

# FMO

Entrepreneurial  
Development  
Bank

## FMO INVESTOR PRESENTATION

FMO - THE DUTCH DEVELOPMENT BANK

June 2019

[www.fmo.nl](http://www.fmo.nl)



Women-owned business, Cambodia



Cookhouse wind farm, South Africa

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# I. FMO STRATEGY



## VISION

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

### OUR SDGs



### MISSION

We empower entrepreneurs to build a better world.

### STRATEGIC GOAL

Your preferred partner to invest in local prosperity.

### STRATEGY

- Higher  
Impact Portfolio
- Deeper  
Relationships
- Higher  
Productivity

### OUR MARKETS

 Agribusiness, Food & Water

 Energy

 Financial Institutions

 Dutch Business



**10** REDUCED INEQUALITIES



Mobile banking in Mongolia



**8** DECENT WORK AND ECONOMIC GROWTH



Financing rooftop power India



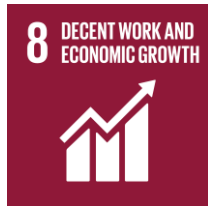
**13** CLIMATE ACTION



Climate change mitigation Africa



In 2018 we contributed towards our three key Sustainable Development Goals (SDGs)



Promote inclusive and sustainable economic growth, employment and decent work for all

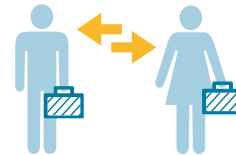


**615,000**

jobs supported



Reduce inequalities within and among countries



**36%**

reducing inequalities investments (% of total)

Investments in least developed countries and in inclusive business



Taking urgent action to tackle climate change and its impacts



**36%**

green investments (% of total)

Investments that mitigate climate change but also support biodiversity conservation, reduced water usage and sustainable forestry and agriculture practices

## Making Solar Bankable



## Power of Partnerships



## Future of Finance



## II. 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, Support Agreement and Manager of State Funds
- Integral link with the Dutch State results in

AAA ratings S&P and Fitch



## II. 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*

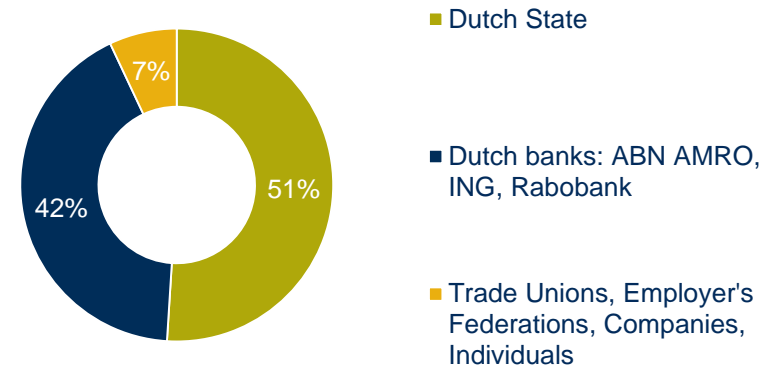
### Art. 8: Financial Security Obligation:

*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**

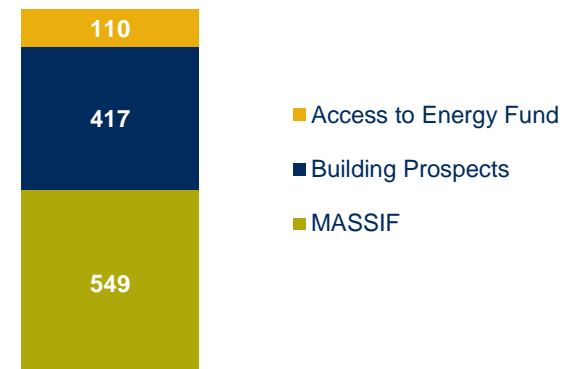
## I. Ownership

Public private development bank



## III. State Funds

FMO manages funds for €1.1 bln on behalf and for the risk of the Dutch State to finance high risk projects





## III. FUNDING PLAN 2019

## Focus on USD funding

Funding need of approximately USD 1.5 bln

1. USD funding (USD 900 mln)
  - 5y USD 500 mln first Green Bond (Reg\S) (*done*)
  - 3y USD 300 mln fixed rate (Reg\S) (*done*)
  - Social\* Bond (USD 100 mln)
  - Short-term funding
2. Local Currency (LCY) Frontier issuance:
  - USD 250 mln
  - Tenors: 2y-3y
3. Other funding in EUR, SEK, AUD or other hard currency
  - USD 400 mln
  - Long dated funding: 7y-12y

## Renewable energy projects



## Social projects aimed at reducing inequality



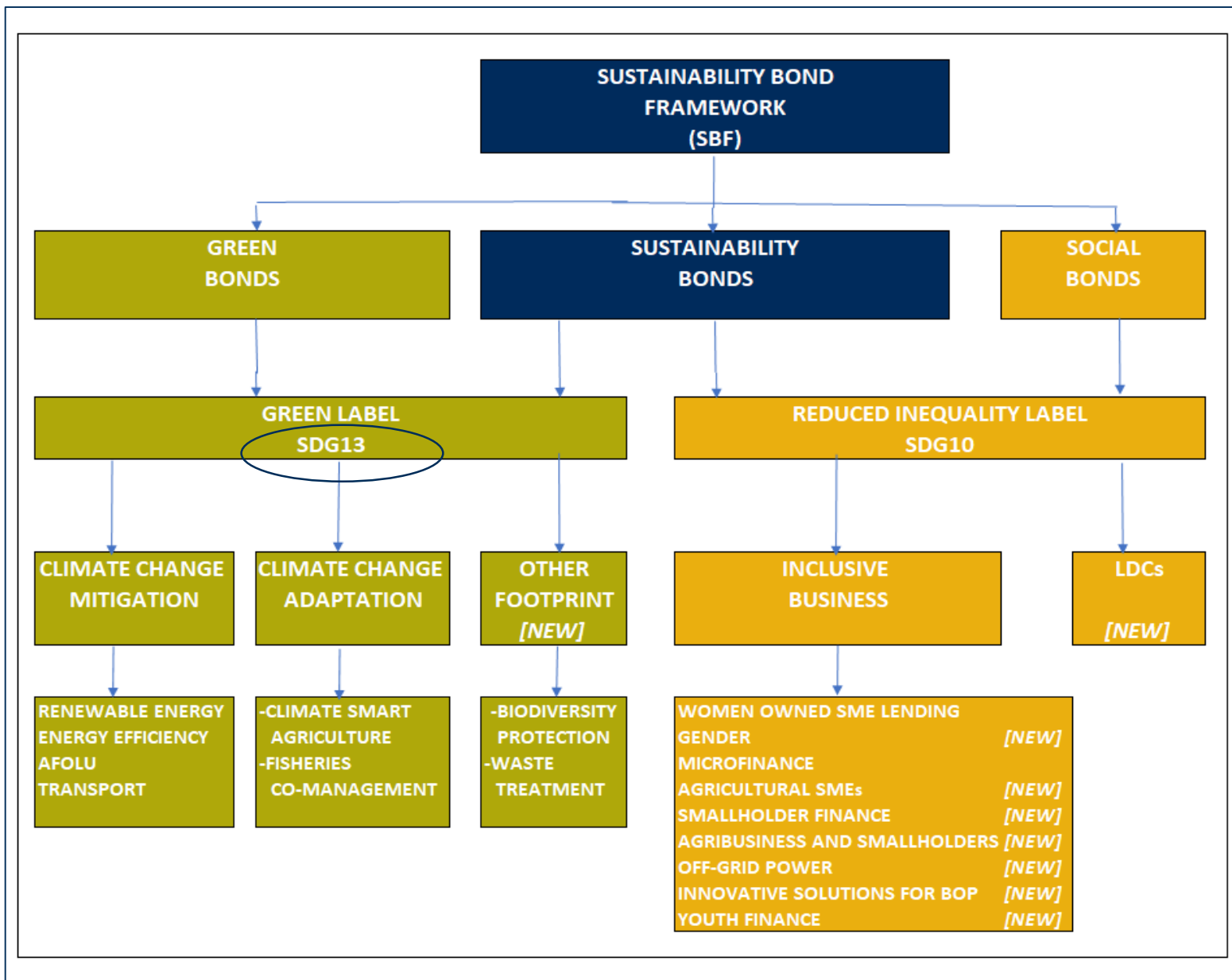
\*Contingency funding option: EUR Social Bond or another currency

