

FMO

Entrepreneurial
Development
Bank

FMO INVESTOR PRESENTATION

Enabling entrepreneurs to
increase inclusive and
sustainable prosperity

January 2024 | www.fmo.nl

8 DECENT WORK AND
ECONOMIC GROWTH



10 REDUCED
INEQUALITIES



13 CLIMATE
ACTION



Dharma Life | India

In the picture is Meena Devi, she is a Dharma Life entrepreneur. Dharma Life trains women from remote rural regions to sell socially impactful products and services such as solar lights and clean cook stoves.

Contents

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2. FMO Strategy
3. Relationship Dutch State
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FMO contributes to:



FMO's office in The Hague with the Sustainable Development Goals prominently on its façade.

1. INTRODUCTION

Since 1970 we have been a driving force behind
investments empowering
local entrepreneurs in emerging markets



Agribusiness,
Food & Water



Financial
Institutions



Energy



748
total number of
employees



69
different nationalities



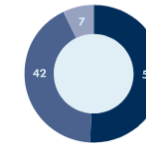
47%
of senior and middle
management are women



AAA rated bank



Ownership structure %



public- private ownership
structure

(51% Dutch state | 42% Dutch banks |
7% Employers' associations, trade
unions, corporate individual investors)

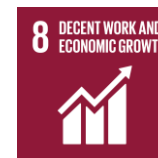


licensed bank, supervised
by the Dutch Central Bank



Industry leading sustainability ratings

Sustainalytics rating (1st of 1,015 banks, year 2023)
and ISS ESG (Prime, year 2023)

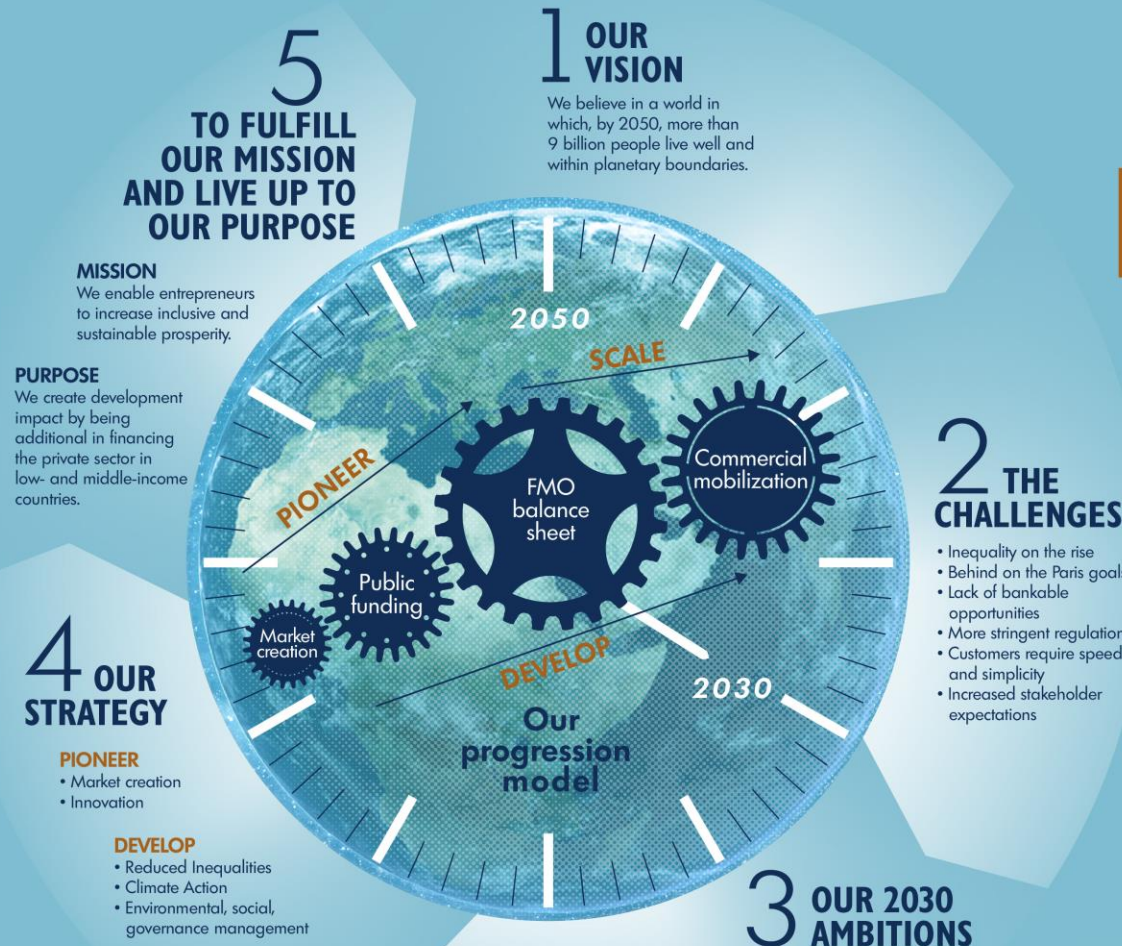


2. FMO STRATEGY

FMO

Entrepreneurial
Development
Bank

PIONEER DEVELOP SCALE



SDG 8

- Grow jobs supported
- Increase decency and quality of jobs

SDG 10

- Improve access for the bottom 40%
- Increase gender lens investments
- Invest more in LDCs / fragile states

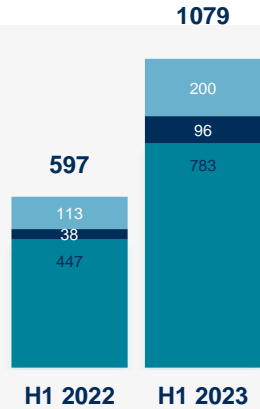
SDG 13

- 'Net zero' portfolio by 2050 through just and inclusive transition
- Support customer alignment with Paris goals and customer resilience
- More investments in mitigation, adaptation, resilience, biodiversity

Total new investment volume per Jun-23

47% of the total new investment volume aims to contribute to reduced inequalities and 46% to climate action

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



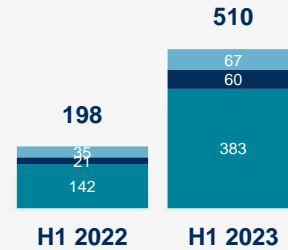
€1,079 million
Total new investments



700 thousand
jobs supported



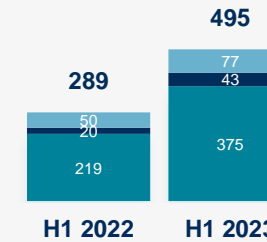
Reduced inequalities



€510 million
Reducing inequality-labelled
new investments



Climate Action



€495 million
Green-labelled
new investments



1,306,000 tCO₂e
financed avoided
greenhouse gas emissions

Public fund management (1)

We manage public funds that we invest in **higher-risk projects that promise substantial development impact**



Building Prospects

Investing in the agribusiness value chain, infrastructure and climate in developing countries



MASSIF

Financial inclusion for MSMEs in a selected set of low-income countries



Access to Energy Fund

Sustainable access to energy in developing countries

Enabled by:



Ministry of Foreign Affairs of the Netherlands



Komaza micro forestry in Kenya



Partners:



