

# FMO

Entrepreneurial  
Development  
Bank

## FMO INVESTOR PRESENTATION

Enabling entrepreneurs to  
increase inclusive and  
sustainable prosperity

April 2023 | [www.fmo.nl](http://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

1. Introduction
2. FMO Strategy
3. Relationship Dutch State
4. Funding
5. Portfolio
6. Sustainability Bonds Framework
7. Contact
8. Appendix

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



689  
total number of  
employees



63  
different nationalities



43%  
of senior and middle  
management are women

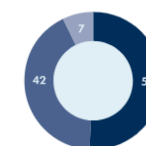


AAA rated bank

FitchRatings



Ownership structure %



public- private ownership  
structure

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

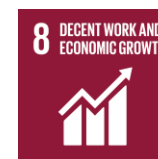


licensed bank, supervised  
by the Dutch Central Bank



Industry leading sustainability ratings

Sustainalytics rating (2<sup>nd</sup> of 987 banks, year 2022)  
and ISS ESG (Prime, year 2022)

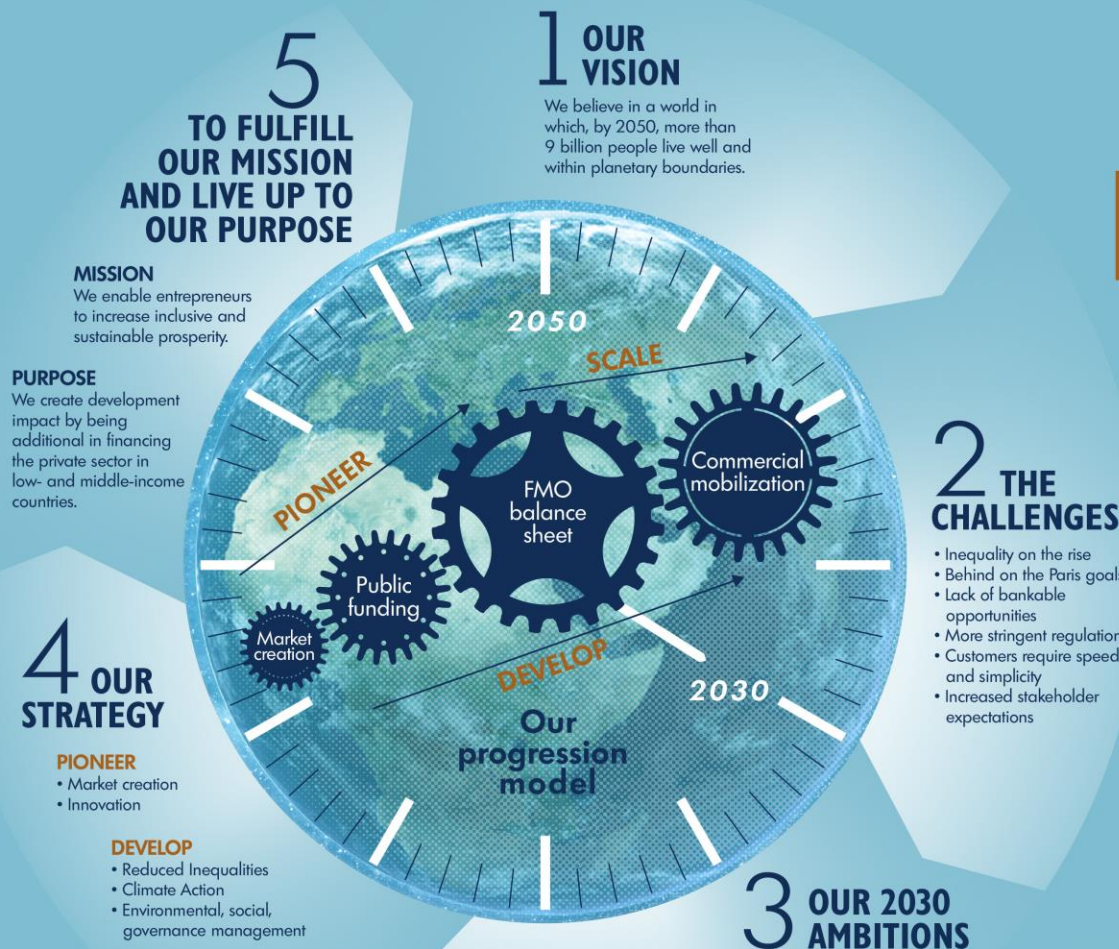


## 2. FMO STRATEGY

# 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

We create impact by focusing on markets that are key to economic, environmental and social progress



Agribusiness,  
Food & Water



Inputs  
Agri-inputs,  
services &  
water



Primary  
production  
Farming/Growers



Primary  
production  
Mills,  
Aggregators



Primary  
processor  
Wholesale trader



Food  
Manufacturer



Warehousing  
Logistics &  
Distribution



Forestry  
Logistics &  
Distribution



Energy



Wind



Solar



Hydro  
(run-of-the-river)



Off-grid  
solutions



Geothermal



Transmission &  
distribution



Storage



Financial  
Institutions



Banks  
(universal/  
SME)



Microfinance



FinTech

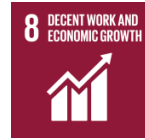


Non-bank financial  
institutions

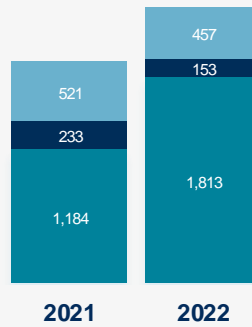
## Total new investment volume per Dec-22

33% of the total new investment volume aims to contribute to reduced inequalities and 41% to climate action

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



### Decent Work and Economic Growth



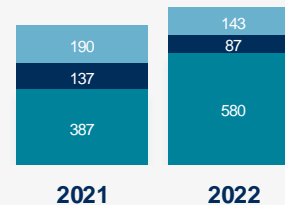
**€2,423 million**  
Total new investment volume