# IV. SUSTAINABILITY BONDS FRAMEWORK

BONDS

CATEGORIES

ELIGIBILITY  
CRITERIA





## “SUSTAINALYTICS IS OF THE OPINION THAT FMO’S SUSTAINABILITY BONDS FRAMEWORK IS CREDIBLE AND IMPACTFUL”

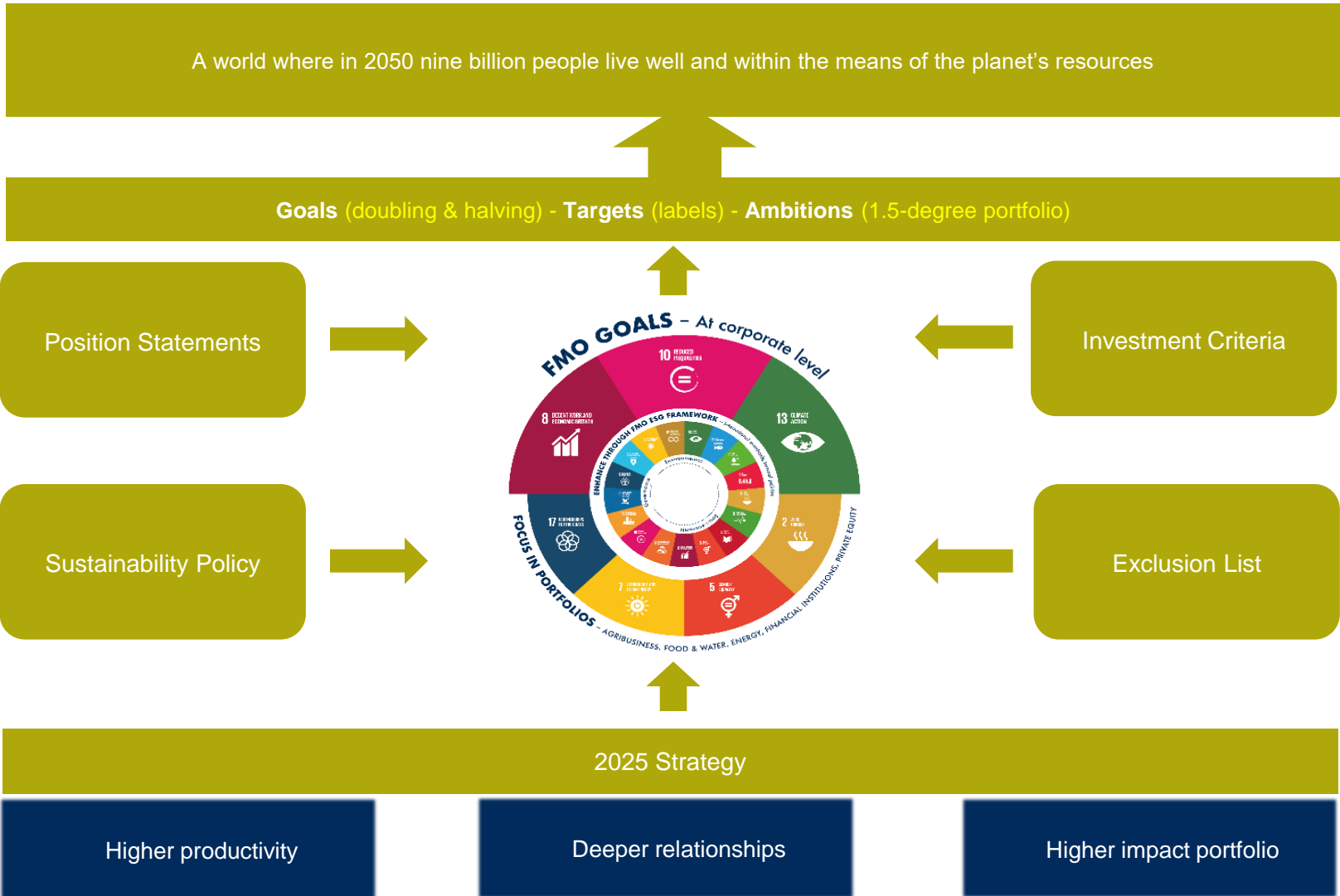
- Use of Proceeds: aligned with market best practice

“The eligible categories for the use of proceeds – (i) Climate Change Mitigation, (ii) Climate Change Adaptation, (iii) Other Footprint, (iv) Investments in Least Developed Countries (LDCs), and (v) 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”



