved entrepreneurs within the European neighborhood and Sub-Saharan Africa. The goal of these guarantees is to allow local banks to provide loans to groups they perceive as too risky to finance without guarantees.

Furthermore, FMO and the EC signed the guarantee agreement for the FMO Ventures Program. The program's aim is to invest in both fund and direct investments in Africa, the European Neighborhood and Asia (excluding China). Next to equity investments, the Program will also have a dedicated technical assistance program to support investees of FMO Ventures Program and will promote the development of local Venture Capital ecosystems.

Mobilizing 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 has been appointed by the UK government to invest up to £152 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

These 2023 condensed consolidated interim accounts as at June 30, 2023 have been prepared in accordance with IAS 34 of the International Financial Reporting Standards (IFRS), as endorsed by the EU.

The accounting policies, presentation and methods of computation are consistent with those applied in the preparation of FMO’s condensed consolidated interim financial statements for the year ended December 31, 2022. 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, 2022.

2.2 Group accounting and consolidation

The activities of Asia Participations 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. FMO has a 63% equity stake in Equis DFI Feeder L.P. and all other subsidiaries are 100% owned by FMO.

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. and FMO Representative Office LAC Limitada are consolidated in these interim accounts. The consolidation of this entity does not have a material impact on FMO's balance sheet or FMO's current business activities.

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

There are no new standards, interpretations or amendments adopted by the EU that have an impact on FMO.

2.5 Standards issued but not yet effective

FMO has assessed the amendments and new standards and does not expect them to have a significant impact on the interim financial statements.

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, 2022.

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 "Risk Management" section in FMO’s 2022 annual report. The risk developments in the first half year of 2023 are described below.

3.1 Capital adequacy

FMO complies with the CRR/CRD requirements and reports its capital ratios to the Dutch Central Bank every quarter. FMO calculates the capital requirement for its entire portfolio based on the standardized approach. At the end of June 2023, the capital ratio is 24.21%.

The increased production during the first half year, results in higher risk weighted assets (RWA) and higher deductions from own funds. The higher RWA combined with lower own funds decreases the total capital ratio by 0.6%.

FMO’s capital ratio remains above the combined ratio of the supervisory review and evaluation process (SREP) minimum and FMO’s internal requirements.

	June 30, 2023	**December 31, 2022**
IFRS shareholders' equity	3,489,561	3,448,326
Tier 2 capital	250,000	250,000
Regulatory adjustments:		
- Interim profit not included in CET 1 capital	-44,201	-
- Other adjustments (deducted from CET 1)	-377,691	-321,006
- Other adjustments (deducted from Tier 2)	-117,731	-106,299
Total capital	**3,199,938**	**3,271,021**
Of which Common Equity Tier 1 capital	*3,067,670*	*3,127,320*
Risk weighted assets	**13,215,726**	**13,165,304**
Of which:		
- Credit and counterparty risk	10,655,289	10,669,034
- Foreign exchange	1,968,457	1,925,572
- Operational risk	570,780	551,389
- Credit valuation adjustment	21,199	19,309
Total capital ratio	24.21%	24.85%
Common Equity Tier 1 ratio	23.21%	23.75%

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

In the first half of 2023, Russia's invasion of Ukraine continued to cause a deep regional slowdown as well as lower growth and rising inflation worldwide. As a result of low economic performance and rising inflation, FMO downgraded exposures in Argentina and Pakistan. On a positive note, in March 2023, Sri Lanka agreed to a financing package from the IMF, which buffered the impact of its political and economic crisis.

FMO's NPL portfolio saw a decrease during the first half of 2023 from 11.9% to 9.9% primarily driven by the Sri Lanka portfolio, which remained classified as NPL at the end of 2022 and returned to a performing status following the government's agreement with the IMF. In addition, FMO received repayments on the NPL portfolio of €52 million and wrote off €59 million, approximately half of which due to settlement agreements with debtors. New NPLs were primarily recorded in the Energy sector, particularly in Honduras and Rwanda where FMO's customers faced slow payments from off-takers. In addition, there was a small new NPL within the forestry portfolio. As a result, FMO's NPLs are concentrated in the Energy and Agribusiness, Food and Water sectors, while NPLs in Financial Institutions remain low.

In terms of countries, NPLs are concentrated in Ukraine, Uganda, and Honduras. Each country represented 15%, 14% and 12% of the total NPL portfolio, respectively. Other countries with high NPLs are India, Argentina, Ghana, and Peru.

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, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Fair Value**	**Total**
Loans not past due	3,773,173	415,751	179,987	501,848	4,870,759
Loans past due:					
-Past due up to 30 days	207,811	15,253	17,838	-	240,902
-Past due 30-60 days	-	-	1,649	-	1,649
-Past due 60-90 days	-	-	9,117	-	9,117
-Past due more than 90 days	-	-	248,598	17,132	265,730
Gross Exposure	**3,980,984**	**431,004**	**457,189**	**518,980**	**5,388,157**
Less: amortizable fees	-35,373	-5,221	-2,883	-	-43,477
Less: ECL allowance	-28,864	-26,438	-212,921	-	-268,223
Less: FV adjustments	-	-	-	-60,521	-60,521
Carrying amount	**3,916,747**	**399,345**	**241,385**	**458,459**	**5,015,936**

Loans past due and impairments as per December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Fair Value**	**Total**
Loans not past due	3,826,119	342,844	189,606	569,427	4,927,996
Loans past due:					
-Past due up to 30 days	231,562	-	24,457	-	256,019
-Past due 30-60 days	-	-	10,788	-	10,788
-Past due 60-90 days	-	-	9,116	-	9,116
-Past due more than 90 days	-	-	290,794	17,224	308,018
Gross exposure	**4,057,681**	**342,844**	**524,761**	**586,651**	**5,511,937**
Less: amortizable fees	-38,242	-4,078	-2,999	-	-45,319
Less: ECL allowance	-32,579	-17,223	-206,597	-	-256,399
Less: FV adjustments	-	-	-	-100,584	-100,584
Carrying amount	**3,986,860**	**321,543**	**315,165**	**486,067**	**5,109,635**

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 € 90 is calculated for the ECL of both asset classes as per June 30, 2023 (as per December 31, 2022 € 86).

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, 2023.

Loans to the private sector at June 30, 2023 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair value	Total	%
F1-F10 (BBB- and higher)	914,674	-	-	-	914,674	17%
F11-F13 (BB-,BB,BB+)	1,773,612	8,276	-	336,690	2,118,578	39%
F14-F16 (B-,B,B+)	1,148,752	122,595	-	90,290	1,361,637	25%
F17 and lower (CCC+ and lower)	143,946	300,133	457,189	92,000	993,268	18%
Gross exposure	**3,980,984**	**431,004**	**457,189**	**518,980**	**5,388,157**	**100%**
Less: amortizable fees	-35,373	-5,221	-2,883	-	-43,477	
Less: ECL allowance	-28,864	-26,438	-212,921	-	-268,223	
Less: FV adjustments	-	-	-	-60,521	-60,521	
Carrying amount	**3,916,747**	**399,345**	**241,385**	**458,459**	**5,015,936**	

Loans to the private sector at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair value	Total	%
F1-F10 (BBB- and higher)	761,017	2,690	-	-	763,707	14%
F11-F13 (BB-,BB,BB+)	1,972,889	-	-	352,305	2,325,194	42%
F14-F16 (B-,B,B+)	1,135,246	136,019	5,006	93,114	1,369,385	25%
F17 and lower (CCC+ and lower)	188,529	204,135	519,755	141,232	1,053,651	19%
Gross exposure	**4,057,681**	**342,844**	**524,761**	**586,651**	**5,511,937**	**100%**
Less: amortizable fees	-38,242	-4,078	-2,999	-	-45,319	
Less: ECL allowance	-32,579	-17,223	-206,597	-	-256,399	
Plus: FV adjustments	-	-	-	-100,584	-100,584	
Carrying amount	**3,986,860**	**321,543**	**315,165**	**486,067**	**5,109,635**	

The following table shows the credit quality and the exposure to credit risk of the financial guarantees on June 30, 2023.