**750 thousand**  
jobs supported



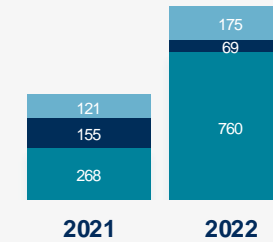
### Reduced inequalities



**€810 million**  
Reducing inequality-labelled  
new investment volume



### Climate Action



**€1,003 million**  
Green-labelled  
new investment volume



**1,439,000 tCO<sub>2</sub>e**  
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

**Nasira**  
A new chance guaranteed

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

**Ventures Program**

Empowering innovative business models in emerging markets



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:



Enabled by:



Enabled by:



Enabled by:



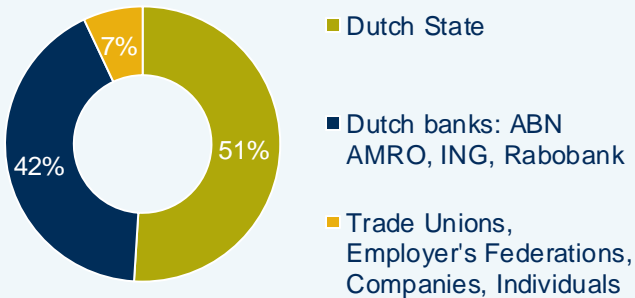
## **3. RELATIONSHIP DUTCH STATE**



- 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

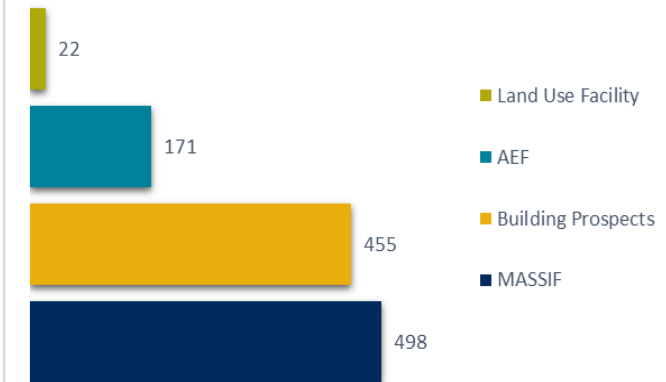


## Explicit keep-well agreement

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

## State funds

FMO manages funds for €1.1 bln (per Dec-22) 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

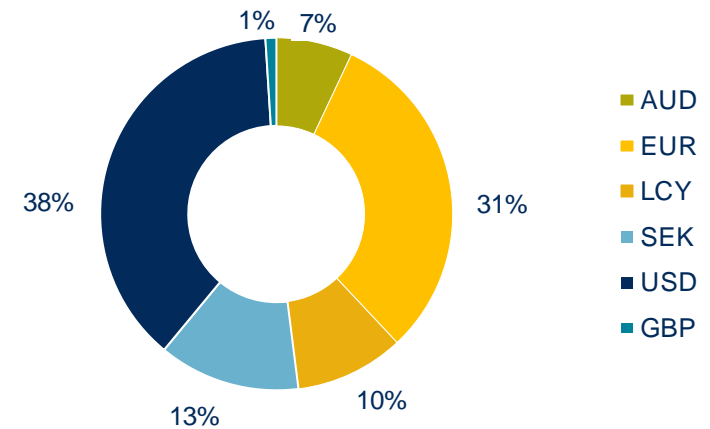
## Funding Strategy

- 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
- Maximum tenor of 12 years
- FMO is an eligible issuer under the Public Sector Purchase Programme of the ECB

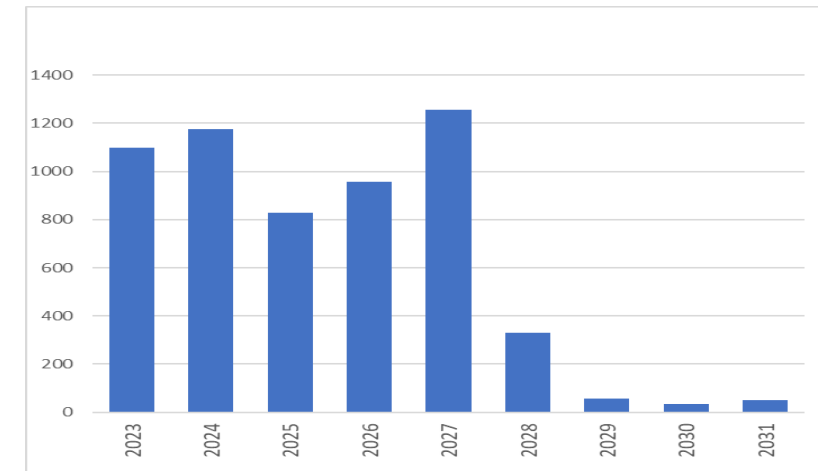
## Funding need 2023 of about USD 1.0-1.5 bln

1. USD funding (USD 500-1,000 mln)
  - USD 500 mln benchmark issue (Reg\S)
  - USD 100-250mln Private placements
  - Tenors: 2y-5y
2. Local Currency (LCY) Frontier issuance (USD 100-250 mln)
  - Tenors: 1y-3y
3. Long-term arbitrage funding in other currencies in case of additional funding need (in the second half of 2023)

## Funding portfolio per currency (per Mar-23)








## Redemption profile (per Mar-23)



## Bloomberg Ticker: NEDFIN

G green

S sustainability

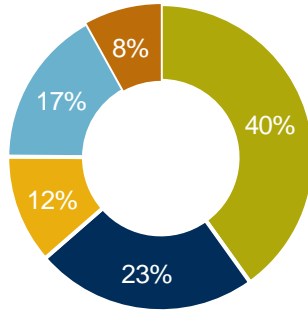
Year	Amount	G	Tenor
2019	USD 500 mln, 2.75% 20/02/2024	G	5 year 
2019	USD 500 mln, 1.75% 12/12/2024		5 year
2021	USD 500 mln, 0.875% 15/06/2026		5 year
2022	USD 500 mln, 2.875% 19/05/2025		3 year
2017	EUR 500 mln, 0.125% 01/06/2023	S	6 year 
2020	EUR 500mln, 0.125% 03/04/2027	S	7 year
2020	EUR 250 mln, 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
2016-2018	SEK 2,700 mln, 0.75% 29/11/2023	S	7 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
2019	GBP 18 mln, 1.45%, 18/03/2026		7 year 
2019	GBP 15 mln, 1.30%, 08/04/2027		8 year