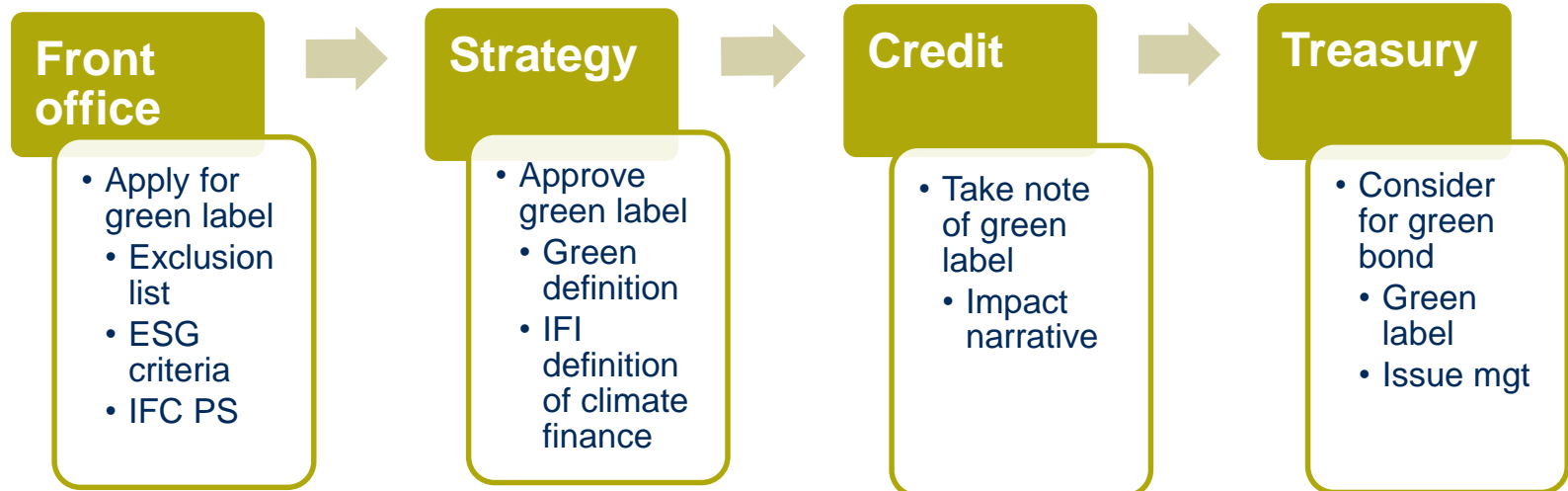


- Eligible green projects:
  - **Climate change mitigation**
    - **Renewable energy:** Solar, wind, run-of-river hydro
    - **Energy efficiency:** Buildings, transportation and industrial
  - **Climate change adaptation**
  - **Other Footprint**
  
- FMOs Green Principles:
  - *Green investments contribute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



**Rajasthan Sun Technique**  
FMO has financed the 100 MW Concentrated Solar Power (CSP) project developed by Reliance power in India. The solar plant will power homes and businesses and help to bring the country closer to its ambitious solar power generation goals.  
FMO financing: USD 30 million.  
Avoided GHG: 10,938 t/CO<sub>2</sub>eq

\*[http://www.eib.org/attachments/documents/joint\\_report\\_on\\_mdb\\_climate\\_finance\\_2013.pdf](http://www.eib.org/attachments/documents/joint_report_on_mdb_climate_finance_2013.pdf)





- Eligible projects include projects:
  - Committed after bond issuance
  - Committed before bond issuance but funded thereafter
  
- 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



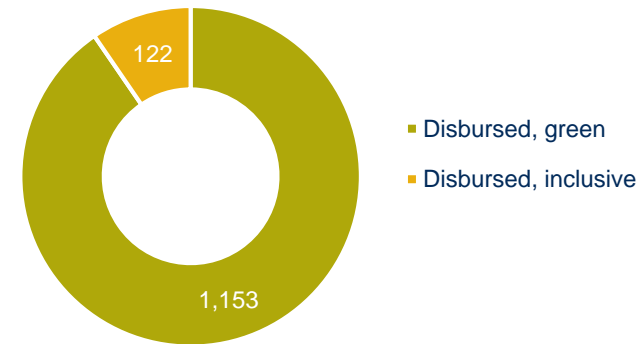
## Newsletter



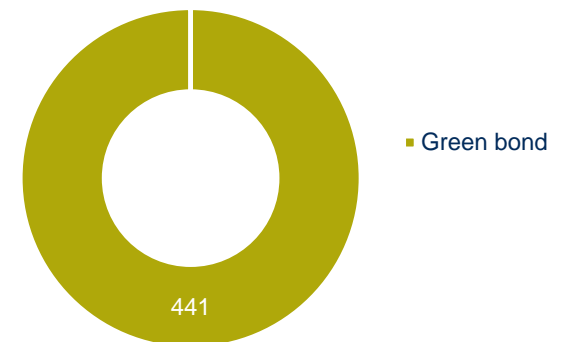
- Industry leading Sustainability Ratings
  - Sustainalytics
  - Oekom Research
  
- Member of the Green Bond Principles (GBP)
  - Use of proceeds reporting via Sustainability Bond Newsletter  
<https://www.fmo.nl/susbonds>
  - IFI working group on Green Bond Impact reporting harmonization
  - Project disclosure on FMO world map: <https://www.fmo.nl/map>
  
- External assurance to confirm alignment with GBP
  - Sustainalytics' 2nd opinion on FMO Sustainability Framework
  - Sustainalytics' review of eligible projects
  - EY: use of proceeds (financial perspective)
  
- FMO awarded First Green Bond – Netherlands certificate by Climate Bond Initiatives (partnership per Feb-16)

## Thematic Bond allocations in EUR million (per Dec-18)

Sustainability bonds (100% allocated)



Green bond (100% allocated)

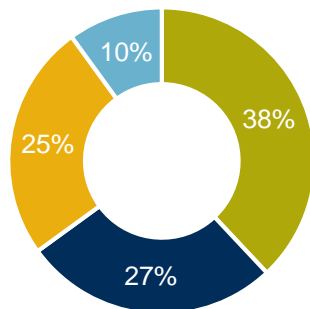


# V. PORTFOLIO



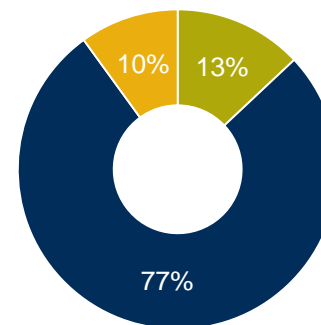
## Sector<sup>1</sup> (per Dec-18)

- Financial Institutions
- Energy
- Other\*
- Agribusiness



## Currency<sup>1</sup> (per Dec-18)

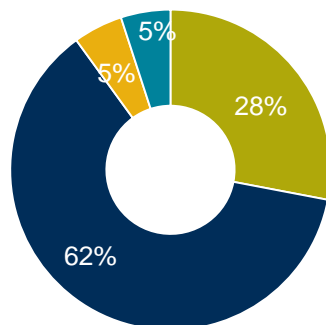
- Euro
- USD
- Local currency



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

## Product<sup>1</sup> (per Dec-18)

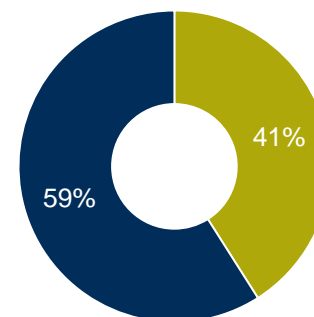
- Equity
- Loans
- Guarantees
- Mezzanine