Financial guarantees[1]	**June 30, 2023**			
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
F1-F10 (BBB- and higher)	-	-	-	-
F11-F13 (BB-,BB,BB+)	280,587	-	-	280,587
F14-F16 (B-,B,B+)	12,410	-	-	12,410
F17 and lower (CCC+ and lower)	16,969	-	13,738	30,707
Sub-total	**309,966**	**-**	**13,738**	**323,704**
ECL allowance	-1,121	-	-8,399	-9,520
Total	**308,845**	**-**	**5,339**	**314,184**

1 Financial guarantees represent €138,134K classified as contingent liabilities and €185,571K classified as irrevocable facilities.

Financial guarantees[1]	**December 31, 2022**			
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
F1-F10 (BBB- and higher)	-	-	-	-
F11-F13 (BB-,BB,BB+)	279,520	-	-	279,520
F14-F16 (B-,B,B+)	8,964	-	-	8,964
F17 and lower (CCC+ and lower)	16,688	-	14,023	30,711
Sub-total	**305,172**	**-**	**14,023**	**319,195**
ECL allowance	-1,314	-	-10,717	-12,031
Total	**303,858**	**-**	**3,306**	**307,164**

1 Financial guarantees represent €138,359K classified as contingent liabilities and €180,836K classified as irrevocable facilities.

The following table shows the credit quality and the exposure to credit risk of the loan commitments to the private sector on June 30, 2023. These represent contracts signed but not yet disbursed.

Loans commitments			**June 30, 2023**		
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Other1 1)**	**Total**
F1-F10 (BBB- and higher)	50,373	-	-	-	50,373
F11-F13 (BB-,BB,BB+)	170,861	-	-	49,592	220,453
F14-F16 (B-,B,B+)	150,004	77,006	-	-	227,010
F17 and lower (CCC+ and lower)	49,000	109,558	4,906	-	163,464
Total nominal amount	**420,238**	**186,564**	**4,906**	**49,592**	**661,300**
ECL allowance	-2,463	-11,194	-	-	-13,657
Total	**417,775**	**175,370**	**4,906**	**49,592**	**647,643**

1 Loan commitments for which no ECL is calculated (Fair Value loans or loans where the drawdown period has lapsed).

Loans commitments			**December 31, 2022**		
Indicative counterparty credit rating scale of S&P	**Stage 1**	**Stage 2**	**Stage 3**	**Other 1)**	**Total**
F1-F10 (BBB- and higher)	43,940	-	-	-	43,940
F11-F13 (BB-,BB,BB+)	242,616	-	-	6,803	249,419
F14-F16 (B-,B,B+)	114,422	88,831	-	-	203,253
F17 and lower (CCC+ and lower)	25,079	38,240	5,504	-	68,823
Total nominal amount	**426,057**	**127,071**	**5,504**	**6,803**	**565,435**
ECL allowance	-2,387	-6,185	-	-	-8,572
Total	**423,670**	**120,886**	**5,504**	**6,803**	**556,863**

1 Loan commitments for which no ECL is calculated (Fair Value loans or loans where the drawdown period has lapsed).

The following tables show the changes in loans, financial guarantees and loan commitments.

Changes in Loans to the private sector at AC in 2023	**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, 2023	4,019,439	-32,579	338,766	-17,223	521,762	-206,597	4,879,967	-256,399
Additions	617,182	-4,859	1,982	-1,196	-	-	619,164	-6,055
Exposure derecognised or matured/ lapsed (excluding write offs)	-492,056	1,279	-42,454	1,263	-51,509	25,598	-586,019	28,140
Transfers to Stage 1	25,253	-684	-25,253	684	-	-	-	-
Transfers to Stage 2	-161,220	4,577	211,152	-9,552	-49,932	4,975	-	-
Transfers to Stage 3	-	-	-59,708	3,394	59,708	-3,394	-	-
Modifications of financial assets (including derecognition)	1,256	-	8,510	-	6,401	-	16,167	-
Changes in risk profile (including changes in accounting estimates)	-	2,814	-	-4,326	-	-55,483	-	-56,995
Amounts written off	-	-	-	-	-18,495	18,495	-18,495	18,495
Changes in amortizable fees	-62	-	489	-	560	-	987	-
Premium/Discount	-22	-	-	-	-	-	-22	-
Changes in accrued income	12,143	-	1,638	-	-6,557	-	7,224	-
Foreign exchange adjustments	-76,302	588	-9,339	518	-7,632	3,485	-93,273	4,591
At June 30, 2023	**3,945,611**	**-28,864**	**425,783**	**-26,438**	**454,306**	**-212,921**	**4,825,700**	**-268,223**

Changes in Loans to the private sector at AC in 2022	**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, 2022	3,194,012	-20,486	803,935	-29,522	356,869	-152,095	4,354,816	-202,103
Additions	464,118	-2,915	50,871	-1,914	0	0	514,989	-4,829
Exposure derecognised or matured/ lapsed (excluding write offs)	-513,418	1,804	-75,335	375	-12,163	44,762	-600,916	46,941
Transfers to Stage 1	56,547	-426	-56,547	426	0	0	0	0
Transfers to Stage 2	-154,948	1,719	154,948	-1,719	0	0	0	0
Transfers to Stage 3	-55,609	337	-88,026	1,493	143,635	-1,830	0	0
Modifications of financial assets (including derecognition)	213	0	0	0	627	0	840	0
Changes in risk profile (including changes in accounting estimates)	0	-84	0	-515	0	-146,545	0	-147,144
Amounts written off	0	0	0	0	-43,518	43,518	-43,518	43,518
Changes in amortizable fees	1,830	0	757	0	989	0	3,576	0
Premium/Discount	68	0	0	0	0	0	68	0
Changes in accrued income	1,745	0	1,896	0	-3,912	0	-271	0
Foreign exchange adjustments	237,338	-1,596	46,682	-1,935	35,634	-14,563	319,654	-18,094
At June 30, 2022	**3,231,896**	**-21,647**	**839,181**	**-33,311**	**478,161**	**-226,753**	**4,549,238**	**-281,711**

The full contractual amount of assets that were written off during the current and prior reporting period are still subject to enforcement activity.

