

FMO

Entrepreneurial
Development
Bank

FMO INVESTOR PRESENTATION

FMO - THE DUTCH DEVELOPMENT BANK

March 2021

www.fmo.nl



Women-owned business, Cambodia



Cookhouse wind farm, South Africa

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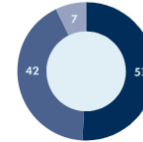
I. INTRODUCTION

- Since 1970 we have been a driving force behind investments empowering local entrepreneurs in emerging markets
- We promote **sustainable private sector growth**, create impact and take credit risk in **developing markets** in the following three focus industries: Energy, Financial Institutions and Agribusiness, Food & Water
- **Strong backing by the Dutch State** resulting in similar credit ratings AAA (Fitch), AAA (S&P)
- Clear strategy focusing on 3 key Sustainable Development Goals (SDG)
- Strong capital and liquidity position
- Established position as SSA issuer of senior and subordinated notes in the capital markets



triple A rated bank (Fitch Ratings and Standard & Poor's)

Ownership structure %



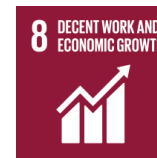
public- private ownership structure (51% Dutch state | 42% Dutch banks | 7% Employers' associations, trade unions, corporate individual investors)



licensed bank, supervised by the Dutch Central Bank



Industry leading sustainability ratings Sustainalytics (1st of 966 banks) and ISS ESG (Prime)



627 employees total number of employees
55 different nationalities
42% of women in senior and middle management

II. 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



COSTA RICA, WIND ENERGY

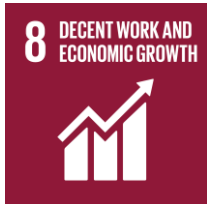


CAMBODIA, MICRO ENTREPRENEUR



TUNISIA, FOOD SUPPLY

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



Economic growth,
employment and decent
work for all

427,489

Jobs supported

€1,887 million

Total investment volume



Reducing Inequalities
within and between
countries

39%

Reducing Inequalities investments
(% of total investment volume)

€745 million

Total Reducing Inequalities
investment volume



Low carbon and
climate resilient
economies

25%

Green investments (% of total
investment volume)

€466 million

Total Green investments volume

III. 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

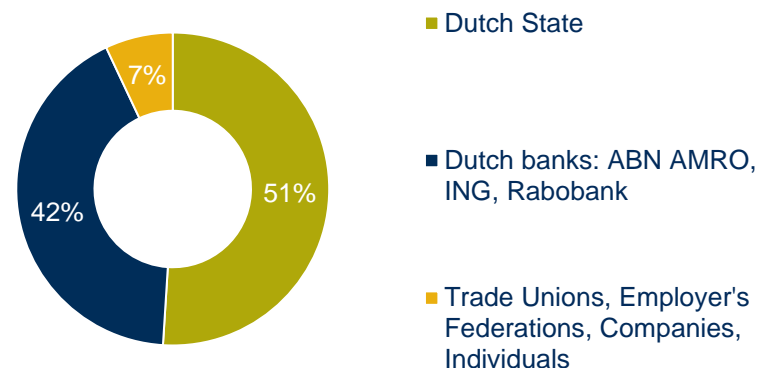
Art. 8: Financial Security Obligation:

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**

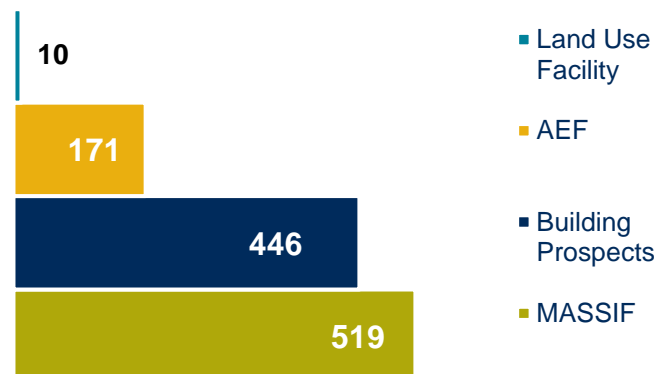
I. Ownership

Public private development bank



III. State Funds

FMO manages funds for €1.15 bln on behalf and for the risk of the Dutch State to finance high risk projects



IV. FUNDING

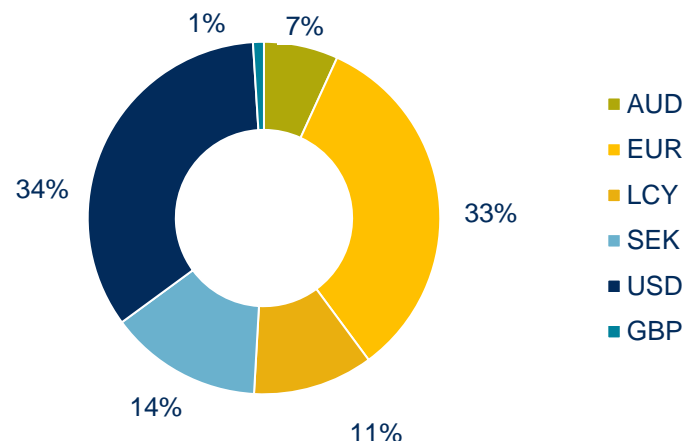
Funding Strategy

- Funding secured through demonstrated market access by issuance of (thematic) bonds
- 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