- Provide LT financing
- Fund management & syndication
- Diverse product portfolio

## Private equity portfolio (per Dec-18)

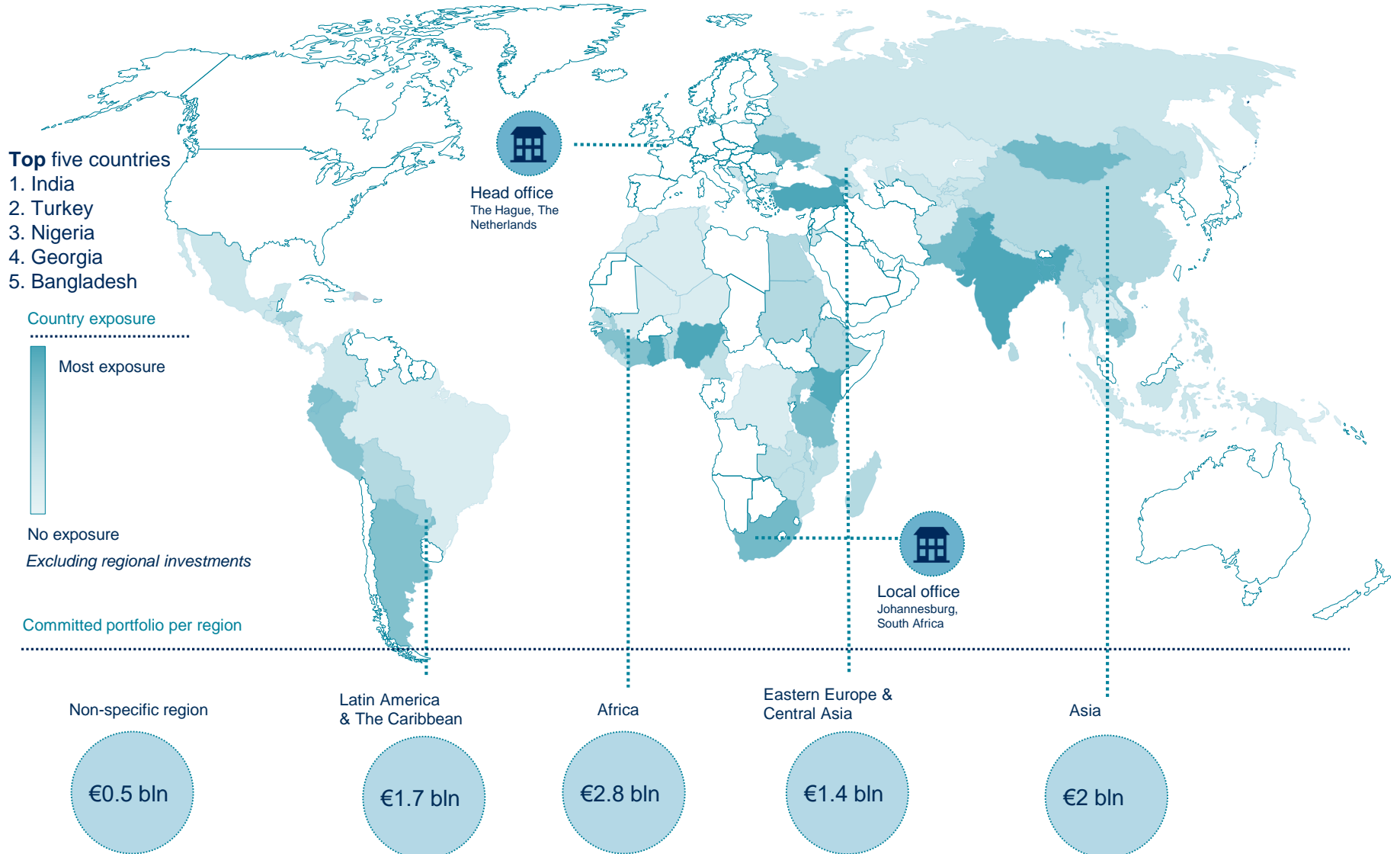
- Private equity funds
- Direct investments



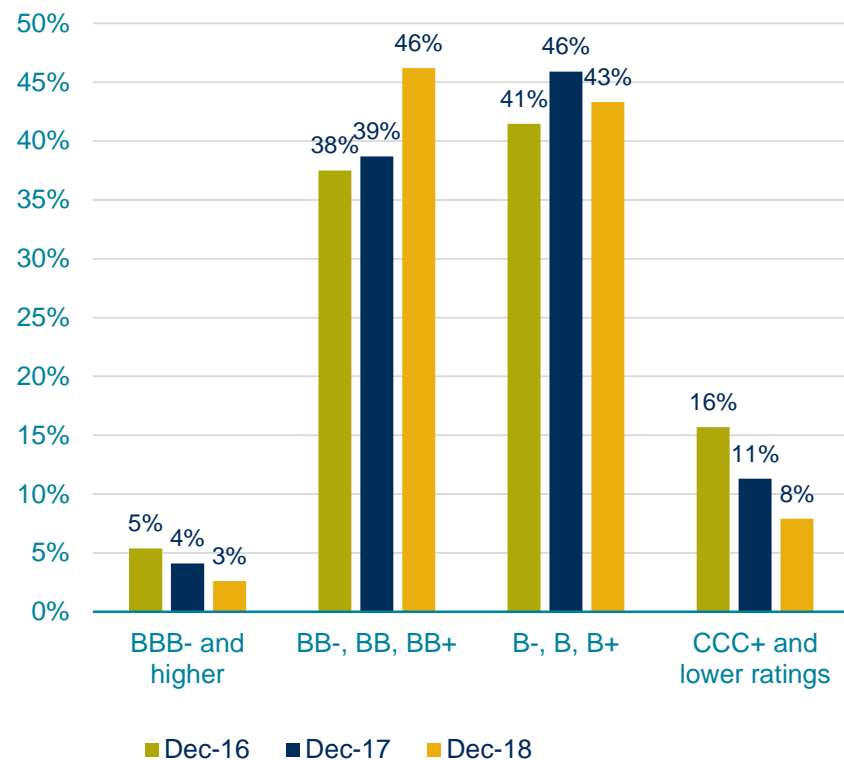
- Typical holding period of 5-10 years
- Focus on direct investments in focus sectors
- Focus on exits

<sup>1</sup> Based on committed investment portfolio of EUR 8.4 bln per Dec2018 (excl. government funds)