# 5. PORTFOLIO

## Sector<sup>1</sup> (per Dec-22)

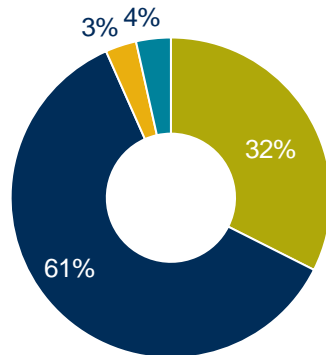
- Financial Institutions
- Energy
- Agri, Food, Water
- Multi-sector Funds
- Others\*



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

## Product<sup>1</sup> (per Dec-22)

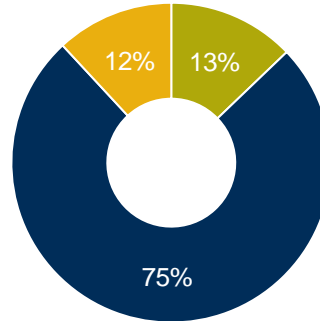
- Equity
- Loans
- Guarantees
- Associates



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

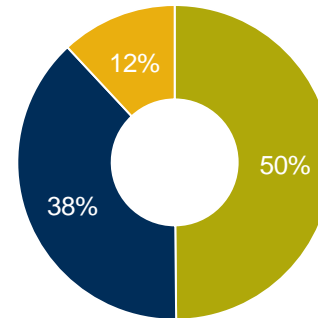
## Currency (per Dec-22)

- Euro
- USD
- Local currency



## Private equity portfolio (net carrying amounts per Dec-22)

- Private equity funds
- Direct investments
- Associates



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

# Committed portfolio | YE 2022 €8.9 billion

# FMO

Entrepreneurial  
Development  
Bank



## Africa

€2.9 bln

33% of total

## Asia

€2.2 bln

24% of total

## Europe & Central Asia

€1.4 bln

16% of total

## Latin America & the Caribbean

€1.7 bln

19% of total

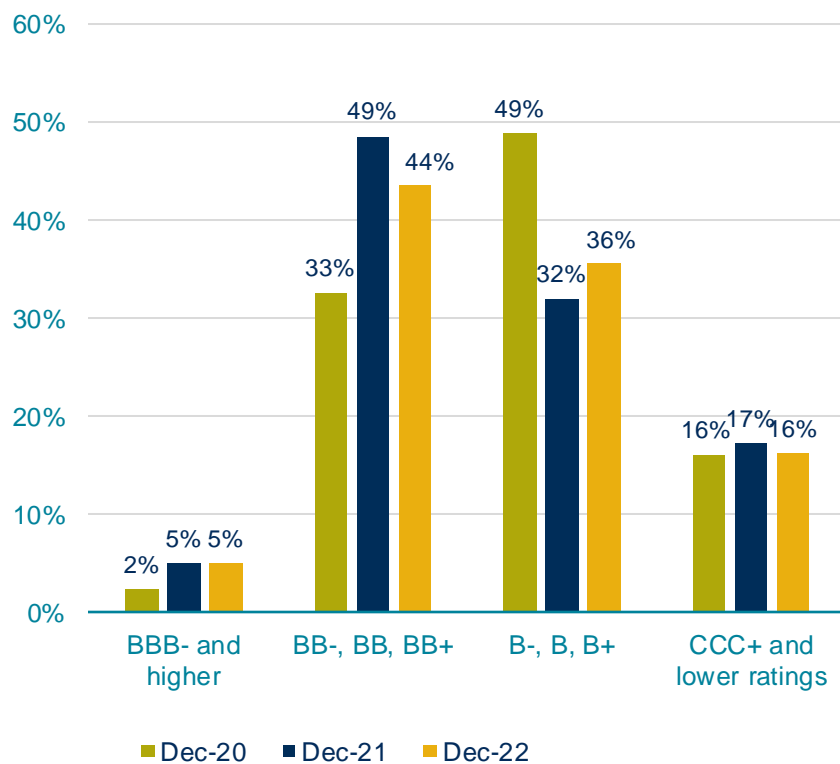
## Non-region specific

€0.6 bln

8% of total

→ [Go to interactive world map](#)

## Loan Portfolio concentrated in BB/B rating\*



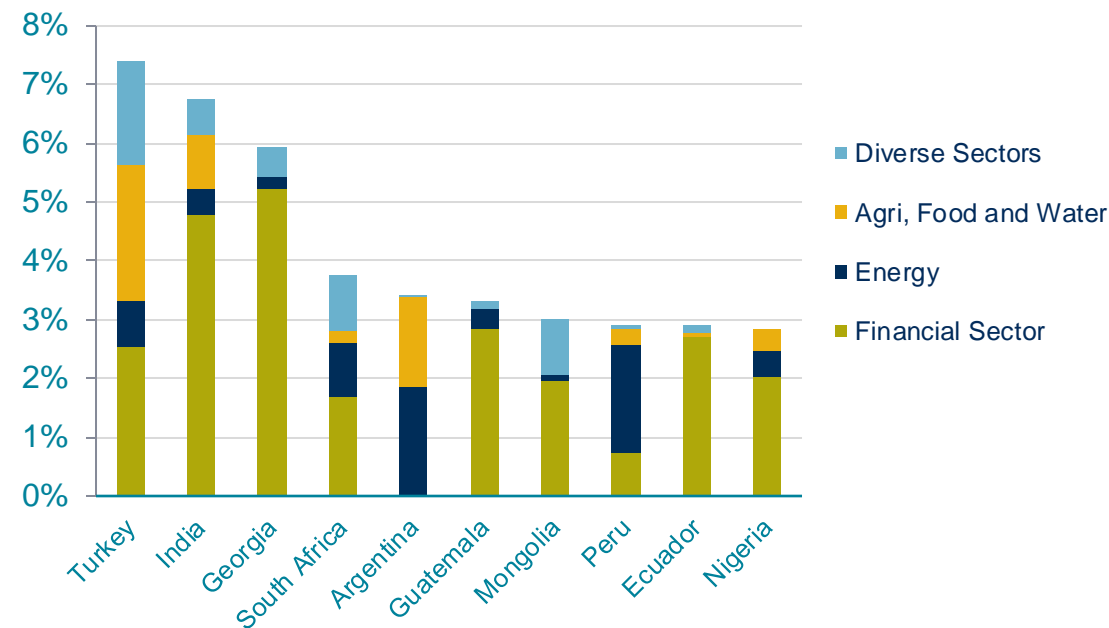
- Per Dec 2022 approx. 325 counterparties with approx. EUR 18 mln average exposure \*\*)
- Credit ratings reflect counterparty credit quality
- Internal credit ratings are mapped versus Moody's
- Asset quality dropped in 2022, mainly due to an increase in NPL's in Ukraine and Sri Lanka