Movement financial guarantees[1] in 2023	**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, 2023	305,172	-1,314	-	-	14,023	-10,717	319,195	-12,031
Additions	96,006	-487	-	-	-	-	96,006	-487
Exposures matured (excluding write-offs)	-65,957	378	-	-	-	-	-65,957	378
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	187	-	-	-	2,106	-	2,293
Foreign exchange adjustments	-25,254	115	-	-	-285	212	-25,539	327
At June 30, 2023	**309,967**	**-1,121**	**-**	**-**	**13,738**	**-8,399**	**323,705**	**-9,520**

[1] Financial guarantees represent €138,134K classified as contingent liabilities and €185,571K classified as irrevocable facilities.

Movement financial guarantees[1] in 2022	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, 2022	203,653	-723	2,138	-36	-	-	205,791	-759
Additions	49,232	-423	-	-	-	-	49,232	-423
Exposures matured (excluding write-offs)	-16,596	314	-2,169	783	-27,737	-	-46,502	1,097
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-13,182	117	-	-	13,182	-117	-	-
Changes to models and inputs used for ECL calculations	-	-9	-	-744	27,745	-10,572	27,745	-11,325
Foreign exchange adjustments	13,427	-43	31	-3	1,139	-638	14,597	-684
At June 30, 2022	**236,534**	**-767**	**-**	**-**	**14,329**	**-11,327**	**250,863**	**-12,094**

[1] Financial guarantees represent €97,963K classified as contingent liabilities and €152,900K classified as irrevocable facilities.

Movement of loan commitments in 2023	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, 2023	426,057	-2,387	127,071	-6,185	5,504	-	558,632	-8,572
Additions	963,811	-2,229	42,123	-604	-	-	1,005,934	-2,833
Exposures derecognised or matured (excluding write-offs)	-923,502	1,824	-15,232	326	-866	-	-939,600	2,150
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-36,572	423	36,572	-423	-	-	-	-
Transfers to Stage 3	-	-	-394	-	394	-	-	-
Changes to models and inputs used for ECL calculations	-	-147	-	-4,464	-	-	-	-4,611
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-9,556	53	-3,576	156	-126	-	-13,258	209
At June 30, 2023	**420,238**	**-2,463**	**186,564**	**-11,194**	**4,906**	**-**	**611,708**	**-13,657**

Movement of loan commitments in 2022	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, 2022	532,219	-2,397	64,972	-880	10,477	-	607,668	-3,277
Additions	459,868	-1,095	40,384	-1,069	-	-	500,252	-2,164
Exposures derecognised or matured (excluding write-offs)	-586,450	1,707	-79,331	1,716	-5,275	-	-671,056	3,423
Transfers to Stage 1	13,182	-56	-13,182	56	-	-	-	-
Transfers to Stage 2	-61,619	318	61,619	-318	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-204	-	-1,722	-	-	-	-1,926
Amounts written off	-	-	-	-	-	-	-	-
Foreign exchange adjustments	32,557	-156	4,054	-55	357	-	36,968	-211
At June 30, 2022	**389,757**	**-1,883**	**78,516**	**-2,272**	**5,559**	**-**	**473,832**	**-4,155**

The modelling methodologies applied in determining ECL in the current period are consistent with those applied in the financial year ending December 31, 2022.

The macroeconomic scenarios' model was updated following the publication of new macroeconomic outlook data by the International Monetary Fund (IMF) in April 2023 (2022 October). The updates of the model based on GDP forecast, caused new point-in-time adjustments to probability of defaults in the impairment model, leading to an increase of €1.41 million in combined stage-1 and stage-2 impairment charges.

IMF GDP % Growth Forecasts	2023	2022
Turkey	2.7	2.7
India	5.9	8.2
Georgia	4.0	3.2
Argentina	0.2	4.0
Nigeria	3.2	3.4
Uganda	5.7	4.9
Armenia	5.5	1.5
South Africa	0.1	1.9
Mongolia	4.5	2.0
Kenya	5.3	5.7
Ivory Coast	6.2	6.0
Ukraine	-3.0	-35.0

June 30, 2023	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector[1]	Guarantees	Bonds and Cash	Total
ECL Scenario:						
Upside	267,373	2%	5,165	181	2	5,348
Base case	291,490	50%	140,940	4,760	45	145,745
Downside	325,609	48%	151,315	4,935	43	156,293
Total			**297,420**	**9,876**	**90**	**307,386**

December 31, 2022	Total unweighted amount per ECL scenario	Probability	Loans to the private Sector[1]	Guarantees	Bonds and cash	Total
ECL scenario:						
Upside	256,484	2%	4,899	229	2	5,130
Base case	277,089	50%	132,486	6,015	43	138,544
Downside	309,902	48%	142,522	6,190	41	148,753
Total			**279,907**	**12,434**	**86**	**292,427**

June 30, 2023

ECL allowance Stage 2 - Trigger assessment	Loans to private Sector	Guarantees	Loan Commitments	Total
More than 30 days past due	-4	-	-	-4
Deterioration in credit risk - financial difficulties	-26,434	-	-11,194	-37,628
Total	**-26,438**	**-**	**-11,194**	**-37,632**

December 31, 2022

ECL allowance Stage 2 - Trigger assessment	Loans to private Sector	Guarantees	Loan Commitments	Total
More than 30 days past due	-17	-	-	-17
Deterioration in credit risk - financial difficulties	-17,206	-	-6,185	-23,391
Total	**-17,223**	**-**	**-6,185**	**-23,408**

FMO continues to support customers by undertaking several forborn measures.

June 30, 2023	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)	**4,411,987**	-	121,041	**457,189**	290,207	285,359	**4,869,177**	-43,477	-268,223	-	**4,557,477**
Loans to the private sector (Fair value)	**440,368**	-	5,885	**78,612**	53,716	-	**518,980**	-	-	-60,521	**458,459**
Total	**4,852,355**	-	126,926	**535,801**	343,923	285,359	**5,388,157**	-43,477	-268,223	-60,521	**5,015,936**

December 31, 2022	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 amount
Loans to the private sector (Amortised Cost)	**4,400,532**	-	148,945	**524,754**	275,886	268,521	**4,925,286**	-45,319	-256,399	-	**4,623,568**
Loans to the private sector (Fair value)	**458,470**	-	6,168	**128,181**	83,687	-	**586,651**	-	-	-100,584	**486,067**
Total	**4,859,002**	-	155,113	**652,935**	359,573	268,521	**5,511,937**	-45,319	-256,399	-100,584	**5,109,635**

3.3 Equity investment risk

The first half of 2023 was marked by high inflation in major economies, leading to further tightening of interest rates in the US and euro zone. Although energy prices decreased, inflation remained high, and additional tightening measures are expected. The higher rates in the US exerted pressure on local currencies, impacting the USD performance of funds in Africa, Turkey, and India. Due to the USD weakening against the EUR, the value of our USD-denominated fund portfolio suffered.

Fortunately, the market for investments in renewable energy experienced a revival due to improved availability of materials after the Covid-19 pandemic. Financial institutions have also been recovering, and fund managers have actively sought to raise funds. Consequently, we expect to be able to make a good level of new investments in 2023. Moreover, our exits/distributions and dividends are in line with budget.