**€8.4 billion**  
total committed portfolio (2018)



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



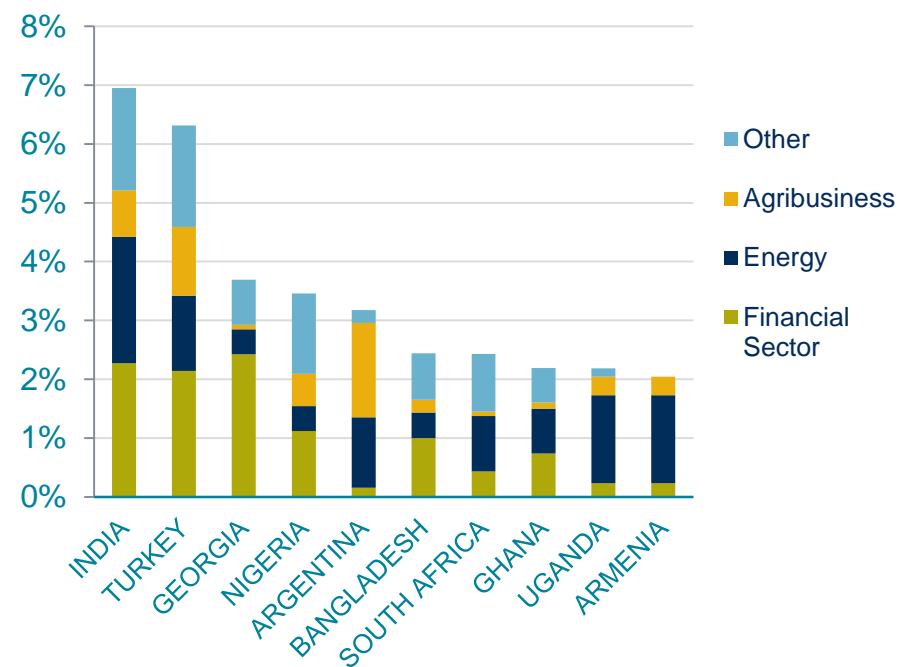
- Per Dec 2018 approx. 380 counterparties with approx. EUR 15 mln average exposure \*\*)
- Credit ratings reflect counterparty credit quality
- Internal credit ratings are mapped versus Moody's
- About 10% of the loan portfolio is guaranteed

\*) Gross loan portfolio excluding government funds (disbursed)

\*\*) Number of counterparties and exposure relate to the gross loan portfolio

## Portfolio breakdown per country and sector

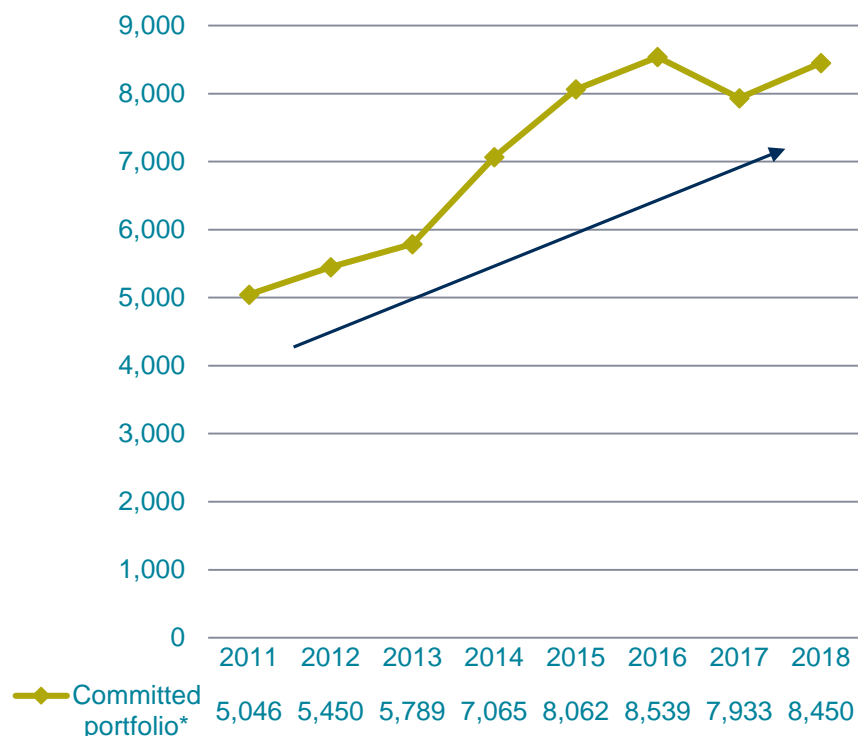
Loans and Private Equity



- Exposure spread over more than 75 countries
- 10 largest country exposures represent approx. 1/3 of the total portfolio
- Country limits based on country ratings and FMO's capital
- Sector limits capped at 50% of country limit

## Portfolio development

FMO Total (x € MLN)



- Total FMO-A portfolio: targeting 4% growth per annum
- Portfolio development includes EURUSD effect

## Financial indicators

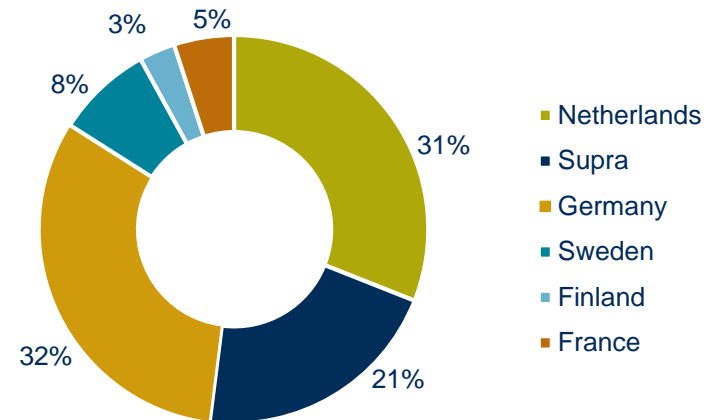
Balance sheet (EUR bln)	Dec 31, 2018	Dec 31, 2017
Net loans	4.8	4.2
Equity investments portfolio	1.8	1.7
Total assets	8.5	8.3
Shareholders' equity	3.0	2.8
Debt securities and debentures/notes	5.1	5.1
Net profit*	.151	.255
<b>Ratios</b>		
Non Performing Loans**	8.1%	6.9%
Return on Equity	5.2%	9.1%
Common Equity Tier1 (CET1)	24.6%	24.6%

- \*Net profit per Dec-18 reported according to IFRS9, in previous years under IAS39 (see Annex1). FV changes on PE portfolio recorded in P&L; more P&L volatility
- \*\*Non-performing loan % (NPL) as per Dec-18 is aligned with the regulatory definition
- NPLs according to the old definition can be found in Annex 1