Climate adaptation and mitigation projects in developing countries

Enabled by:



Nasira
A new chance guaranteed

An innovative financial program that supports young, female, migrant entrepreneurs, and small COVID-19 affected entrepreneurs

Enabled by:



Ventures Program

Empowering innovative business models in emerging markets

Enabled by:



Mobilising Finance for Forests (MFF) unlocks private sector investment in projects that protect and restore tropical forests across Africa, Asia and Latin America

Enabled by:



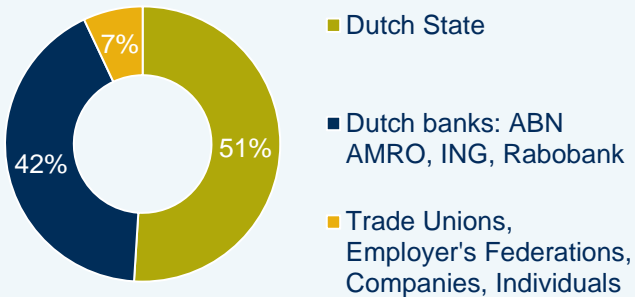
3. RELATIONSHIP DUTCH STATE



- FMO is the **Strategic government vehicle** for promoting **private-sector** growth in **developing countries**
- The **Ministry of Finance** and the **Ministry of Foreign Affairs** jointly oversee FMO's activity and accounts
- The relationship with the Dutch State entails 3 pillars: **ownership** **explicit keep-well agreement** **manager of state funds**
- Integral link with the Dutch State results in **AAA ratings S&P and Fitch**

Ownership

Public private development bank

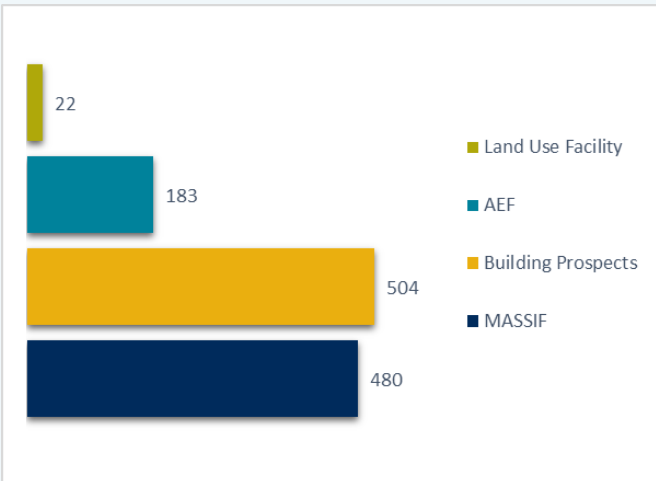


Explicit keep-well agreement

- Reaffirmed in updated bilateral agreement **“Agreement State – FMO 2023”**
- See next slide for details

State funds

FMO manages funds for €1.2 bln (per Jun-23) on behalf and for the risk of the Dutch State to finance high risk projects



- The 1998 keep-well agreement was modernised in 2023 taking into account the Dutch State’s guarantee framework, FMO’s regulatory environment as a bank and the evolution of capital markets standards.
- The Agreement State - FMO 2023 reaffirms the vital role that FMO plays in Dutch government policy, the State’s intention to ensure FMO’s continuity in accordance with the Agreement and to facilitate FMO’s stable access to capital market funding in order to effectively carry out its mandate.
- **Key principles of the Agreement remain unchanged or strengthened:**
 - **Maintenance obligation** (now Article 4, previously in Article 7) to ensure FMO is maintained as a financial undertaking remains in place with more clarity on what “maintenance” entails, a commitment from the State to provide “timely” support and a “direct, unconditional and irrevocable” payment obligation once triggered.
 - **Financial security obligation** (now Article 5, previously in Article 8) to prevent FMO from failing to meet its financial obligations remains in place with a commitment from the State to provide “timely” support and a “direct, unconditional and irrevocable” payment obligation once triggered. This provides a further level of comfort on an individual instrument level in addition to the Maintenance obligation.
 - The agreement remains **valid for an indefinite period** and can only be cancelled subject to a **12-year notice period**.
- **New components introduced in line with the Dutch State’s guarantee framework:**
 - A **Debt Ceiling** implemented for the State’s budgetary and planning process. The ceiling will be recalculated ever 5 years, taking into account 10 years of forecasted growth to ensure the ceiling does not constrain FMO’s strategic ambitions. It has been set at **16 bln for the next 5 years**. An excess amount, which is a **highly unlikely** event, **does not void the guarantee**.
 - A **Premium** to compensate the State for the risk of providing support, which has an **immaterial financial impact** on FMO.

Statement from Dutch State

The Ministry of Finance states that the modernization of the Agreement is an affirmation of the importance of FMO’s role in development cooperation on behalf of the Dutch State and shows the State’s intention to consistently support FMO, maintain its continuity and ensure FMO’s access to capital markets.

S&P’s Ratings’ commentary

“The updated agreement formally codifies extraordinary sovereign support to FMO”. “there is an almost certain likelihood that the government of the Netherlands would provide timely and sufficient extraordinary support to FMO” ... “therefore affirmed our 'AAA/A-1+' ratings on FMO and maintained our stable outlook”

Fitch Ratings’ commentary

Update does not impact ratings: “The re-phrased keepwell agreement is conceptually unchanged, validating the current KRF (Key Risk Factors) assessments.” “the key amended clauses will be accounted for in the Support Track Record KRF, which is currently assessed at ‘Very Strong.’” “the state will remain legally bound to enabling FMO to meet its financial obligations on time”

4. FUNDING AND ESG BONDS

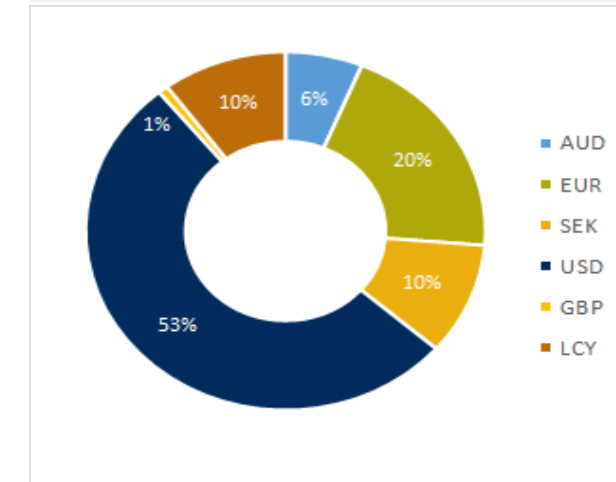
Funding Strategy

- Funding secured through demonstrated market access by issuance of (ESG) bonds
- Market access by diversification across currencies, investor types, geographies and format
- Focus on USD and EUR funding
- Annual funding need between USD 1.0-2.0 bln
- Maximum tenor of 12 years
- FMO is an eligible issuer under the Public Sector Purchase Programme of the ECB