\*) 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 Dec-22)



- Exposure spread over more than 70 countries
- 3 largest country exposures represent approx. 21% 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

	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
<b>Balance sheet (EUR bln)</b>			
Net loans	4.8	4.8	5.1
Equity investments portfolio	1.9	2.3	2.6
Total balance sheet	9.0	9.3	9.9
Shareholders' equity	2.9	3.4	3.4
Debt securities and debentures/notes	5.5	5.4	5.6
Net profit*	-0.205	0.491	0.001
<b>Ratios</b>			
Non Performing Loans	9.1%	9.5%	11.9%
Return on Equity	-6.8%	15.5%	0.0%
Common Equity Tier1 (CET1)	23.3%	22.5%	23.8%

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

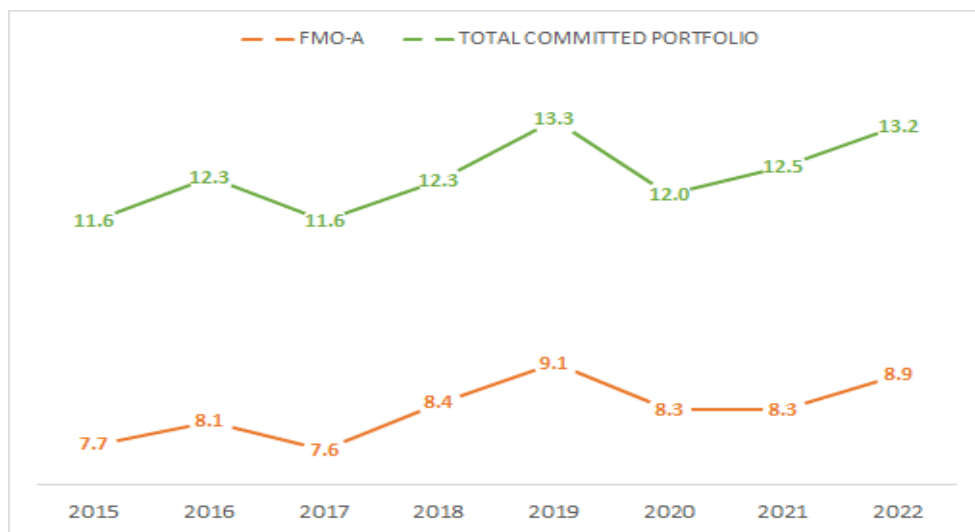
### Financial performance

- Net profit equals €1 million as per YE 2022, FMO's overall financial performance was significantly impacted by:
  - ✓ reductions in equity investment valuations
  - ✓ increase in loan provisions on investments exposed to the war in Ukraine and political unrest in Sri Lanka and Myanmar

### Impairments and non-performing loans (NPLs)

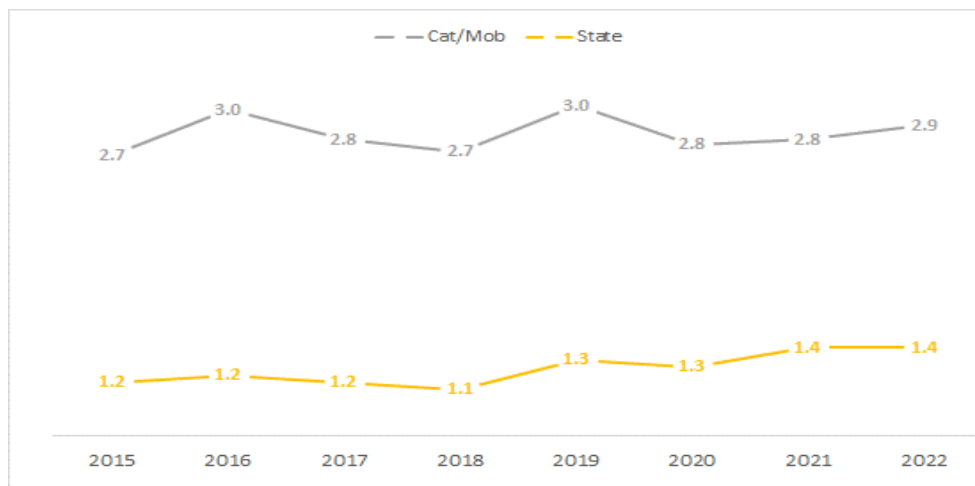
- Non-performing loans (NPLs) increased from 9.5% to 11.9% in YE 2022
- The war in Ukraine, the economic and political crisis in Sri Lanka, as well as the coup in Myanmar accounted for almost 31% of this total
- FMO has a committed portfolio of €117 million in Ukraine. Due to the uncertainties brought 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

## Committed portfolio (in € bn)



### Total committed portfolio and FMO-A:

- Compared to 2021, the FMO committed portfolio increased by about 7% to €8.9 billion, exceeding our target of €8.8 billion. The increase has two main drivers:
  - New investments
  - USD appreciation