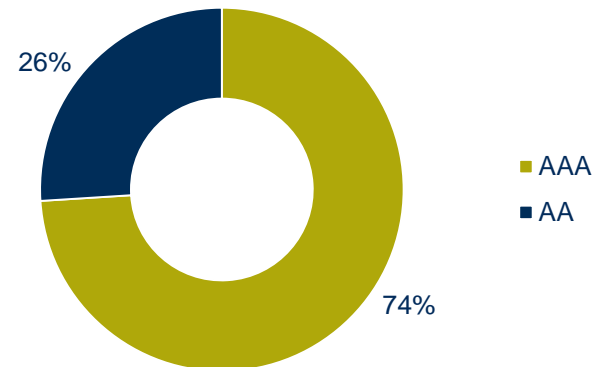
# VI. LIQUIDITY MANAGEMENT & FUNDING

- To meet conservative liquidity requirements
- Short term investments < 1Y
- Bond portfolio in EUR and USD:
  - Fair value of EUR 402 mln (Dec-18)
  - Level 1 assets
  - Buy and hold
  - ECB-eligible
- Liquidity Coverage Ratio (LCR) of 965%
- Net Stable Funding Ratio (NSFR) of 112%
- Positive and negative ESG screening
- Investments in thematic bonds 41%

Bond portfolio by country (per Dec-18)



Bond portfolio by rating\* (per Dec-18)



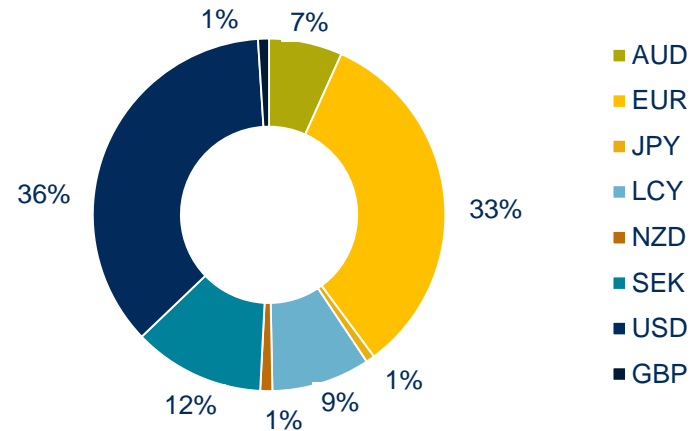
\* The lower of Fitch and S&P is used



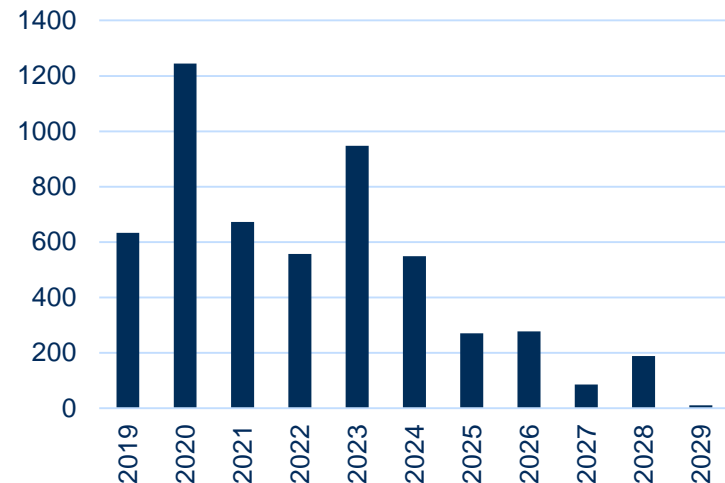
## Funding Strategy

- Funding need of EUR 1.0-2.0 bln p.a.
- Funding secured through demonstrated market access as SSA borrower
- Public markets and private placements
- Focus on USD and EUR funding
- Duration matching (3Y – 5Y)
  - Max. tenor 12 years
- Sustainability Bonds to finance:
  - Green projects (done)
  - Inclusive finance projects
- FMO is an eligible issuer under the Public Sector Purchase Programme of the ECB

Funding per Currency (per May-19)



Redemption profile (per May-19)



# AND A PROVEN TRACK RECORD

Bloomberg Ticker: NEDFIN

Year	Amount	Tenor	
2014	USD 500 mln, floater 21/10/2019	5 year	
2017	USD 500 mln, floater 20/01/2020	3 year	
2018	USD 500 mln, floater 07/09/2021	3 year	
2019	USD 500 mln, 2.75% 20/02/2024 ( <i>Green</i> )	5 year	
2019	USD 300 mln, 2.25% 21/10/2022	3.5 year	
2015	EUR 500 mln, 0.125% 20/04/2022 ( <i>Sustainability</i> )	7 year	
2015	EUR 500 mln, 0.125% 04/11/2020	5 year	
2017	EUR 500 mln, 0.125% 01/06/2023 ( <i>Sustainability</i> )	6 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	
2014	NZD 100 mln, 4.75% 16/10/2019	5 year	
2016-2018	SEK 2,700 mln, 0.75% 29/11/2023 ( <i>Sustainability</i> )	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	
2019	GBP 18 mln, 1.45%, 18/03/2026	7 year	
2019	GBP 15 mln, 1.30%, 08/04/2027	8 year	

# VII. CONTACT



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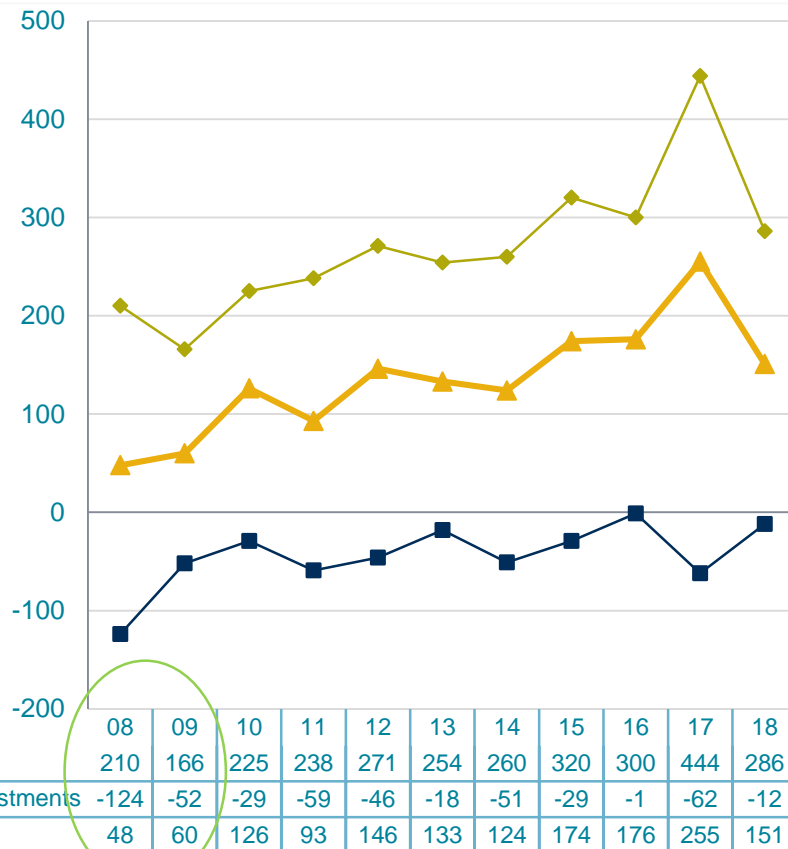
Anna van Saksenlaan 71  
P.O. Box 93060  
2509 AB  
The Hague  
The Netherlands  
[www.fmo.nl](http://www.fmo.nl)