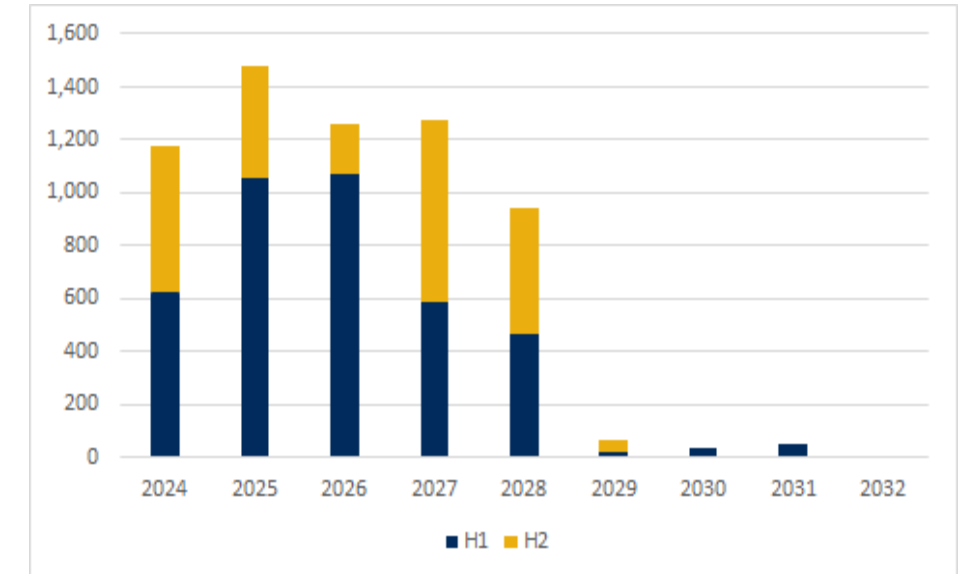
Funding need 2024 of about USD 1.5 bln

1. USD funding (USD 500-750 mln)
 - USD 500 mln benchmark issue (Reg\S)
 - USD 100-250mln Private placements
 - Tenors: 2y-5y
2. EUR funding (EUR 500 mln)
 - Tenors: 5y-7y
3. Local Currency (LCY) Frontier issuance (USD 100-300 mln)
 - Tenors: 1.5y-3y
4. Long-term arbitrage funding in other currencies in case of additional funding need (in the second half of 2024)

Funding portfolio per currency (per Jan-24)









Redemption profile in EUR million (per Jan-24)



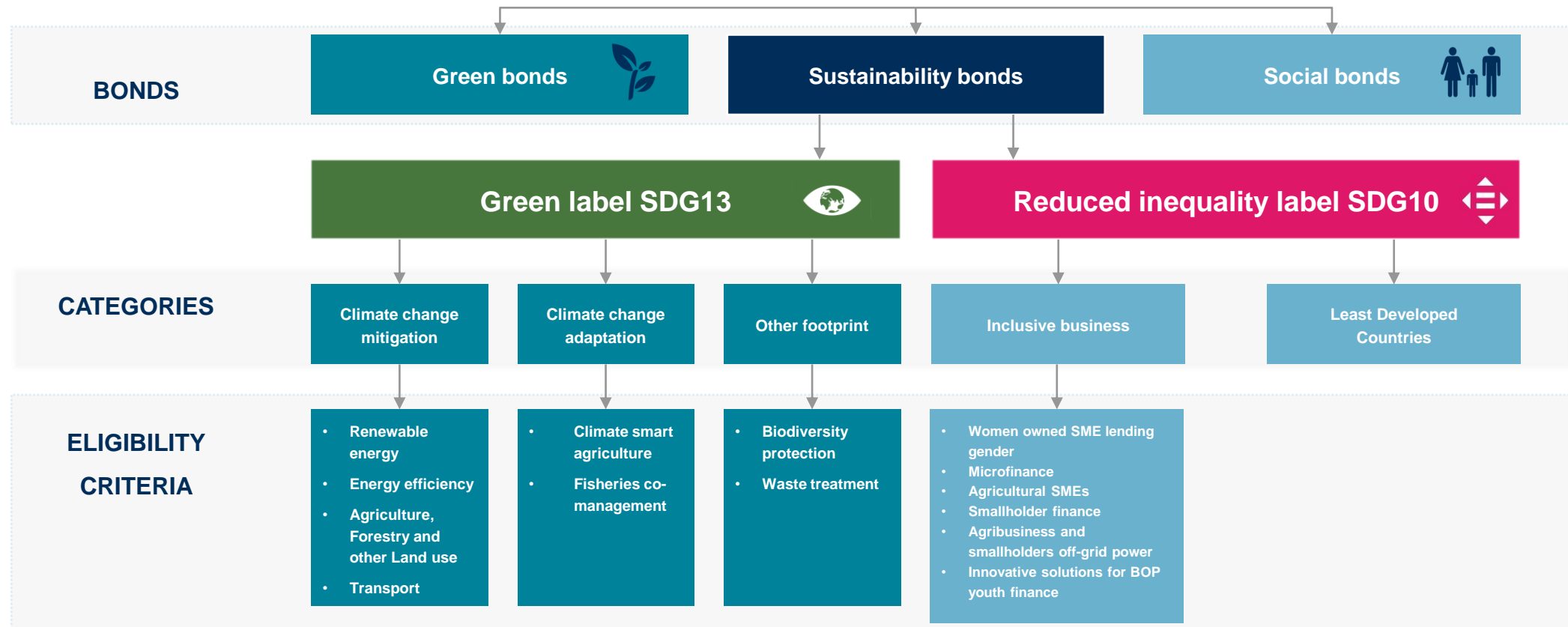
Bloomberg Ticker: NEDFIN

G green

S sustainability

Year	Amount	G	Tenor	
2019	USD 500 mln, 2.75% 20/02/2024	G	5 year	
2019	USD 500 mln, 1.75% 12/12/2024		5 year	
2021	USD 500 mln, 0.875% 15/06/2026		5 year	
2022	USD 500 mln, 2.875% 19/05/2025		3 year	
2023	USD 500 mln, 4.375% 04/04/2025		2 year	
2023	USD 500 mln, 4.75% 15/11/2028	G	5 year	
2020	EUR 500mln, 0.125% 03/04/2027	S	7 year	
2020	EUR 250 mln, 0.625% 15/01/2026 (Subordinated, 10.5NC5.5)		5.5 year*	
2022	EUR 500 mln, 3.00% 25/10/2027	S	5 year	
2014	AUD 100 mln, 4.75% 11/09/2024		10.5 year	
2014	AUD 70 mln, 5.00% 05/05/2026		12 year	
2014	AUD 380 mln, 4.25% 08/07/2025		11 year	
2017	AUD 15 mln, 3.50% 19/07/2027		10.5 year	
2018	SEK 1,650 mln, 1.46% 17/05/2028		10 year	
2019	SEK 2,000 mln, 0.935% 22/11/2026		7 year	
2020	SEK 1,500 mln, 0.862% 27/03/2028	G	8 year	
2023	SEK 1,500mln, 3.394% 22/06/2028	G	5 year	
2019	GBP 18 mln, 1.45%, 18/03/2026		7 year	
2019	GBP 15 mln, 1.30%, 08/04/2027		8 year	

Sustainability Bonds Framework (SBF)



The Sustainability Bonds Framework (SBF) allows FMO to issue Sustainability, Green and Social bonds that support FMO's lending to green projects and social projects aimed at reducing inequality



“Sustainalytics is of the opinion that FMO’s Sustainability Bonds framework is credible and impactful”

Use of Proceeds

Aligned with market best practice

The eligible categories for the use of proceeds

- Climate Change Mitigation
- Climate Change Adaptation
- Other Footprint
- Investments in Least Developed Countries (LDCs)
- Investments in Inclusive Business – are aligned with those recognized by the Green Bond Principles 2021, Social Bond Principles 2023 and Sustainability Bond Guidelines 2021.”