Re-measurement of fair values for the equity portfolio (excluding results from sales) resulted in a total loss of €15 million (H1 2022: €113 million gain). This loss was primarily attributed to the weakening of the USD against the EUR, which is part of the total unrealized loss from FX conversions of €36 million (H1 2022: €123 million gain). The remaining results from fair value re-measurements is driven by capital results, which is a gain of €21 million (HY 2022: €10 million loss). As of June 30, 2023, the equity investment portfolio amounts to €2.3 billion (H1 2022: €2.2 billion). Additionally, dividend income amounted to €11 million (H1 2022: €32 million).

3.4 Concentration risk

Concentration risk is the risk that FMO's exposures are too concentrated within or across different risk categories. Concentration risk may trigger losses large enough to threaten our financial stability. Strong diversification within FMO's emerging market portfolio is ensured through stringent limits on individual counterparties, sectors, countries and regions.

Country risk

Country risk arises from country-specific events that adversely impact FMO's exposure to a specific country. They include all factors that impact FMO's portfolio in a country, such as economic, banking and currency crises, sovereign defaults and political risk events. To ensure FMO's emerging market portfolio, is diverse enough we use a country and sector limit framework. Country limits range from 8% to 22% of FMO's shareholders' equity, depending on the country rating, with higher limits in less risky countries. Sectoral exposures are limited to 50% of the country limit for each sector in any given country.

During the first half of 2023, country risk in FMO's markets stabilized compared to 2022, which was turbulent due to the war between Ukraine and Russia. Although many economies continue to recover from the shocks generated by the pandemic and the war in Ukraine, the outlook remains uncertain. Particularly the impact of the ongoing war and related sanctions, increasing global interest rates, higher exchange rate volatility, and political instability in Sub-Saharan Africa weigh on FMO's markets. In this period, credit ratings of Argentina, Bolivia and Pakistan were downgraded one notch on FMO's internal country rating scale, while Costa Rica and El Salvador were upgraded one notch.

3.5 Market risk

Currency risk

Our appetite for currency risk remained limited. 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. 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 2023. FMO maintains a deliberately unhedged foreign currency position which stems from the private equity investments and which serves as a structural hedge for our capital ratio.

Sensitivity of profit & loss account and shareholders' equity to main foreign currencies

	June 30, 2023		December 31, 2022	
Change of value relative to the euro[1)]	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity[2)]**	**Sensitivity of profit & loss account**	**Sensitivity of shareholders' equity[2)]**
USD value increase of 10%	165,719	14,506	168,143	13,990
USD value decrease of 10%	-165,719	-14,506	-168,143	-13,990
INR value increase of 10%	11,179	-	9,476	-
INR value decrease of 10%	-11,179	-	-9,476	-
ZAR value increase of 10%	3,346	-	3,710	-
ZAR value decrease of 10%	-3,346	-	-3,710	-

1 1 The sensitivities employ simplified scenarios. The sensitivity of profit & loss account and shareholders' equity to possible changes in the main foreign currencies is based on the immediate impact on the financial assets and liabilities held at half year and year-end, including the effect of hedging instruments

2 2 Shareholders' equity is sensitive to equity investments valued at fair value through other comprehensive income.

Interest Rate Risk in the banking book

Interest rate risk is the risk of potential loss due to adverse changes to interest rates. Changing interest rates mainly influence the fair value of fixed interest balance sheet items and affect our earnings by altering interest rate sensitive income and expenses, affecting our net interest income (NII). FMO's appetite for interest rate risk is low. FMO does not take any active interest rate positions for the purpose of making a profit.

The interest rate gap and basis point value exposure are monitored each week against limits set by the Asset and Liability Committee. The delta of the economic value of equity limit is defined in the risk appetite framework and is set at 5% of Tier I. The NII at Risk limit is defined in the risk appetite framework and is set at 1% of Tier 1. In spite of rising rates in the United States, Europe and beyond our positions remained within our risk appetite in 2023.

3.6 Regulatory risk

On 27 October 2021, The European Commission published proposals for reforms to the Capital Requirements Regulations (CRR-3) and Capital Requirements Directive (CRD-6). These draft regulations focus on three main parts: 1) the implementation of the finalized Basel III reforms into European legislation, 2) new rules requiring banks to systematically identify, disclose and manage sustainability risks (ESG risks) as part of their risk management, and 3) stronger enforcement tools for supervisors overseeing EU banks. The first two parts are of relevance to FMO and we closely monitor these as regulations are being drafted and discussed in Europe.

With regards to the European translation of the Basel III standard, updates included the use of internal models, recalibrations to the standardized approach for credit risk, operational risk, credit valuation adjustment and market risk. Important elements were the implementation date (1 January 2025) and changes to treatment of private equity exposures under the standardized approach for credit risk. Under the current draft, foreseen risk weight will increase from the current 150% to 250% if the intended holding period is greater than three years, rather than 400% when falling under the speculative equity classification.

The CRR-3 and CRD-6 proposals also include several amendments to ESG risk. Most notably, FMO will have to disclose ESG risks each year as part of its Pillar 3 disclosures starting in 2025, ESG risks are also added to the scope of the Supervisory Review and Evaluation Process, the annual assessment of banks conducted by banking supervisors. A more elaborate description of the relevant changes expected from CRR-3 and CRD-6 can be found in FMO’s 2022 annual report.

3.7 Compliance risk

In our continued efforts to implement learnings, FMO reviews its FEC framework with the KYC Department on an ongoing basis. Further, Compliance moved from monitoring all KYC files on a project basis to a business-as-usual approach. Each month, a random sample of KYC files is monitored. In addition, risk-based thematic KYC monitoring is conducted. This approach further embeds the KYC responsibility in the investment teams. We also rolled out an annual integrity refresher e-learning, continued face-to-face awareness on FEC/unusual transactions and anti-bribery and corruption. This further strengthens the risk culture.

As part of our Financial Economic Crime Enhancement program, we conducted a full KYC file remediation that was finalized at the end of 2021. We followed up on the recommendations in DNB’s conclusions and observations, which also included acknowledgement of the improvements we made. As a result of the file remediation, we reported a limited number of incidents to DNB at the end of 2021 and the beginning of 2022, that involved late notifications of unusual transactions to the Financial Intelligence Unit (FIU). DNB reviewed these late notifications and the related KYC files. As a result, DNB decided on enforcement measures. FMO has requested DNB, by means of objection, to reconsider these measures.

In 2022 FMO conducted a dedicated Systematic Integrity Risk Analysis (SIRA) and formulated specific risk appetite statement on private equity fund investments and fund portfolio companies. As a result of this SIRA, the investment teams are implementing enhancements of certain controls. FMO is reviewing its SIRA framework based on the learnings from past SIRAs and has planned a companywide SIRA, to start in the second half of 2023.

In 2023 FMO continued with the roll out of operational effectiveness of GDPR framework and implement it in business-as-usual processes. In addition, a follow-up GDPR project was begun to identify additional measures and controls to further strengthen the personal data security. To keep our staff aware enough of data security, several data privacy roadshows were held across FMO. For the three FMO representative offices outside of the Netherlands, requirements are being implemented based on new local (privacy) legislation and developments.

We continue to closely follow the developments of the EU sanction packages and measures in relation to the war in Ukraine and assess their potential impact on FMO’s activities.