BB ticker: NEDFIN

# VIII. APPENDIX

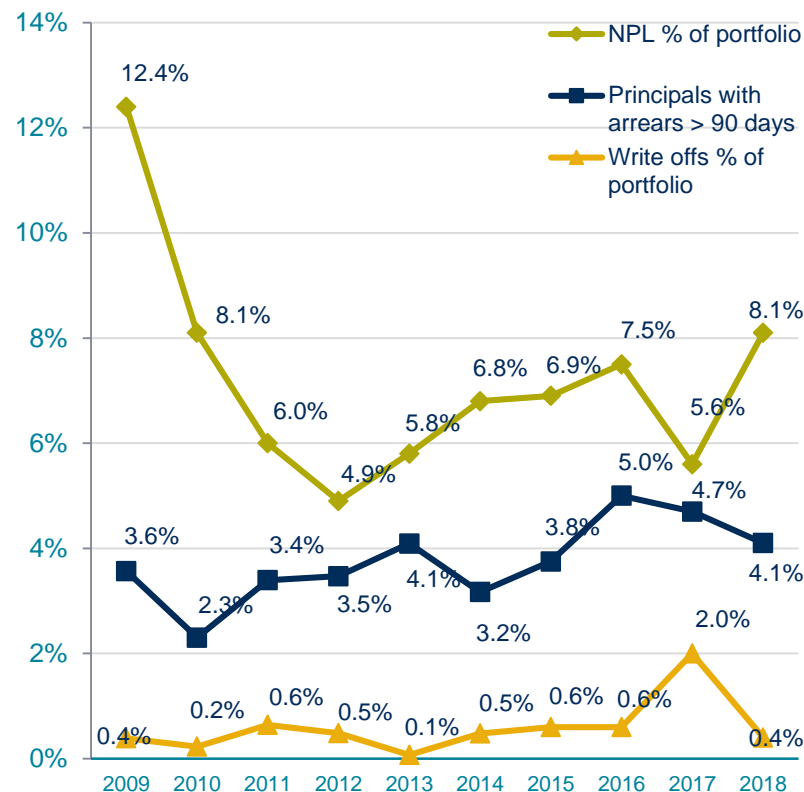
## Strong performance

FMO Total



- Strong performance even in financial crisis
- Drivers: equity exits, interest income, value adjustments
- As per Dec-18 reporting according to IFRS9, will increase P&L volatility

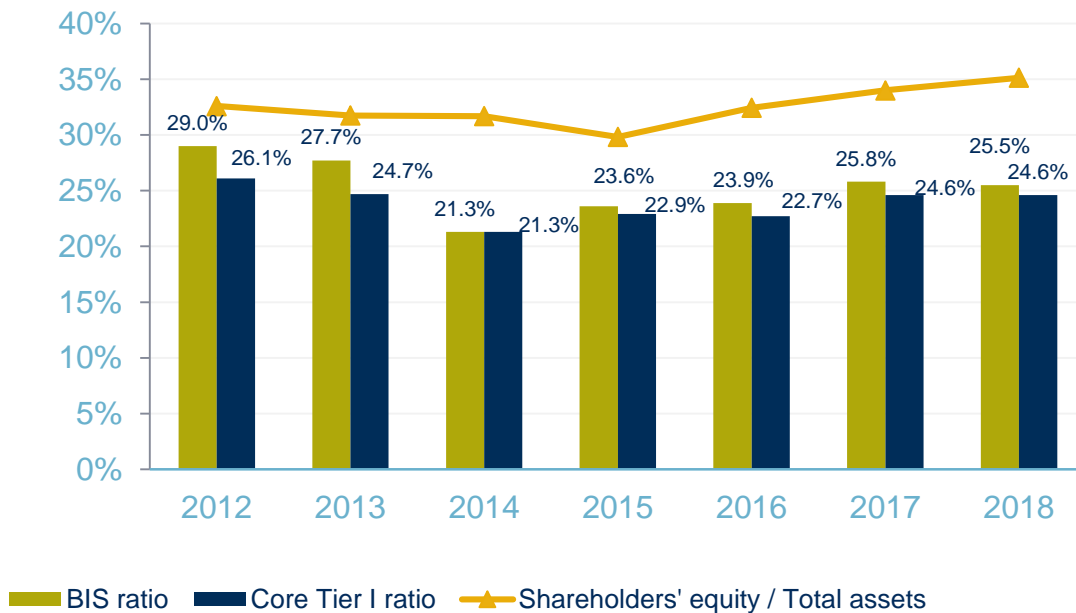
## Non-performing loans development



- 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 – 2018



- Risk Weighted Assets (RWA) = EUR 11.3 bln. (Dec-18)
- Over 95% of net profit is retained
- The Regulatory Capital Ratio is based on a 99.9% confidence level

\* Based on committed investment portfolio of EUR 7.9 bln as per Jun 30<sup>th</sup> 2018 excl. government funds and loans guaranteed by the Dutch State



## Agribusiness, food & water

Investing across the agribusiness value chain – enhancing food security, supporting sustainability, efficient water usage, and promoting inclusive development.



**Inputs**  
Seeds, Animal feed, Fertilized



**Primary production**  
Crops, Livestock, Production, Fishing



**Processing**  
Crushing, Storage, Handling, Packaging



**Trade**  
Trading, Exporting



**Distribution**  
Logistics, to Retail

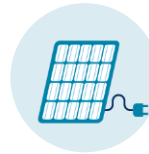


## Energy

Investing in long-term projects in the areas of generation and distribution – promoting the transition to a low-carbon system and safeguarding energy security.



Wind



Solar



Hydro  
(run-of-the-river)



Off-grid  
solutions



Resource  
efficiency &  
refurbishment



## Financial Institutions

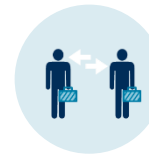
Investing in long-term financing solutions, increasing access to finance and supporting financial inclusion



(universal/ SME)  
banks



Microfinance



Leasing  
companies



Insurance  
companies



FinTech

FMO's subsidiary **NewCo** is mandated to provide finance solutions for public and private projects that have **Dutch interest**



We invest in sectors with impact

- Supporting high impact projects that contribute to the **SDGs** without any specific sector focus
- **Being additional** to commercial investors and requiring a market based return
- **Project development funds** available for projects in 6 selected sectors
- Respecting FMO's sector **exclusion list**

We work with both private and public clients

- Equipped to provide **export finance** to private and public clients.
- Open for **investment transactions** (senior debt and equity) with private clients.
- **Solution-based approach**: mapping sources of commercial and/or concessional funding in- and outside FMO to develop enabling finance solutions