Impact of eligible projects

“Sustainalytics considers that the eligible projects can contribute to decreasing GHG emissions and provide positive social impact in emerging markets”

- Eligible green projects:
 - **Climate change mitigation**
 - *Renewable energy*: Solar, wind, run-of-river hydro
 - *Energy efficiency*: Buildings, transportation and industrial
 - *Conservation of natural resources*
 - *Agriculture, forestry and land use*
 - **Climate change adaptation**
 - **Other Footprint**
- FMOs Green Principles:
 - *Green investments contribute to a genuine improvement*
 - *Green investments should not contribute to a long-term lock-in of high carbon structure*
- Exclusion criteria: investments in fossil fuels, large hydropower projects, biofuel from sources that deplete carbon pools



India
Sahyadri Farmers Producer Co



Jordan
Baynouna Solar Energy Company



Laos
Mekong Timber Plantations

- Eligible reducing inequalities projects:
 - **Transaction in Least Developed Country (LDC)**
 - **Transaction is Inclusive Business (IB)**
 - *Inclusive business*: microfinance, agricultural SMEs, smallholder finance, agribusiness working with smallholders, off-grid power, innovative solutions for the “Base of the Pyramid”, youth finance
 - *Inclusive and gender*: lending to women owned SMEs, other Inclusive Business project specifically targeting women
- FMOs Reducing Inequalities principles:
 - Reducing inequalities between countries
 - Reducing inequalities within countries



GBP 2: Green and Reduced Inequality in the Investment process

IMPACT

- › Green and Reduced Inequality (RI) definition
 - › IFI definition of climate finance

INVESTMENT

- › Apply for green and RI label
 - › Exclusion list
 - › ESG standards

CREDIT

- › Approve green and RI label
- › Take note of green and RI label
 - › Impact narrative

TREASURY

- › Consider for ESG bond
 - › Green label
 - › RI label
 - › Issue mgt



- Eligible projects include projects:
 - Committed and funded before bond issuance, as FMO reports on outstanding portfolio
 - Refinancing of thematic bond issues

- Pending disbursement, the net proceeds are held in FMO's liquidity portfolio

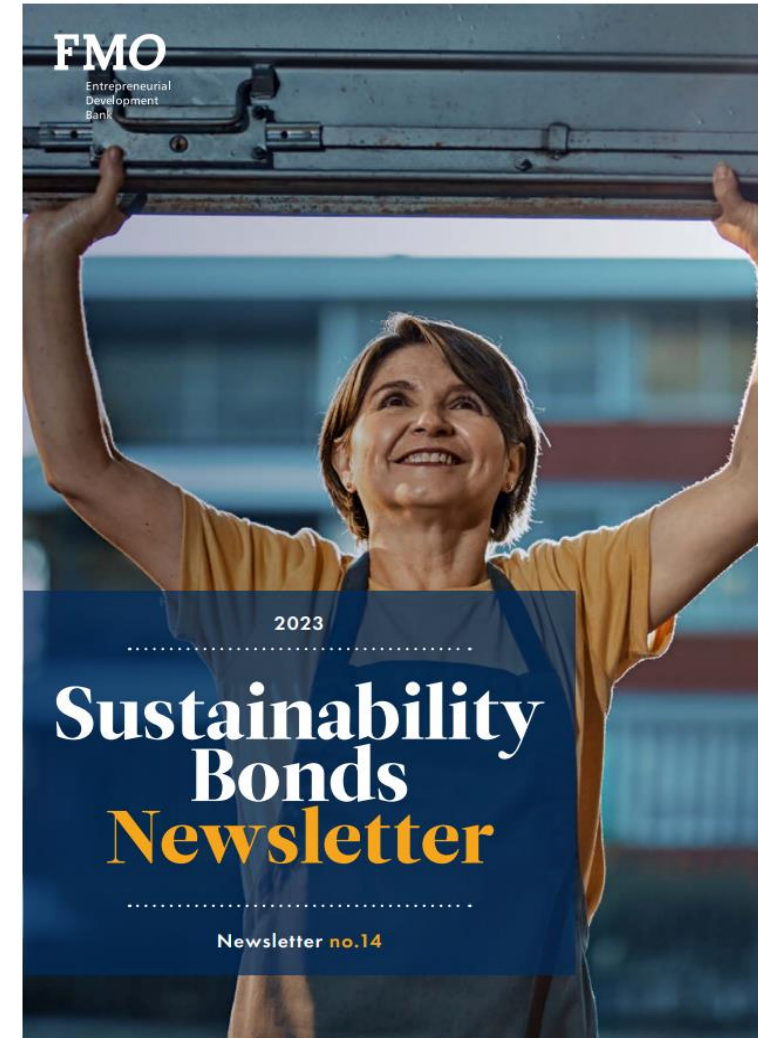
- Liquidity portfolio consists of:
 - Short-term investments
 - Long-term bond portfolio

- FMO is using both positive and negative screening for its liquidity portfolio
 - Targeting 30% in investments with extra focus on sustainability

Annual Report

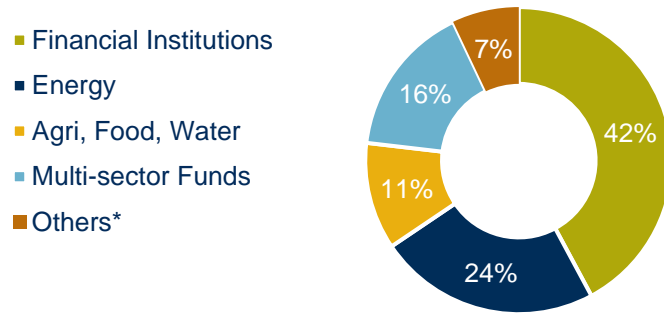


Newsletter



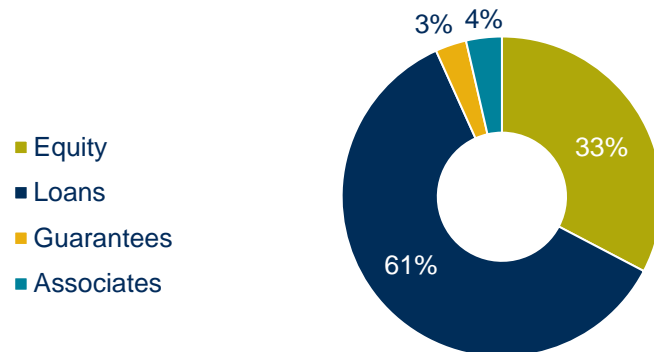
5. PORTFOLIO

Sector¹ (per Jun-23)