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 five operating segments: Agribusiness, Food & Water, Financial Institutions, Energy, Private Equity and Other.

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. All fair value changes including currency effects are recorded in the profit and loss account.

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, 2023	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Other	Total
Interest income	115,115	69,997	40,953	1,305	29,349	256,719
Interest expenses	-38,975	-23,170	-13,762	-37,120	-30,618	-143,645
Net fee and commission income	-1,991	808	-1,340	156	-308	-2,675
Dividend income	-	-	-	11,443	-	11,443
Results from equity investments	-	-	-	22,144	-	22,144
Results from financial transactions	1,167	-3,874	1,336	3,603	648	2,880
Remuneration for services rendered	2,069	3,318	2,703	6,162	1,759	16,011
Gains and losses due to recognition	-	1,226	10	268	-	1,504
Other operating income	-	-	-	-	-	-
Allocated income	-208	-124	-73	-198	603	-
Total underlying income	**77,177**	**48,181**	**29,827**	**7,763**	**1,433**	**164,381**
Operating expenses	-22,216	-18,049	-13,808	-25,907	-1,412	-81,392
Total operating expenses	**-22,216**	**-18,049**	**-13,808**	**-25,907**	**-1,412**	**-81,392**
Impairments on loans and guarantees	-3,335	-23,330	-7,521	-118	212	-34,092
Total impairments	**-3,335**	**-23,330**	**-7,521**	**-118**	**212**	**-34,092**
Profit/(loss) before taxation	51,626	6,802	8,498	-18,262	233	48,897
Share in results from associates	-	-	-	32,102	-	32,102
Taxation	-13,320	-1,755	-2,192	15,714	-60	-1,613
Underlying net profit/(loss)	**38,306**	**5,047**	**6,306**	**29,554**	**173**	**79,386**
Currency effect equity investments	-	-	-	-35,185	-	-35,185
Net profit/(loss)	**38,306**	**5,047**	**6,306**	**-5,631**	**173**	**44,201**

Segment assets at June 30, 2023	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Other	Total
Loans to the private sector	2,681,379	1,467,544	829,495	29,211	8,307	5,015,936
Equity investments and investments in associates	-	-	-	2,610,714	-	2,610,714
Other assets	840,184	459,840	259,914	827,194	2,603	2,389,735
Total assets	**3,521,563**	**1,927,384**	**1,089,409**	**3,467,119**	**10,910**	**10,016,385**
Contingent liabilities – Effective guarantees issued	94,563	18,538	24,494	539	-	138,134
Assets under management (loans and equity investments) managed for the risk of the state	96,193	173,134	142,598	479,285	-	891,210

At June 30, 2022	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Other	Total
Interest income	61,272	50,927	26,304	1,137	2,665	142,305
Interest expenses	-4,644	-5,183	-2,228	-8,627	-2,771	-23,453
Net fee and commission income	-652	402	-1,165	514	-220	-1,121
Dividend income	-	-	-	31,998	-	31,998
Results from equity investments	-	-	-	-4,012	-	-4,012
Results from financial transactions	-9,176	4,551	-8,815	-5,328	30,292	11,524
Remuneration for services rendered	2,076	4,010	1,896	6,099	3,883	17,964
Gains and losses due to recognition	3	-	-	-	-	3
Other operating income	-	-	-	-	-167	-167
Allocated income	7,148	7,976	3,428	13,277	-31,829	-
Total underlying income	**56,027**	**62,683**	**19,420**	**35,058**	**1,853**	**175,041**
Operating expenses	-19,614	-17,156	-12,609	-22,863	-1,147	-73,389
Total operating expenses	**-19,614**	**-17,156**	**-12,609**	**-22,863**	**-1,147**	**-73,389**
Impairments on loans and guarantees	-3,386	-66,823	-43,481	-951	-1	-114,642
Total impairments	**-3,386**	**-66,823**	**-43,481**	**-951**	**-1**	**-114,642**
Profit/(loss) before taxation	33,027	-21,296	-36,670	11,244	705	-12,990
Share in results from associates	-	-	-	-15,357	-	-15,357
Taxation	-8,257	5,324	9,167	4,093	-176	10,151
Underlying net profit/(loss)	**24,770**	**-15,972**	**-27,503**	**-20**	**529**	**-18,196**
Currency effect equity investments	-	-	-	120,208	-	120,208
Net profit/(loss)	**24,770**	**-15,972**	**-27,503**	**120,188**	**529**	**102,012**

Segment assets at June 30, 2022	Financial Institutions	Energy	Agribusiness, Food & Water	Private Equity	Other	Total
Loans to the private sector	2,304,890	1,532,560	980,092	25,813	13,608	4,856,963
Equity investments and investments in associates	-	-	-	2,524,707	-	2,524,707
Other assets	713,753	474,586	303,504	789,817	4,213	2,285,873
Total assets	**3,018,643**	**2,007,146**	**1,283,596**	**3,340,337**	**17,821**	**9,667,543**
Contingent liabilities – Effective guarantees issued	63,896	20,179	13,326	562	-	97,963
Assets under management (loans and equity investments) managed for the risk of the state	148,015	187,856	155,193	607,797	-	1,098,861

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, 2023	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	577,485	-	-	-	-	577,485
Derivative financial instruments	180,710	7,252	-	-	-	187,962
Loans to the private sector	458,459	-	-	-	-	458,459
Equity investments	2,146,779	-	155,728	-	-	2,302,507
Total	**3,363,433**	**7,252**	**155,728**	**-**	**-**	**3,526,413**
Financial assets not measured at fair value						
Banks	-	-	-	61,013	-	61,013
Current accounts with state funds and other programs	-	-	-	1,752	-	1,752
Short-term deposits	-	-	-	915,364	-	915,364
Interest-bearing securities	-	-	-	553,273	-	553,273
Loans to the private sector	-	-	-	4,557,477	-	4,557,477
Other receivables	-	-	-	16,324	-	16,324
Total	**-**	**-**	**-**	**6,105,203**	**-**	**6,105,203**
Financial liabilities measured at fair value						
Derivative financial instruments	323,973	286,904	-	-	-	610,877
Other financial liabilities	81,275	-	-	-	-	81,275
Total	**405,248**	**286,904**	**-**	**-**	**-**	**692,152**
Financial liabilities not measured at fair value						
Short-term credits	-	-	-	69,762	-	69,762
Debentures and notes	-	-	-	880,778	4,750,129	5,630,907
Current accounts with state funds and other programs	-	-	-	77	-	77
Accrued liabilities	-	-	-	48,012	-	48,012
Other liabilities	-	-	-	21,390	-	21,390
Total	**-**	**-**	**-**	**1,020,019**	**4,750,129**	**5,770,148**