Balance sheet (EUR mln)	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net loans	2,269	2,585	2,817	2,981	3,860	4,307	4,527	4,139	4,770
Equity investments portfolio <sup>1</sup>	688	795	914	962	1,149	1,500	1,830	1,710	1,798
Shareholders' equity	1,514	1,665	1,815	1,963	2,138	2,511	2,774	2,830	2,984
Debt securities and debentures/notes	2,365	2,679	3,292	3,610	4,197	5,348	5,181	5,101	5,140
Total assets	4,305	5,059	5,564	6,184	7,088	8,421	8,553	8,323	8,490
Committed investment portfolio <sup>2</sup>	5,292	5,874	6,281	6,633	8,013	9,256	9,778	9,155	9,551
of which are government funds <sup>3</sup>	726	828	831	844	978	1,194	1,239	1,222	1,119
<b>Profit and loss account (EUR mln)</b>									
<b>Income</b>									
Net interest income	133	147	154	155	169	227	217	200	201
Income from equity investments	52	46	89	43	72	44	56	191	41
Other income including services	40	45	28	56	19	49	27	53	44
<i>Total income</i>	<i>225</i>	<i>238</i>	<i>271</i>	<i>254</i>	<i>260</i>	<i>320</i>	<i>300</i>	<i>444</i>	<i>286</i>
<b>Expenses</b>									
Operating expense	50-	52-	57-	62-	62-	79-	86-	99-	107-
<i>Operating profit before value adjustments</i>	<i>175</i>	<i>186</i>	<i>214</i>	<i>192</i>	<i>198</i>	<i>241</i>	<i>214</i>	<i>345</i>	<i>179</i>
Value adjustments									
- to loans and guarantees	18-	23-	23-	4	36-	10-	43	15-	16-
- to equity investments	11-	36-	23-	22-	15-	19-	44-	47-	0
<i>Total value adjustments</i>	<i>29-</i>	<i>59-</i>	<i>46-</i>	<i>18-</i>	<i>51-</i>	<i>29-</i>	<i>1-</i>	<i>62-</i>	<i>12-</i>
Share in the results of subsidiaries & associates	5	9-	4	5-	2	3	6	3-	2-
<i>Profit before tax (including results from subs./ass.)</i>	<i>151</i>	<i>118</i>	<i>172</i>	<i>169</i>	<i>149</i>	<i>215</i>	<i>219</i>	<i>292</i>	<i>166</i>
Taxes	25-	25-	27-	36-	25-	41-	43-	37-	-15
<b>Net profit</b>	<b>126</b>	<b>93</b>	<b>145</b>	<b>133</b>	<b>124</b>	<b>174</b>	<b>176</b>	<b>255</b>	<b>151</b>

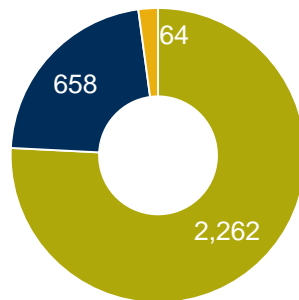
1) Including associates.

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).

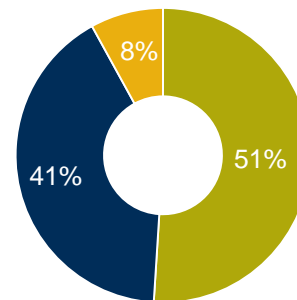
- Public Private Partnership
- The State owns 51% of the shares (A shares). Private sector entities own 49% of the shares (B shares)
- Voting rights for A shares and B shares are equal. A shares may only be issued to the State
- The State has an economic interest of more than 90% of shareholders' equity

Shareholders' equity (in EUR mln, per Dec, 2018)



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

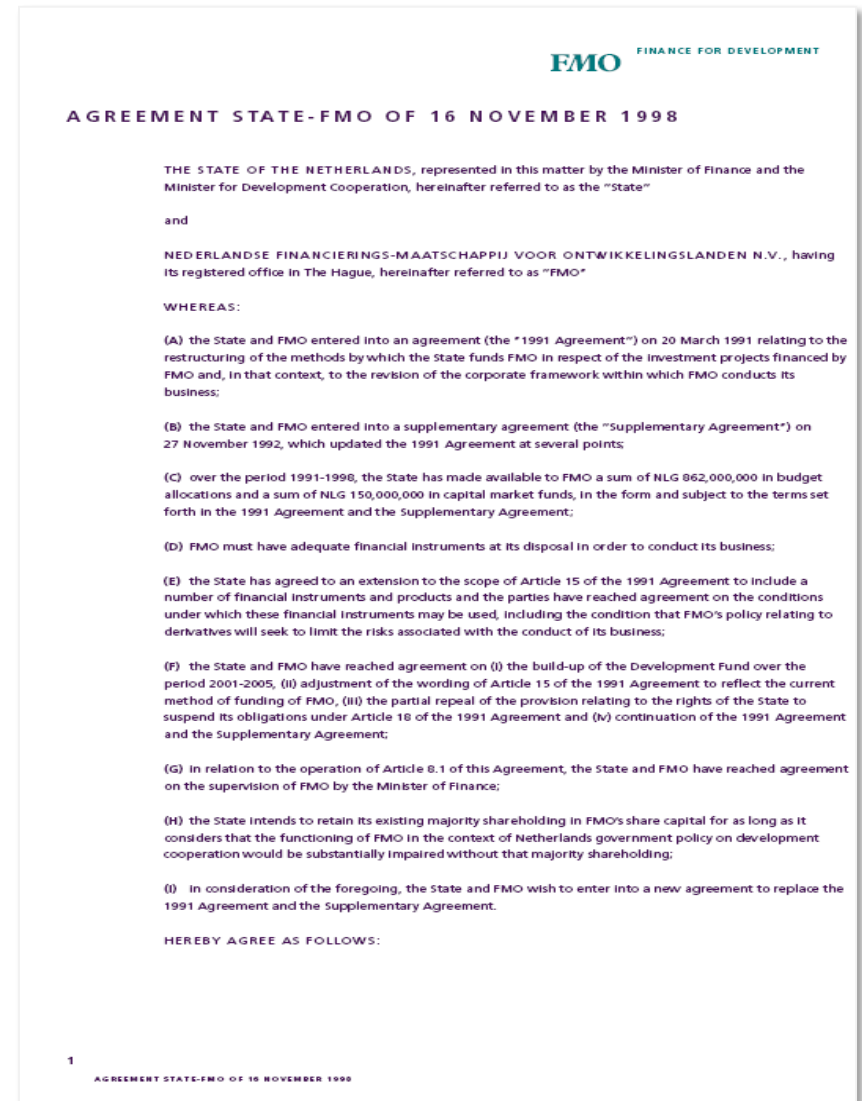
Shareholders (per Dec, 2018)



- 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-deelnemingenbeleid-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)





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