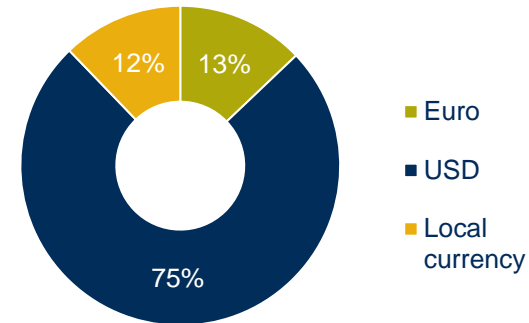
* FMO ceased new business in Other sectors since 31-Dec-17

Product¹ (per Jun-23)

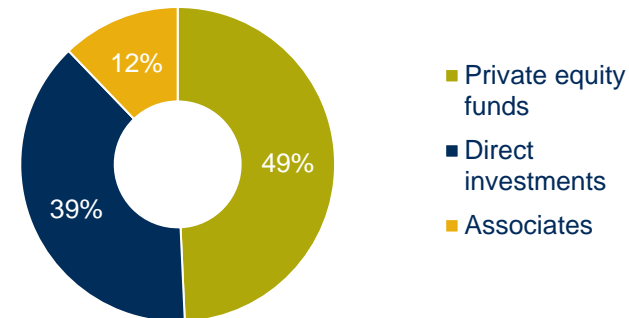


- Provide Long-term financing
- Fund management & syndication
- Diverse product portfolio

Currency (per Jun-23)



Private equity portfolio (net carrying amounts per Jun-23)

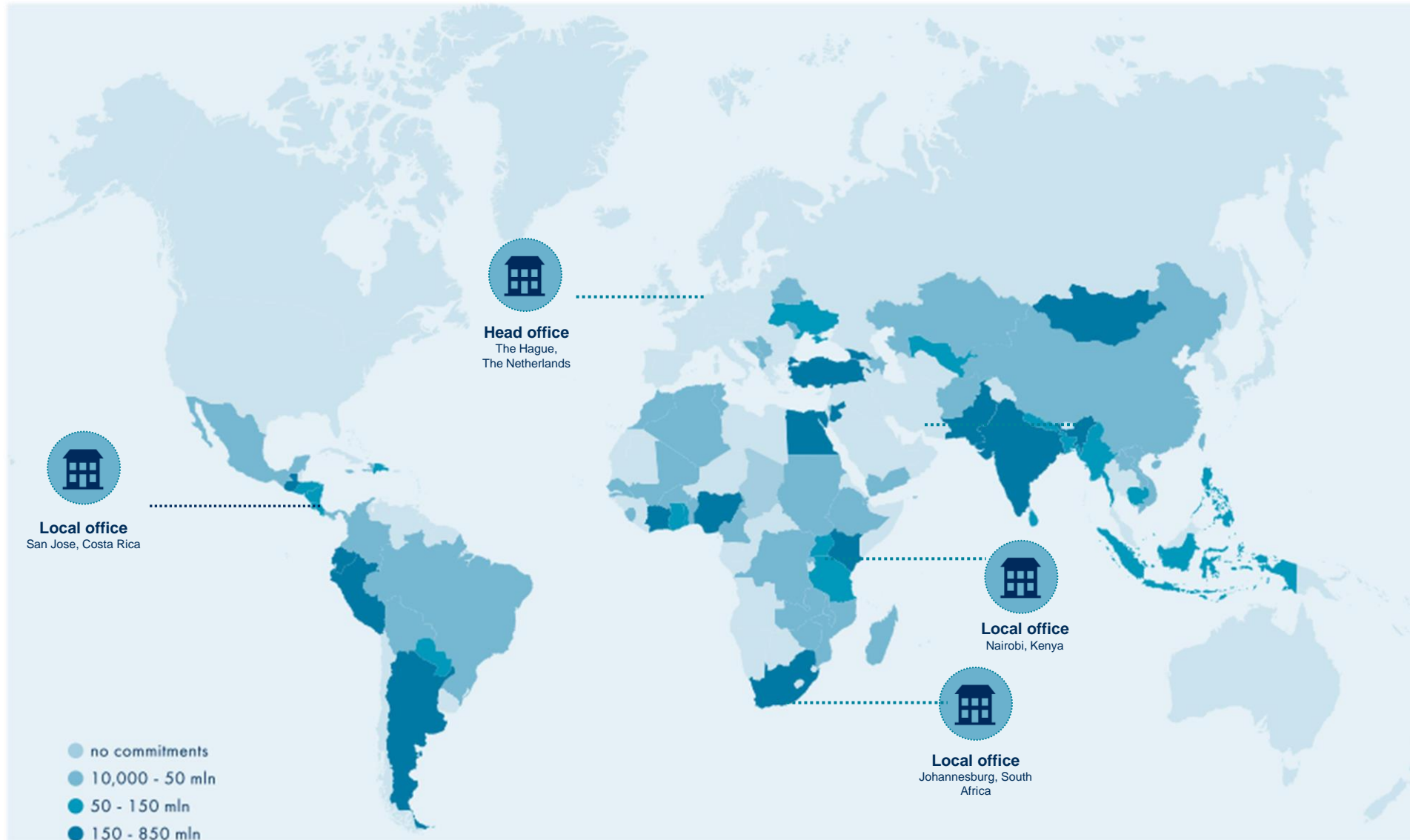


- Typical holding period of 5-10 years
- Focus on direct investments in focus sectors
- Focus on exits

Committed portfolio | H1 2023 €8.9 billion

FMO

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Africa

€3.0 bln

33% of total

Asia

€2.1 bln

23% of total

Europe & Central Asia

€1.5 bln

17% of total

Latin America & the Caribbean

€1.7 bln

19% of total

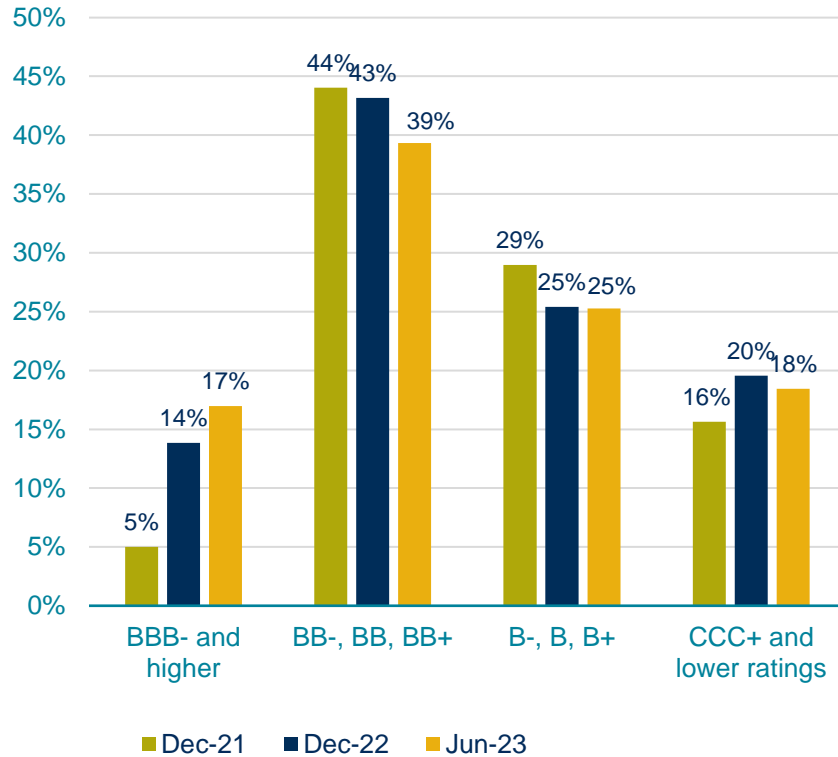
Non-region specific

€0.7 bln

8% of total

→ [Go to interactive world map](#)