December 31, 2022	FVPL - mandatory	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	223,575	-	-	-	-	223,575
Derivative financial instruments	177,554	17,685	-	-	-	195,239
Loans to the private sector	486,067	-	-	-	-	486,067
Equity investments	2,130,903	-	150,733	-	-	2,281,636
Total	**3,018,099**	**17,685**	**150,733**	**-**	**-**	**3,186,517**
Financial assets not measured at fair value						
Banks	-	-	-	26,807	-	26,807
Current accounts with state funds and other programs	-	-	-	956	-	956
Short-term deposits	-	-	-	1,144,801	-	1,144,801
Interest-bearing securities	-	-	-	537,825	-	537,825
Loans to the private sector	-	-	-	4,623,568	-	4,623,568
Other receivables	-	-	-	17,251	-	17,251
Total	**-**	**-**	**-**	**6,351,208**	**-**	**6,351,208**
Financial liabilities measured at fair value						
Derivative financial instruments	335,045	275,931	-	-	-	610,976
Other financial liabilities	82,328	-	-	-	-	82,328
Total	**417,373**	**275,931**	**-**	**-**	**-**	**693,304**
Financial liabilities not measured at fair value						
Short-term credits	-	-	-	52,156	-	52,156
Debentures and notes	-	-	-	877,005	4,695,248	5,572,253
Current accounts with state funds and other programs	-	-	-	1,058	-	1,058
Accrued liabilities	-	-	-	24,466	-	24,466
Other liabilities	-	-	-	52,263	-	52,263
Total	**-**	**-**	**-**	**1,006,948**	**4,695,248**	**5,702,196**

5.2 Short-term deposits

	June 30, 2023	December 31, 2022
Collateral delivered (related to derivative financial instruments)	529,905	521,575
Dutch central bank	357,382	598,369
Mandatory reserve deposit with Dutch central bank	5,220	2,324
Collateral delivered to European Central Bank	2,946	2,130
Other short-term deposits	19,911	20,403
Short term deposits measured at AC	**915,364**	**1,144,801**
Commercial paper	531,691	200,203
Money market funds	45,794	23,372
Short term deposits measured at FVPL	**577,485**	**223,575**
Balance at December 31	**1,492,849**	**1,368,376**

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 the first half of 2023, the derivatives position has decreased and is related to maturing or termination of interest rate swaps and cross - currency interest swaps (see tables below).

The amounts relating to derivatives designated as fair value hedging instruments and hedge ineffectiveness were as follows:

		Carrying amount				
June 30, 2023	**Notional amount**	**Assets**	**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	5,049,738	7,252	286,904	-1,741	-3,306	Results from financial transactions
December 31, 2022						
Interest rate swaps	5,004,270	17,685	275,931	-339,323	2,573	Results from financial transactions

The amounts relating to items designated as hedged items were as follows:

June 30, 2023	**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	4,750,129	-	-	-1,565	-
December 31, 2022					
Debentures and notes	4,695,248	-	-	341,896	-

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

June 30, 2023	**Notional amounts**	**Fair value assets**	**Fair value liabilities**
Derivatives other than hedge accounting instruments:			
· Currency swaps	89,926	460	388
· Interest rate swaps	1,243,828	65,649	709
· Cross-currency interest rate swaps	3,375,953	114,601	310,366
Subtotal	**4,709,707**	**180,710**	**311,463**
Derivatives related to asset portfolio	-	-	12,510
Total derivative assets / (liabilities) other than hedge accounting instruments	**4,709,707**	**180,710**	**323,973**

December 31, 2022	Notional amounts	Fair value assets	Fair value liabilities
Derivatives other than hedge accounting instruments:			
· Currency swaps	69,999	550	402
· Interest rate swaps	950,141	56,697	3,611
· Cross-currency interest rate swaps	3,626,236	120,307	317,144
Subtotal	**4,646,376**	**177,554**	**321,157**
Derivatives related to asset portfolio	-	-	13,888
Total derivative assets / (liabilities) other than hedge accounting instruments	**4,646,376**	**177,554**	**335,045**

5.4 Equity Investments

The negative change in fair value as per June 2023 is mainly driven by FX exchange results. Unrealized results from capital movement for FVPL positions is €21 million, please also refer to note 12.

	Equity measured at FVOCI	Equity measured at FVPL	Total
Net balance at January 1, 2023	150,733	2,130,903	2,281,636
Purchases and contributions	-	180,965	180,965
Conversion of loans to equity	-	-	-
Conversion Associate/FVPL	-	-	-
Return of Capital (including sales)	-	-149,749	-149,749
Changes in fair value	4,995	-15,340	-10,345
Total balance at June 30, 2023	**155,728**	**2,146,779**	**2,302,507**

1 1 Other changes relate to consolidation of FMO's Ventures Program (refer to the section group accounting and consolidation in the accounting policies chapter).

	Equity measured at FVOCI	Equity measured at FVPL	Total
Balance at January 1, 2022	140,425	1,876,825	2,017,250
Purchases and contributions	-	279,815	279,815
Conversion of loans to equity	-	938	938
Transfer associate/FVPL	-	-18,923	-18,923
Return of capital (including sales)	-	-105,019	-105,019
Changes in fair value	10,308	49,808	60,116
Other changes[1]	-	47,459	47,459
Total balance at December 31, 2022	**150,733**	**2,130,903**	**2,281,636**

1 1 Other changes relate to consolidation of FMO's Ventures Program (refer to the section group accounting and consolidation in the accounting policies chapter).

5.5 Associates

	June 30, 2023	December 31, 2022
Net balance	297,960	298,737
Purchases and contributions	2,058	14,715
Conversion from loans to equity	-	16,770
Conversion Associates/FVPL	-	18,924
Return of capital (including sales)	-6,657	-10,929
Share in net results	32,102	-58,597
Exchange rate differences	-17,256	18,340
Total	**308,207**	**297,960**

5.6 Other Financial Liabilities

Net balance at January 1, 2023	82,328
Purchases and contributions	1,445
Return of Capital (including sales)	-
Changes in fair value	-2,498
Total balance at June 30, 2023	**81,275**

5.7 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, 2023		December 31, 2022	
	Carrying value	**Fair Value**	**Carrying value**	**Fair value**
Short term deposits at AC	915,364	915,364	1,144,801	1,144,801
Banks	61,013	61,013	26,807	26,807
Interest-bearing securities	553,273	523,384	537,825	504,720
Loans to the private sector at AC	4,557,477	4,619,101	4,623,568	4,662,490
Financial assets not measured at fair value	**6,087,127**	**6,118,862**	**6,333,001**	**6,338,818**
Short-term credits	69,762	69,762	52,156	52,156
Debentures and notes	5,630,907	5,594,799	5,572,253	5,530,569
Financial liabilities not measured at fair value	**5,700,669**	**5,664,561**	**5,624,409**	**5,582,725**

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, 2023	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVPL				
Short-term deposits	577,485	-	-	577,485
Derivative financial instruments	-	187,962	-	187,962
Loans to the private sector	54,393	-	404,066	458,459
Equity investments	53,947	-	2,092,832	2,146,779
Financial assets at FVOCI				
Equity investments	-	-	155,728	155,728
Total financial assets at fair value	**685,825**	**187,962**	**2,652,626**	**3,526,413**
Financial liabilities mandatorily at FVPL				
Derivative financial instruments	-	598,367	12,510	610,877
Financial liabilities designated at FVPL				
Other financial liabilities	-	-	81,275	81,275
Total financial liabilities at fair value	**-**	**598,367**	**93,785**	**692,152**