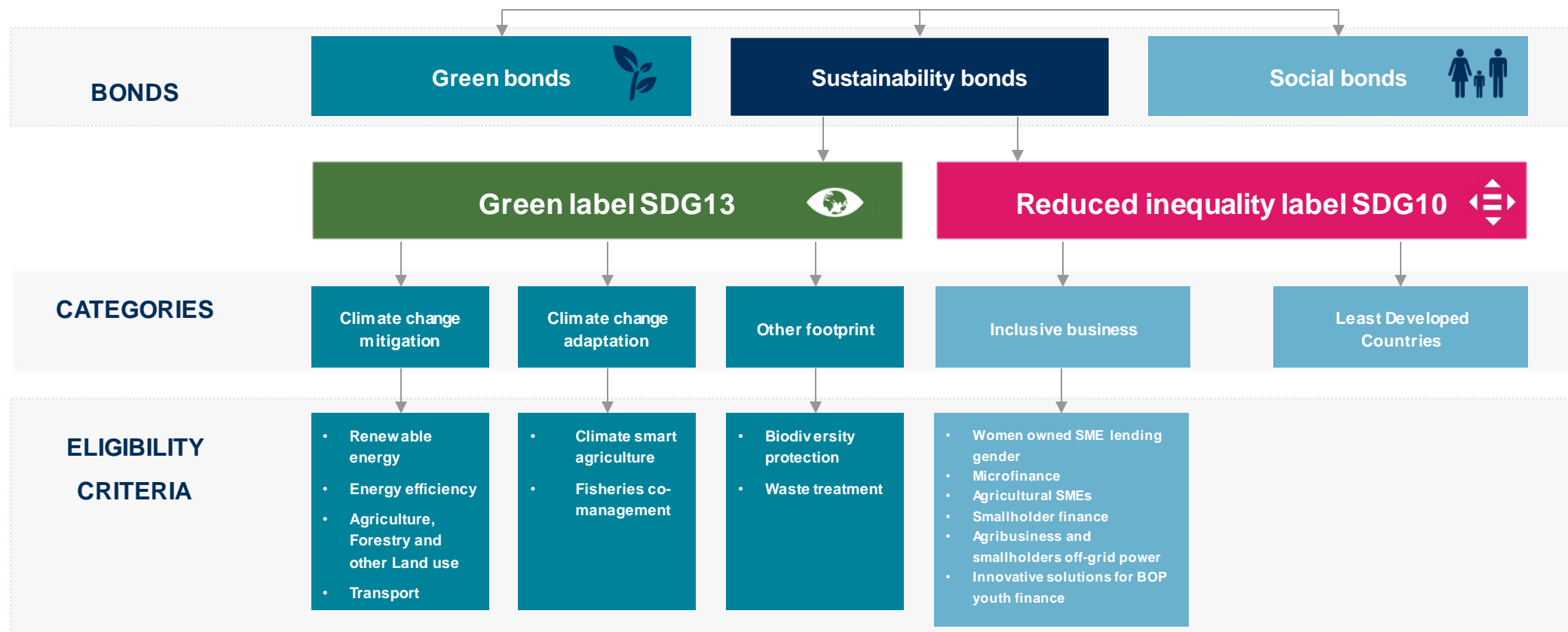


### Mobilizing:

- FMO's direct mobilized committed portfolio amounted to €2.9 billion per YE22, small growth compared to 2021
- Public investment funds remain stable when comparing 2022 to 2021