Loan Portfolio concentrated in BB/B rating*

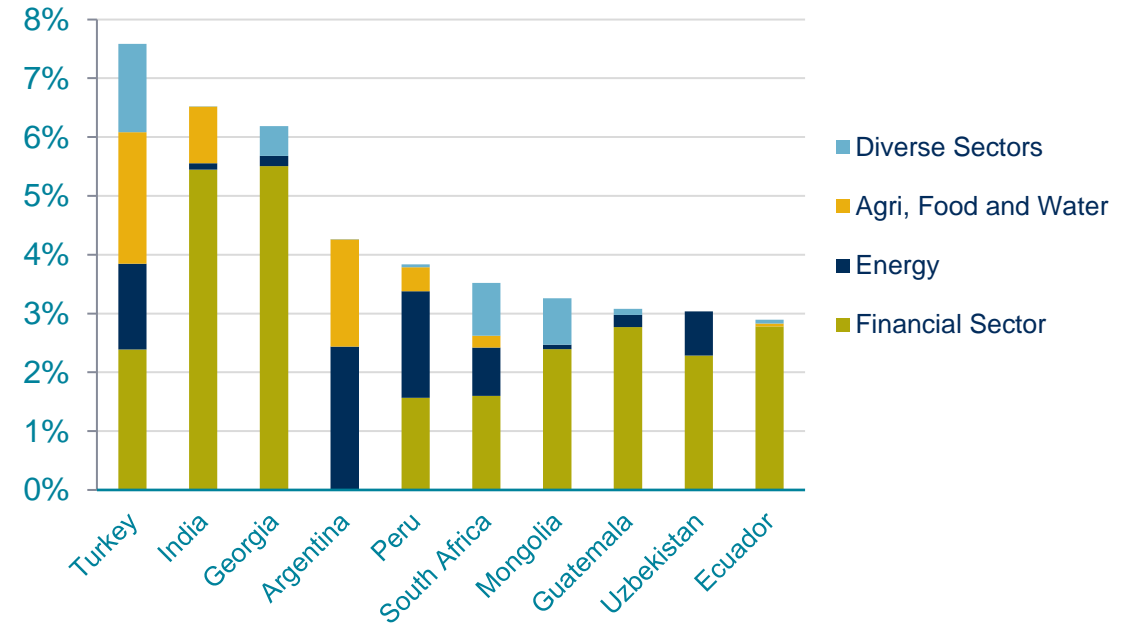


- Per Jun 2023 approx. 325 counterparties with approx. EUR 17 mln average exposure **)
- Credit ratings reflect counterparty credit quality
- Internal credit ratings are mapped versus Moody's
- Asset quality improved in 2023, mainly due to lower provisions in Ukraine and Sri Lanka

*) Gross loan portfolio excluding government funds (committed portfolio)
**) Number of counterparties and exposure relate to the gross loan portfolio

Loan Portfolio breakdown per country and sector

Top 10 countries - Loans (per Jun-23)



- Exposure spread over about 60 countries
- 3 largest country exposures represent approx. 20% of the total loan portfolio
- Country limits based on country ratings and FMO's capital
- Sector limits capped at 50% of country limit

Financial indicators

Balance sheet (EUR bln)	Dec 31, 2021	Dec 31, 2022	Jun 30, 2023
Net loans	4.8	5.1	5.0
Equity investments portfolio	2.3	2.6	2.6
Total balance sheet	9.3	9.9	10.0
Shareholders' equity	3.4	3.4	3.5
Debt securities and debentures/notes	5.4	5.6	5.6
Net profit*	0.491	0.001	0.04
Ratios			
Non Performing Loans	9.5%	11.9%	9.9%
Return on Equity	15.5%	0.0%	
Common Equity Tier1 (CET1)	22.5%	23.8%	23.21%

- ***Net profit reported according to IFRS9. FV changes on PE portfolio recorded in P&L**

Financial performance

- Net profit equals € 44 million per June 2023, FMO's overall financial performance was significantly impacted by:
 - ✓ Movements in the EUR/USD FX rate positively impacting PE
 - ✓ lower loan provisions than the corresponding amount last year, then largely impacted by the exposures in Ukraine, Sri Lanka and Myanmar

Impairments and non-performing loans (NPLs)

- Non-performing loans (NPLs) increased between 2021 and 2022 mainly because of the war in Ukraine, the economic and political crisis in Sri Lanka, as well as the coup in Myanmar (all accounted for almost 31% of the total).
- The NPLs decreased during the first half of 2023 primarily driven by the Sri Lankan portfolio, which returned to a performing status following the government's agreement with the IMF
- FMO has a committed portfolio of €133 million in Ukraine. Due to the uncertainties brought on by the war, an average provisioning of more than 50 percent is taken. FMO's private equity exposure in Ukraine incurred a €50 million fair value loss, while the loan portfolio's total value loss was €82 million in Ukraine

6. CONTACT



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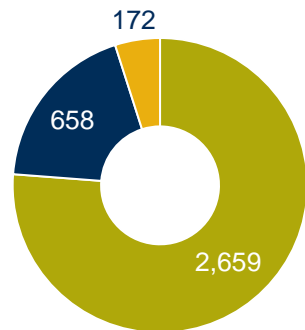
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7. APPENDIX

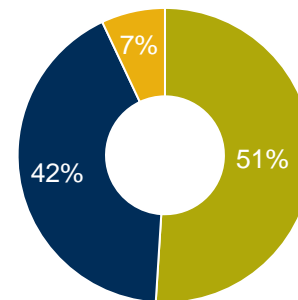
- Public Private Partnership
- The State owns 51% of the shares (A shares). Private sector entities own 49% of the shares (B shares)
- Voting rights for A shares and B shares are equal. A shares may only be issued to the State
- The State has an economic interest of more than 95% of shareholders' equity

Shareholders' equity (in EUR mln, per Jun 2023)



- Contractual Reserve
- Development Fund
- Share Capital, Share premium reserve and Other Components*

Shareholders



- Dutch State
- Dutch banks: ABN AMRO, ING, Rabobank
- Trade Unions, Employer's Federations, Companies, Individuals

* Other components comprise of available for sale reserve, translation reserve, other reserves and undistributed profit, and minority interest. Differences may arise due to rounding