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets mandatorily at FVPL				
Short-term deposits	223,575	-	-	223,575
Derivative financial instruments	-	195,239	-	195,239
Loans to the private sector	53,917	-	432,150	486,067
Equity investments	33,851	-	2,097,052	2,130,903
Financial assets at FVOCI				
Equity investments	-	-	150,733	150,733
Total financial assets at fair value	**311,343**	**195,239**	**2,679,935**	**3,186,517**
Financial liabilities mandatorily at FVPL				
Derivative financial instruments	-	597,088	13,888	610,976
Financial liabilities designated at FVPL				
Other financial liabilities	-	-	82,328	82,328
Total financial liabilities at fair value	**-**	**597,088**	**96,216**	**693,304**

Movements in financial instruments measured at fair value based on level 3	Derivative financial instruments	Loans to the private sector	Equity investments	Total financial assets	Derivative financial instruments	Total financial liabilities
Balance at January 1, 2022	-	562,147	1,947,116	2,509,263	9,178	9,178
Total gains or losses						-
-In profit and loss (changes In fair value)	-	-21,252	6,045	-15,207	4,623	4,623
-In other comprehensive income (changes in fair value)	-	-	10,308	10,308	-	-
Purchases /disbursements	-	10,964	279,815	290,779	-	-
Sales/repayments	-	-139,741	-105,019	-244,760	-	-
Interest capitalization	-	6,746	-	6,746	-	-
Write-offs	-	-1,450	-	-1,450	-	-
Accrued income	-	3,822	-	3,822	-	-
Exchange rate differences	-	25,583	80,047	105,630	87	87
Derecognition and/or restructuring FVPL versus AC	-	2,570	-	2,570	-	-
Conversion from loans to equity	-	-17,239	938	-16,301	-	-
Conversion associate/FVPL	-	-	-18,924	-18,924	-	-
Other changes[1]	-	-	47,459	47,459	-	-
Balance at December 31, 2022	**-**	**432,150**	**2,247,785**	**2,679,935**	**13,888**	**13,888**
						-
Total gains or losses						-
-In profit and loss (changes In fair value)	-	37,117	128	37,245	-1,326	-1,326
-In other comprehensive income (changes in fair value)	-	-	4,995	4,995	-	-
Purchases /disbursements	-	1,594	180,965	182,559	-	-
Sales/repayments	-	-22,571	-149,749	-172,320	-	-
Interest Capitalization	-	-	-	-	-	-
Write-offs	-	-40,281	-	-40,281	-	-
Accrued income	-	3,828	-	3,828	-	-
Exchange rate differences	-	-7,771	-35,564	-43,335	-52	-52
Balance at June 30, 2023	**-**	**404,066**	**2,248,560**	**2,652,626**	**12,510**	**12,510**

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

Type of debt investment	Fair value at June 30, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	61,286	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/ lower fair value of approx €2.0 million
	113,074	ECL measurement	Based on client rating	An improvement / deterioration of the Client Rating with 1 notch wil result 0.4% increase/decrease
	41,615	Credit impairment	n/a	n/a
Debt Funds	188,091	Net Asset Value	n/a	n/a
Total	**404,066**			

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

Type of equity investment	Fair value at June 30, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	1,321,929	Net Asset Value	n/a	n/a
Private equity direct investments	41,946	Recent transactions	Based on at arm's length recent transactions	n/a
	575,251	Book multiples	1.0 – 1.3	A decrease/increase of the book multiple with 10% will result in a lower/ higher fair value of €51 million.
	198,414	Earning Multiples	Depends on several unobservable data such as EBITDA multiples (range 1.0 - 12.8)	A decrease/increase of the used unobservable data with 10% will result in a lower/higher fair value of €22million.
	41,015	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 €4 million.
	57,729	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 €8 million.
	12,276	Firm offers	Based on offers received from external parties	n/a
Total	**2,248,560**			

6 Short term credits

	June 30, 2023	December 31, 2022
Collateral received (related to derivative financial instruments)	69,762	52,156
Balance	**69,762**	**52,156**

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, 2023	December 31, 2022
Debentures and notes under hedge accounting	4,750,129	4,695,248
Debentures and notes valued at AC	880,778	877,005
Total debentures and notes	**5,630,907**	**5,572,253**

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

	June 30, 2023	December 31, 2022
Debentures and notes under hedge accounting	4,992,669	4,942,729
Debentures and notes valued at AC	870,859	865,670
Total debentures and notes	**5,863,528**	**5,808,399**

The movements can be summarized as follows:

	2023
Balance at January 1	5,572,253
Amortization of premiums/discounts	3,962
Proceeds from issuance	817,284
Redemptions	-648,631
Changes in fair value	1,512
Changes in accrued expense	-2,532
Exchange rate differences	-112,941
Balance at June 30	**5,630,907**

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 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 the private sector. Therefore, provisions are calculated for financial guarantees and loan commitments according to the 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, 2023	December 31, 2022
Contingent liabilities		
Encumbered funds (Single Resolution Fund)	2,946	2,130
Effective guarantees issued	138,134	138,359
Total contingent liabilities	**141,080**	**140,489**
Effective guarantees received	-434,433	-449,913
Total guarantees received	**-434,433**	**-449,913**

Nominal amounts for irrevocable facilities is as follows:

	June 30, 2023	December 31, 2022
Irrevocable facilities		
Contractual commitments for disbursements of:		
- Loans	661,300	565,435
- Equity investments and associates	737,883	754,898
- Contractual commitments for financial guarantees given	185,571	180,836
Total irrevocable facilities	**1,584,754**	**1,501,169**

9 Interest Income

	June 30, 2023	June 30, 2022
Interest on loans measured at AC	212,313	141,582
Interest on collateral delivered	5,937	-
Interest income related to banks1	7,394	-
Interest on interest-bearing securities	3,159	1,199
Total interest income from financial instruments measured at AC	**228,803**	**142,781**
Interest on loans measured at FVPL	22,465	20,035
Interest on short-term deposits	12,758	1,057
Interest on derivatives related to asset portfolio	-7,307	-21,568
Total interest income from financial instruments measured at FVPL	**27,916**	**-476**
Total interest income	**256,719**	**142,305**

Interest income increased during the current financial period due to increases in interest rates on FMO's variable rate loan portfolio. This is driven by increases in the reference rates observed in the market.

1 Interest income as a result of interest rates on central bank deposits being positive during the current financial period.

10 Interest Expense

	June 30, 2023	June 30, 2022
Interest on debentures and notes hedged	-46,978	-29,863
Interest on debentures and notes not hedged	-28,811	-25,553
Interest on short-term credits	-	-400
Interest expenses related to banks (assets)[1]	-	-1,891
Total interest expense from financial instruments measured at AC	**-75,789**	**-57,707**
Interest on derivatives related to funding portfolio	-67,790	34,327
Total interest expense from financial instruments measured at FVPL	**-67,790**	**34,327**
Interest on leases	-66	-73
Total interest expense	**-143,645**	**-23,453**

Interest expense increased due to increases in the reference rates on FMO's variable rate funding portfolio.