# 6. SUSTAINABILITY BONDS FRAMEWORK

## Sustainability Bonds Framework (SBF)







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

## Use of Proceeds

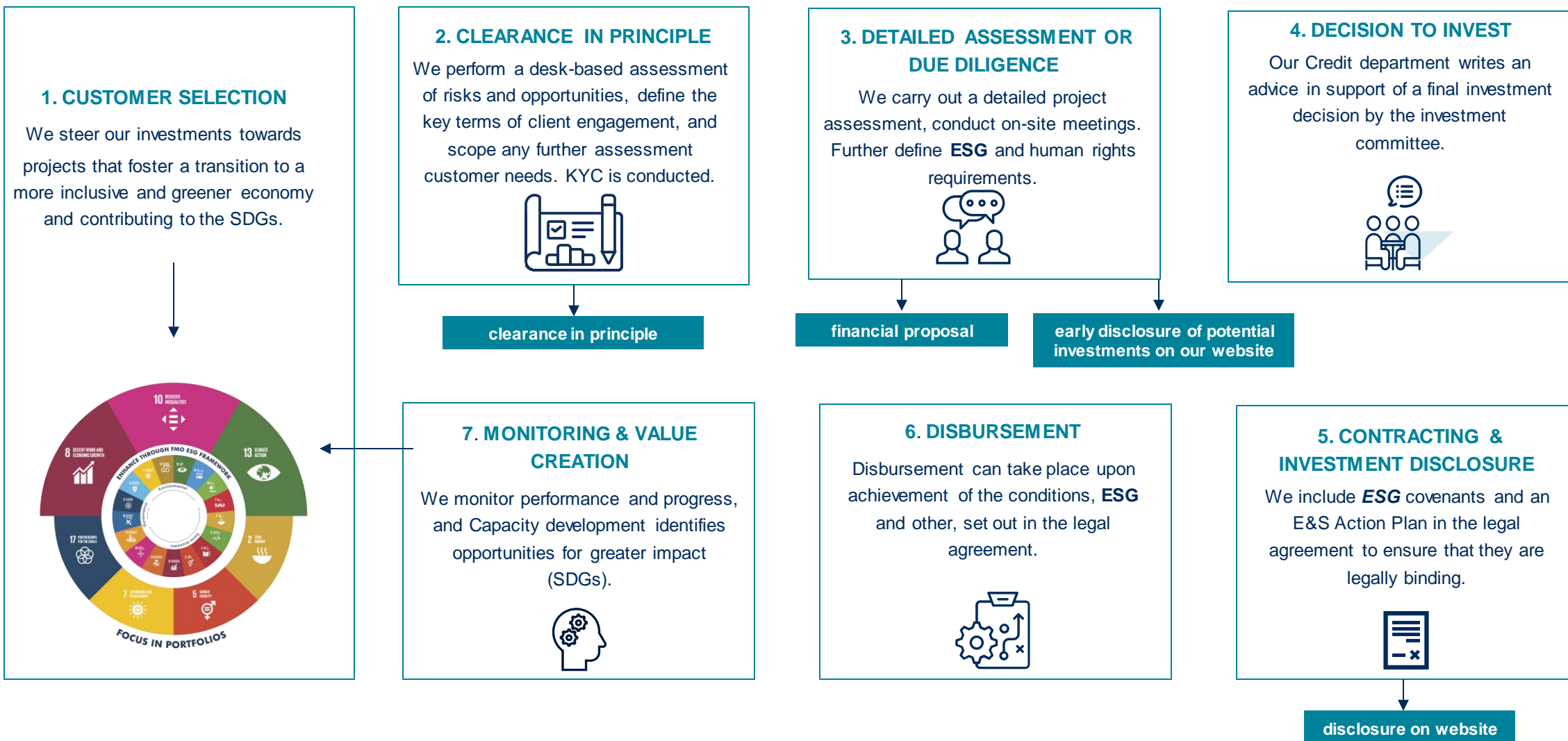
Aligned with market best practice

### 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 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018.”

## 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



# 7. CONTACT





## Matthijs Pinxteren

Director Treasury



+31 70 3149575



m.pinxteren@fmo.nl



## Arthur Leijgraaff

Senior Treasury Officer



+31 70 3149852



a.leijgraaff@fmo.nl

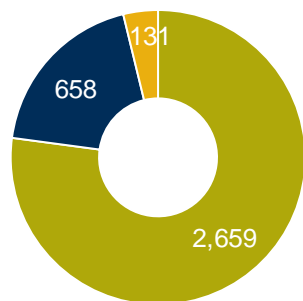
Anna van Saksenlaan 71  
P.O. Box 93060  
2509 AB  
The Hague  
The Netherlands  
[www.fmo.nl](http://www.fmo.nl)

BB ticker: NEDFIN

# 8. APPENDIX

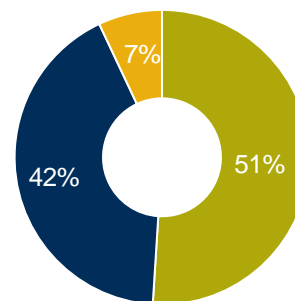
- Public Private Partnership
- The State owns 51% of the shares (A shares). Private sector entities own 49% of the shares (B shares)
- Voting rights for A shares and B shares are equal. A shares may only be issued to the State
- The State has an economic interest of more than 95% of shareholders' equity

Shareholders' equity (in EUR mln, per Dec, 2022)



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

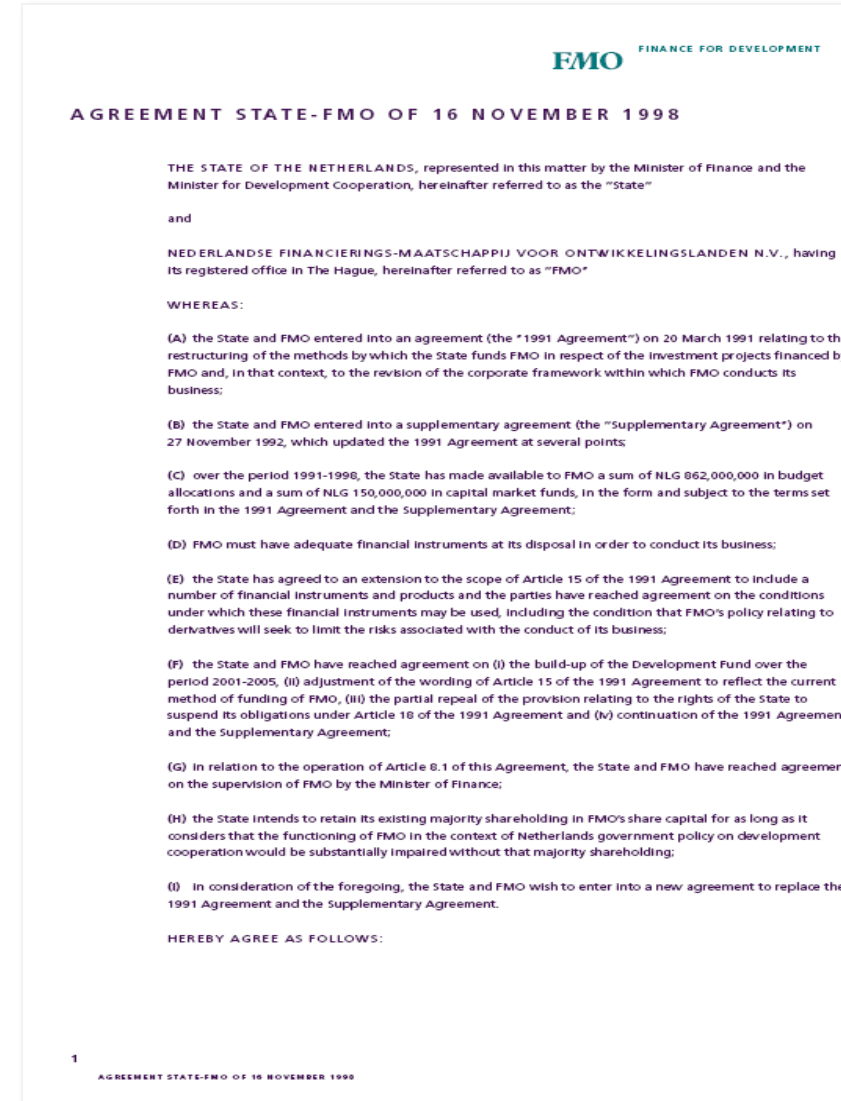
Shareholders



- 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

- Explicit support agreement\*
- Documented in the bilateral “Agreement State – FMO of 16 November 1998”\*\*
  - Art. 7: Maintenance Obligation:  
*The Dutch State is committed to covering all losses from operations that cannot be covered by general or specific provisioning and reserves*
  - Art. 8: Financial Security Obligation:  
*The Dutch State shall prevent situations arising in which FMO is unable to meet its commitments on time*
- Valid for an indefinite period and may be cancelled subject to a twelve-year notice period