Balance sheet (EUR mln)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023H1
Net loans	3,860	4,307	4,527	4,139	4,770	5,031	4,758	4,775	5,111	5,016
Equity investments portfolio ¹	1,149	1,500	1,830	1,710	1,798	2,164	1,984	2,316	2,580	2,611
Shareholders' equity	2,138	2,511	2,774	2,830	2,984	3,127	2,897	3,434	3,448	3,490
Debt securities and debentures/notes	4,197	5,348	5,181	5,101	5,140	5,808	5,486	5,426	5,572	5,631
Total assets	7,088	8,421	8,553	8,323	8,490	9,412	8,998	9,303	9,900	10,016
Committed investment portfolio ²	8,013	9,256	9,778	9,155	9,551	10,552	9,318	9,690	10,335	10,270
of which are government funds ³	978	1,194	1,239	1,222	1,119	1,435	1,228	1,352	1,401	1,345
Profit and loss account (EUR mln)										
Income										
Net interest income	169	227	217	200	201	215	241	231	235	113
Income from equity investments	72	44	56	191	41	94	178-	318	91	-3
Other income including services	19	49	27	53	44	10	25	16	12	18
Total income	260	320	300	444	286	319	88	565	338	128
Expenses										
1) Operating expense	62-	79-	86-	99-	107-	129-	144-	114-	152-	81-
<i>Operating profit before value adjustments</i>	<i>198</i>	<i>241</i>	<i>214</i>	<i>345</i>	<i>179</i>	<i>190</i>	<i>122-</i>	<i>451</i>	<i>186</i>	<i>47</i>
2) Value adjustments										
- to loans and guarantees	36-	10-	43	15-	12-	92-	78-	9	142-	34-
- to equity investments	15-	19-	44-	47-	0	0	0	0	0	0
<i>Total value adjustments</i>	<i>51-</i>	<i>29-</i>	<i>1-</i>	<i>62-</i>	<i>12-</i>	<i>92-</i>	<i>78-</i>	<i>9</i>	<i>142-</i>	
Share in the results of subsidiaries & associates	2	3	6	3-	2-	20	66-	63	59-	32
<i>Profit before tax (including results from subs./ass.)</i>	<i>149</i>	<i>215</i>	<i>219</i>	<i>292</i>	<i>166</i>	<i>118</i>	<i>201-</i>	<i>490</i>	<i>16-</i>	<i>45</i>
Taxes	25-	41-	43-	37-	-15	2	4-	-33	17	-1
Net profit	124	174	176	255	151	120	205-	490	1	44

1) Including associates.

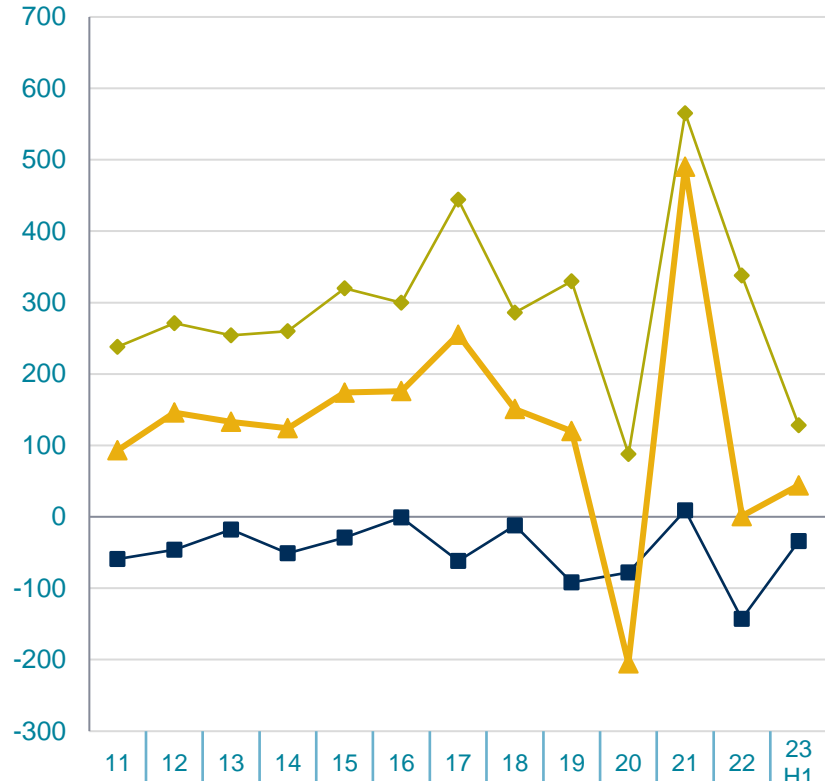
2) Committed investment portfolio concerns both investment for FMO's account and for government funds managed by FMO.

3) The government funds include Massif, Infrastructure Development Fund, Access to Energy Fund and NIMF (until 2007).

Historic performance with low write-offs

Performance since 2011

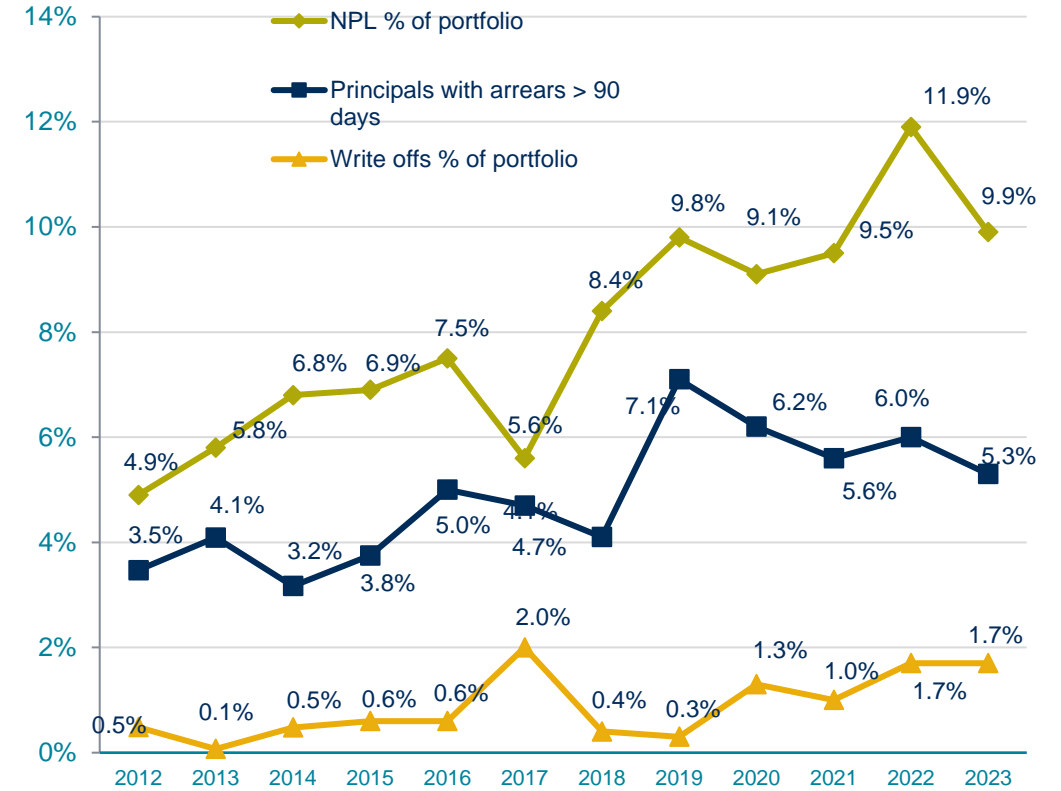
FMO Total



Income	238	271	254	260	320	300	444	286	330	88	565	338	128
Value adjustments	-59	-46	-18	-51	-29	-1	-62	-12	-92	-78	9	-143	-34
Net Profit	93	146	133	124	174	176	255	151	120	-205	490	1	44