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

11 Dividend income

	June 30, 2023	June 30, 2022
Dividend income direct investments	6,447	27,193
Dividend income fund investments	4,996	4,805
Total dividend income	**11,443**	**31,998**

12 Results from equity investments

	June 30, 2023	June 30, 2022
Results from equity investments		
Unrealized results from capital results	20,748	-9,664
Unrealized results from FX conversions - capital results	-1,588	8,634
Unrealized results from FX conversions - cost price	-34,500	114,658
Results from Fair value re-measurements	**-15,340**	**113,628**
Results from sales		
Realized results	36,763	-9,389
Release unrealized results	-35,366	15,039
Net results from sales	**1,397**	**5,650**
Total results from equity investments	**-13,943**	**119,278**

Refer to Note 3.3 for details of the movements in results from equity investments.

13 Net fee and commission income

	June 30, 2023	June 30, 2022
Prepayment fees	-	1,680
Fees for FVPL loans	439	80
Administration fees	946	1,034
Other fees (like arrangement, cancellation and waiver fees)	1,996	2,296
Total fee and commission income	**3,381**	**5,090**
Custodian fees and charges for the early repayment of debt securities	-697	-733
Guarantee fees related to unfunded risk participants	-5,359	-5,478
Total fee and commission expense	**-6,056**	**-6,211**
Net fee and commission income / (expense)	**-2,675**	**-1,121**

14 Results from financial transactions

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

	June 30, 2023	June 30, 2022
Gain/(losses) on remeasurement on valuation of hedged items	-1,565	256,586
Gain/(losses) on remeasurement of hedging instruments	-1,741	-251,557
Result on hedge accounting	**-3,306**	**5,029**
Result on sale and valuation of treasury derivatives not under hedge accounting	2,194	30,610
Result on sale and valuation of derivatives related to asset portfolio	1,327	-5,328
Result on sale and valuation of loans at FVPL	-1,591	-13,439
Result on financial instruments mandatory at FVPL	**1,930**	**11,842**
Foreign exchange results Loans at FVPL	-8,896	39,125
Foreign exchange results Derivatives	21,559	21,789
Foreign exchange results on other financial assets/liabilities	-10,701	-65,777
Foreign exchange results	**1,962**	**-4,863**
Other financial results	-202	-483
Other changes	2,496	-
Total result from financial transactions	**2,880**	**11,524**

15 Remuneration for services rendered

	June 30, 2023	June 30, 2022
Funds and programs managed on behalf of the State:		
- MASSIF	5,161	5,508
- Building Prospects	4,653	4,582
- Access to Energy Fund	1,747	1,944
Syndication fees, remuneration from directorships and others	4,450	5,930
Total remuneration for services rendered	**16,011**	**17,964**

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

16 Tax

Current income tax receivables amount to €32.0 million (December 31, 2022: €20.9 million).

The domestic corporate income tax rate for 2023 is 25,8% (2022: 25.8%). The effective rate based on the 2023 budget is calculated at 1.5% - mainly due to the participation exemption of equity results. For June 30, 2023 result this results in a corporate income tax of € 0.7 million (December 2022: € 16.9 million) Per June 30, 2023 there were no unused tax losses (December 31, 2022: EUR €0 million) and the unused tax credits amounted to €0 (December 31, 2022: €0).

	June 30, 2023	December 31, 2022
Deferred tax assets		
Pension provision	2,665	2,573
Actuarial gains and losses on defined benefit plans	2,595	2,272
Tax depreciation fixed assets	3,158	3,158
Operational leases	58	55
Total deferred tax assets	**8,476**	**8,058**
Deferred tax liabilities		
Fair value movements equity investments	-14,696	-13,407
Total deferred tax liabilities	**-14,696**	**-13,407**
Net balance	**-6,220**	**-5,349**

17 Related parties

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

In the first half of 2023 no changes in the composition of the MB and the SB have occurred. The SB expects to be able to announce the appointment of a new SB member in the existing vacancy during the course of the second half of 2023. The MB consist of 5 members since December 1, 2022.

In the first half of 2023 M-Kopa Kenya Limited was transferred from State Fund Access to Energy Fund and State Fund MASSIF to FMO (€8.5 million).

In the first half of 2022, the FMO Representative Office LAC Limitada legal entity was created in Costa Rica. This subsidiary is 100% owned by FMO. The consolidation of this entity does not have a material impact on FMO's balance sheet or FMO's current business activities.

During first half of 2022, Nedlinx B.V. was liquidated and is no longer part of the consolidation structure of FMO's 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.

18 Dividends

At December 2022, the Management Board and the Supervisory Board proposed no dividend (2021: €12.8 million). The proposal was approved during the General Meeting of Shareholders of April 26, 2023.

19 Events after the end of the reporting period

In July 2023 the material outstanding conditions on a new debt fund were satisfied resulting in a US$ 750 million commitment from the anchor investors to the new fund. The new fund will be able to invest in FMO loans across all of FMO’s current focus sectors. A feature of this transaction is the blended finance component where a first loss tranche enables a substantial commitment by other institutional investors who would otherwise not be able to invest.

Other than the above, there have been no other significant subsequent events between the balance sheet date and the date of approval of these accounts which would impact the interim accounts as per June 30, 2023.

Independent auditor's review report

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

Our conclusion

We have reviewed the condensed consolidated interim financial statements 2023 included in the interim report of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) based in The Hague for the period from 1 January 2023 to 30 June 2023.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of FMO for the period from 1 January 2023 to 30 June 2023, are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim financial statements comprise:

- The condensed consolidated statement of financial position as at 30 June 2023
- The following condensed consolidated statements for the period from 1 January 2023 to
- 30 June 2023: the statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows
- The notes to the condensed consolidated interim financial statements, comprising a summary of the significant accounting policies and other explanatory information

Basis for 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 condensed consolidated interim financial statements

Management is responsible for the preparation and presentation of the condensed consolidated interim financial statements 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 condensed consolidated interim financial statements

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 condensed consolidated interim financial statements 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 condensed interim financial statements have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 10 August 2023

Ernst & Young Accountants LLP

Signed by J.G. Kolsters

LIST OF ABBREVIATIONS

AC	Amortized cost
AEF	Access to Energy Fund
BP	Building Prospects
CD	Capacity Development Program
CET1	Common Equity Tier 1
CFM	Climate Fund Managers
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
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
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
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPC	Irrevocable payment commitment
IRC	Investment Risk Committee
JIM	Joint Impact Model
KYC	Know Your Customer
LIBOR	London Inter-Bank Offered Rate
MB	Management Board
MSME	Micro, Small and Medium Enterprises
MFF	Mobilizing Finance for Forests
NPL	Non performing loans
OCI	Other comprehensive income
PP&E	Property Plant and Equipment
RI	Reduced Inequalities
SB	Supervisory Board
SRB	Single Resolution Board
SRF	Single Resolution Fund

ADDITIONAL INFORMATION

CONTACT INFORMATION

For copies of FMO publications contact
FMO N.V.

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

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

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

COLOPHON

Copy
FMO N.V.

In Search of VOF: Ilja van Roon

Design
Studio Duel

Production
F19 Digital First reporting

REPORTING SCOPE

This interim report covers activities that took place or had effect on the first six months of 2023.

FMO published its integrated annual report 2022 in March. This report is audited by the external auditor. Please read the 2022 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