\*) <http://www.rijksoverheid.nl/documenten-en-publicaties/notas/2013/10/18/nota-deelneming-en-beleid-rijksoverheid-2013.html>

\*\*) This is a synopsis of the actual text. The State Agreement should be fully read for a complete understanding. A full copy of State Agreement available at [www.fmo.nl](http://www.fmo.nl)

Balance sheet (EUR mln)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net loans	2,981	3,860	4,307	4,527	4,139	4,770	5,031	4,758	4,775	5,111
Equity investments portfolio <sup>1</sup>	962	1,149	1,500	1,830	1,710	1,798	2,164	1,984	2,316	2,580
Shareholders' equity	1,963	2,138	2,511	2,774	2,830	2,984	3,127	2,897	3,434	3,448
Debt securities and debentures/notes	3,610	4,197	5,348	5,181	5,101	5,140	5,808	5,486	5,426	5,572
<b>Total assets</b>	<b>6,184</b>	<b>7,088</b>	<b>8,421</b>	<b>8,553</b>	<b>8,323</b>	<b>8,490</b>	<b>9,412</b>	<b>8,998</b>	<b>9,303</b>	<b>9,900</b>
Committed investment portfolio <sup>2</sup>	6,633	8,013	9,256	9,778	9,155	9,551	10,552	9,318	9,690	10,335
of which are government funds <sup>3</sup>	844	978	1,194	1,239	1,222	1,119	1,435	1,228	1,352	1,401
<b>Profit and loss account (EUR mln)</b>										
<b>Income</b>										
Net interest income	155	169	227	217	200	201	215	241	231	235
Income from equity investments	43	72	44	56	191	41	94	178-	318	91
Other income including services	56	19	49	27	53	44	10	25	16	12
<b>Total income</b>	<b>254</b>	<b>260</b>	<b>320</b>	<b>300</b>	<b>444</b>	<b>286</b>	<b>319</b>	<b>88</b>	<b>565</b>	<b>338</b>
<b>Expenses</b>										
1) Operating expense	62-	62-	79-	86-	99-	107-	129-	144-	114-	152-
<i>Operating profit before value adjustments</i>	<i>192</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>
2) Value adjustments										
- to loans and guarantees	4	36-	10-	43	15-	12-	92-	78-	9	142-
- to equity investments	22-	15-	19-	44-	47-	0	0	0	0	0
<i>Total value adjustments</i>	<i>18-</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	5-	2	3	6	3-	2-	20	66-	63	59-
<i>Profit before tax (including results from subs./ass.)</i>	<i>169</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>
Taxes	36-	25-	41-	43-	37-	-15	2	4-	-33	17
<b>Net profit</b>	<b>133</b>	<b>124</b>	<b>174</b>	<b>176</b>	<b>255</b>	<b>151</b>	<b>120</b>	<b>205-</b>	<b>490</b>	<b>1</b>

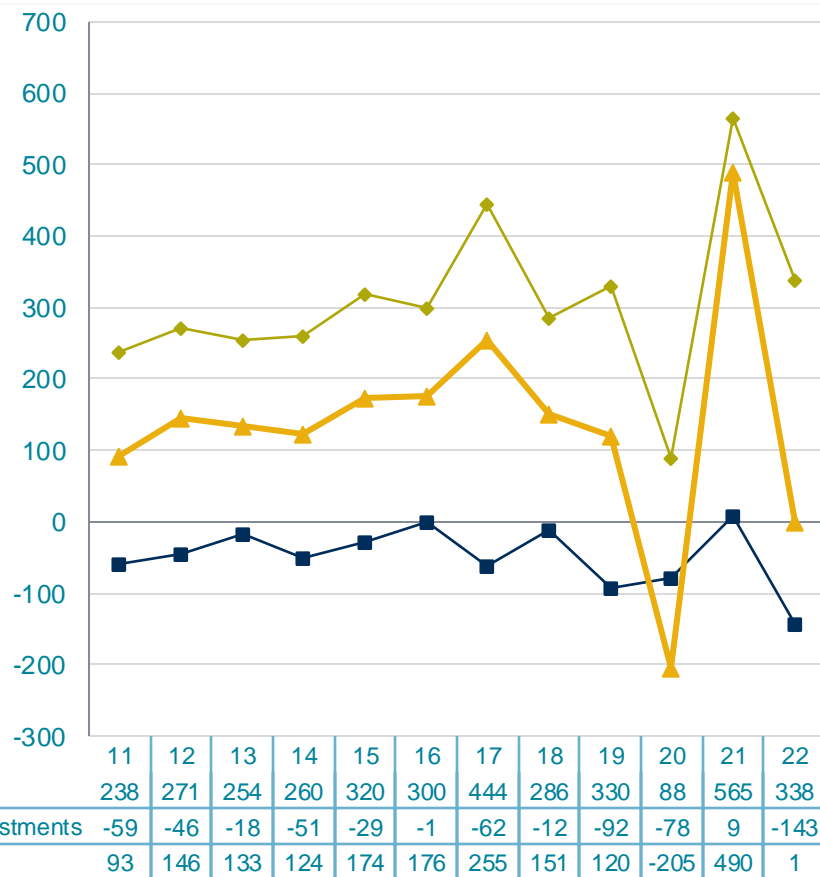
1) Including associates.

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).