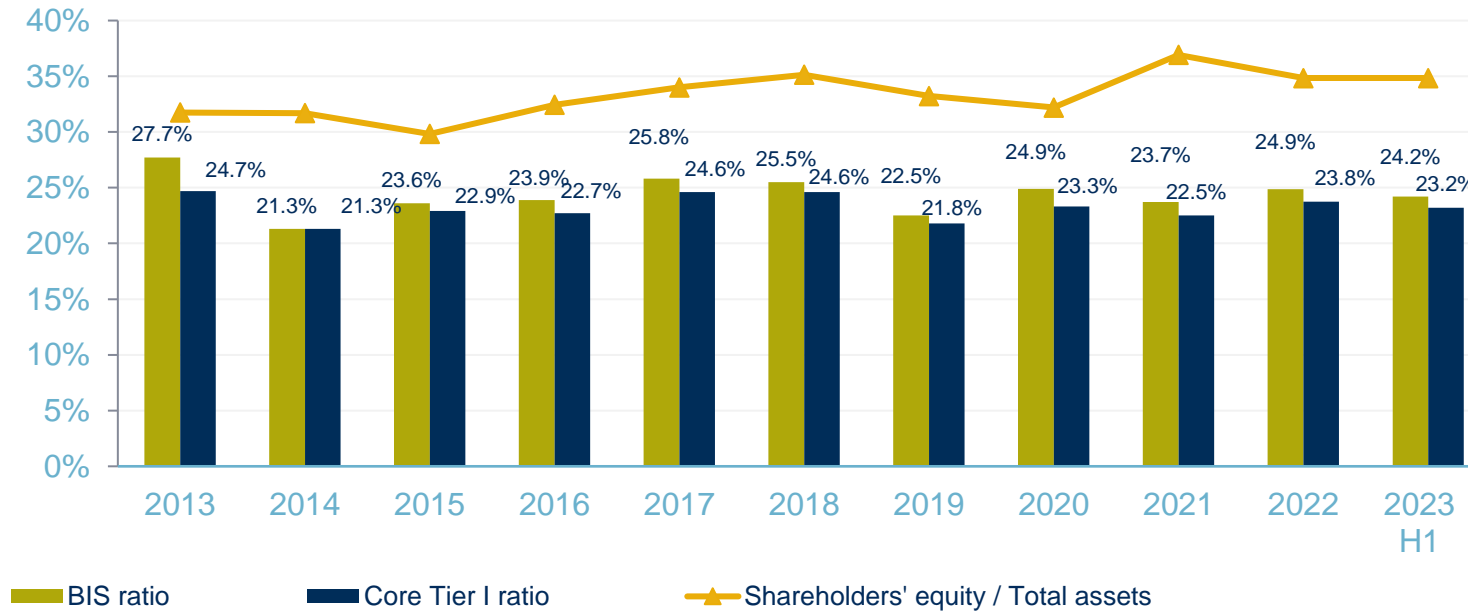
- Drivers: equity exits, interest income, value adjustments

Non-performing loans development

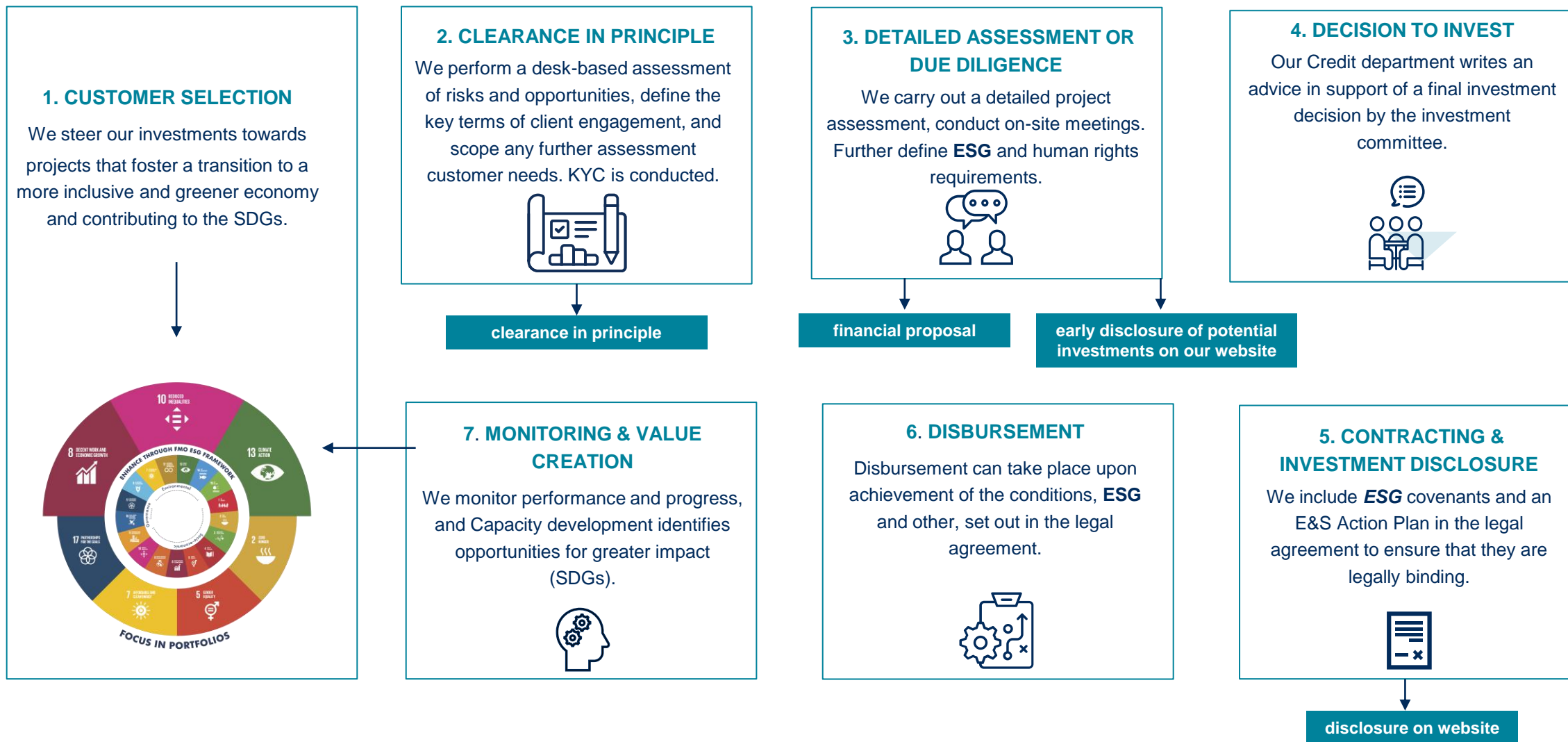


- Write offs Dec-17 relate to loans contracted between 2008-2013 being 90% provisioned for
- Low write-downs due to active management and focus on recovery
- NPL increased in 2018 partly due to a methodology change

Regulatory Capital Ratios 2012 – 2023 H1



- Risk Weighted Assets (RWA) = EUR 13.2 bln (Jun-23)
- Over 95% of net profit is retained
- The Total Capital Ratio is based on a 99.9% confidence level





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