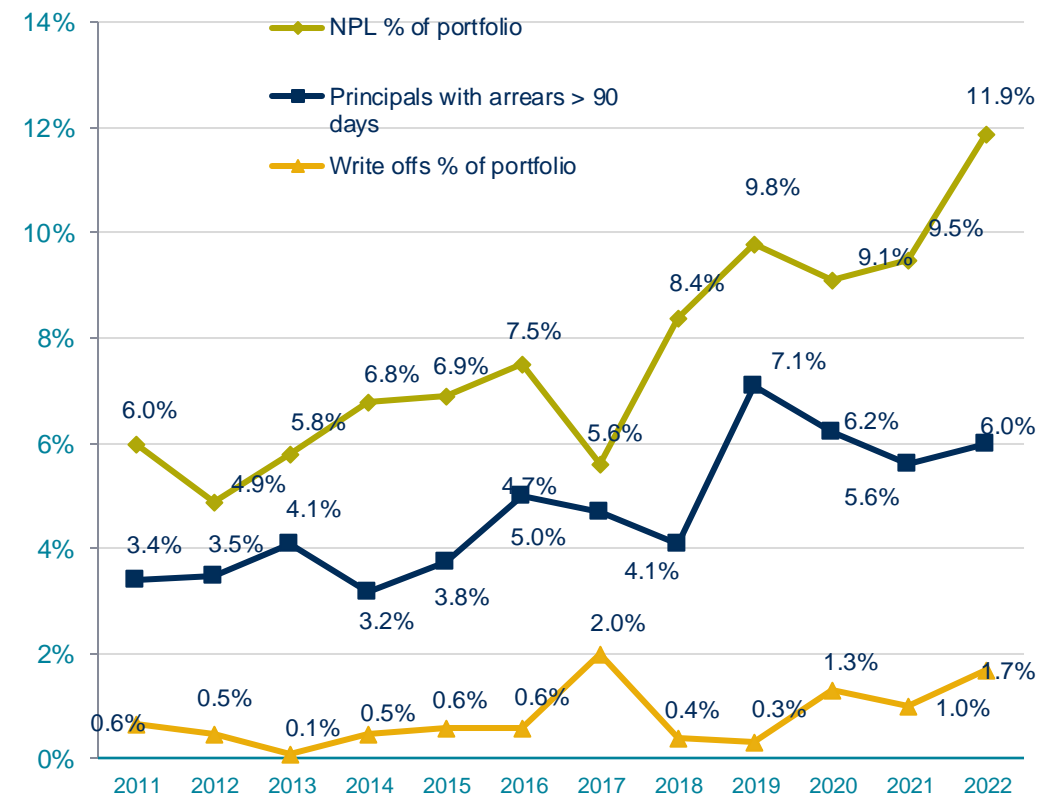
## Strong performance

FMO Total



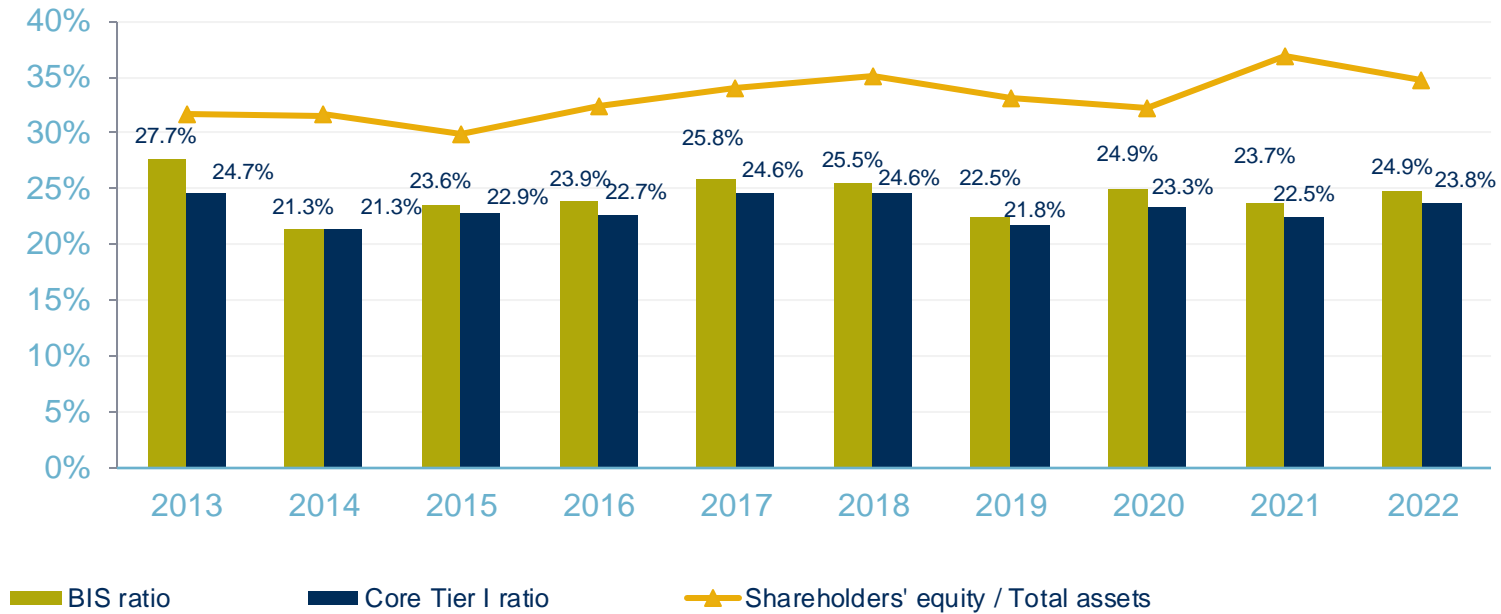
- Drivers: equity exits, interest income, value adjustments

## 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 – 2022



- **Risk Weighted Assets (RWA) = EUR 13.1 bln (Dec-22)**
- **Over 95% of net profit is retained**
- **The Regulatory Capital Ratio is based on a 99.9% confidence level**



Wind farm | Jordan

The information used in this document is strictly confidential. By acceptance of this document, the recipient agrees to keep the information in this document confidential to such person. The information is neither to be disclosed to any other person, nor copied or reproduced in whole or in part, without the prior written consent of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO"). The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document may come are required to have themselves informed of and to observe any such restrictions. This document is intended to present general information and does not constitute an offer for, or an invitation to subscribe to or acquire, any interests in one or more investment funds and does not constitute investment advice.