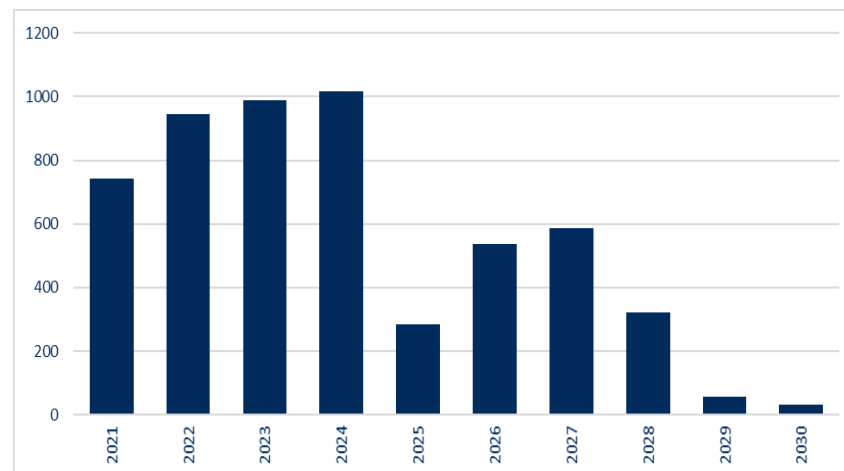
Funding need 2021 of about USD 1.0 bln

1. USD funding (USD 500-700 mln)
 - 5y USD 500 mln fixed rate (Reg\S) in H1 2021
 - USD 100-200mln Private placements
2. Local Currency (LCY) Frontier issuance:
 - USD 100-200mln
 - Tenors: 2y-5y
3. Other funding in EUR, GBP, SEK, AUD or other hard currency
 - USD 100 mln
 - Long dated funding: 7y-12y

Funding portfolio per Currency (per Dec-20)



Redemption profile (per Dec-20)



AND A PROVEN TRACK RECORD

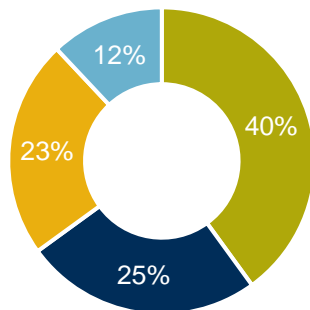
Bloomberg Ticker: NEDFIN

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 (Green)	5 year
2019	USD 300 mln, 2.25% 21/10/2022	3.5 year
2019	USD 500 mln, 1.75% 12/12/2024	5 year
2015	EUR 500 mln, 0.125% 20/04/2022 (Sustainability)	7 year 
2015	EUR 500 mln, 0.125% 04/11/2020	5 year
2017	EUR 500 mln, 0.125% 01/06/2023 (Sustainability)	6 year
2020	EUR 500mln, 0.125% 03/04/2027 (Sustainability)	7 year
2020	EUR 250 mln, 0.625% 15/01/2021 (Subordinated, 10.5NC5.5)	5.5 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 (Sustainability)	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 (Green)	8 year
2019	GBP 18 mln, 1.45%, 18/03/2026	7 year 
2019	GBP 15 mln, 1.30%, 08/04/2027	8 year

V. PORTFOLIO

Sector¹ (per Dec-20)

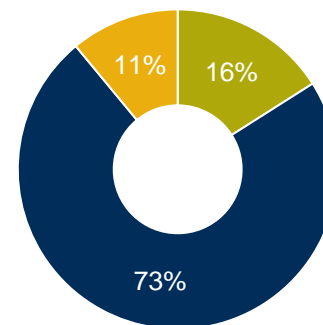
- Financial Institutions
- Energy
- Other/multisector*
- Agribusiness



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

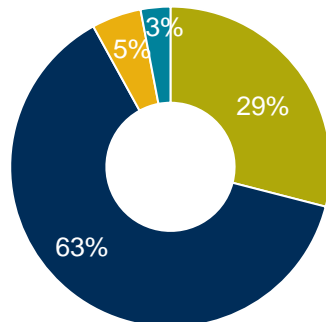
Currency¹ (per Dec-20)

- Euro
- USD
- Local currency



Product¹ (per Dec-20)

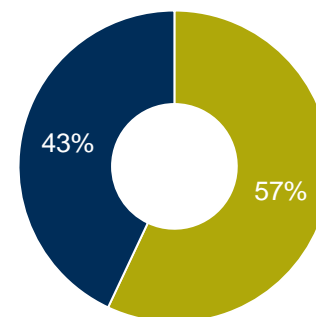
- Equity
- Loans
- Guarantees
- Associates



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

Private equity portfolio (per Dec-20)

- Private equity funds
- Direct investments



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

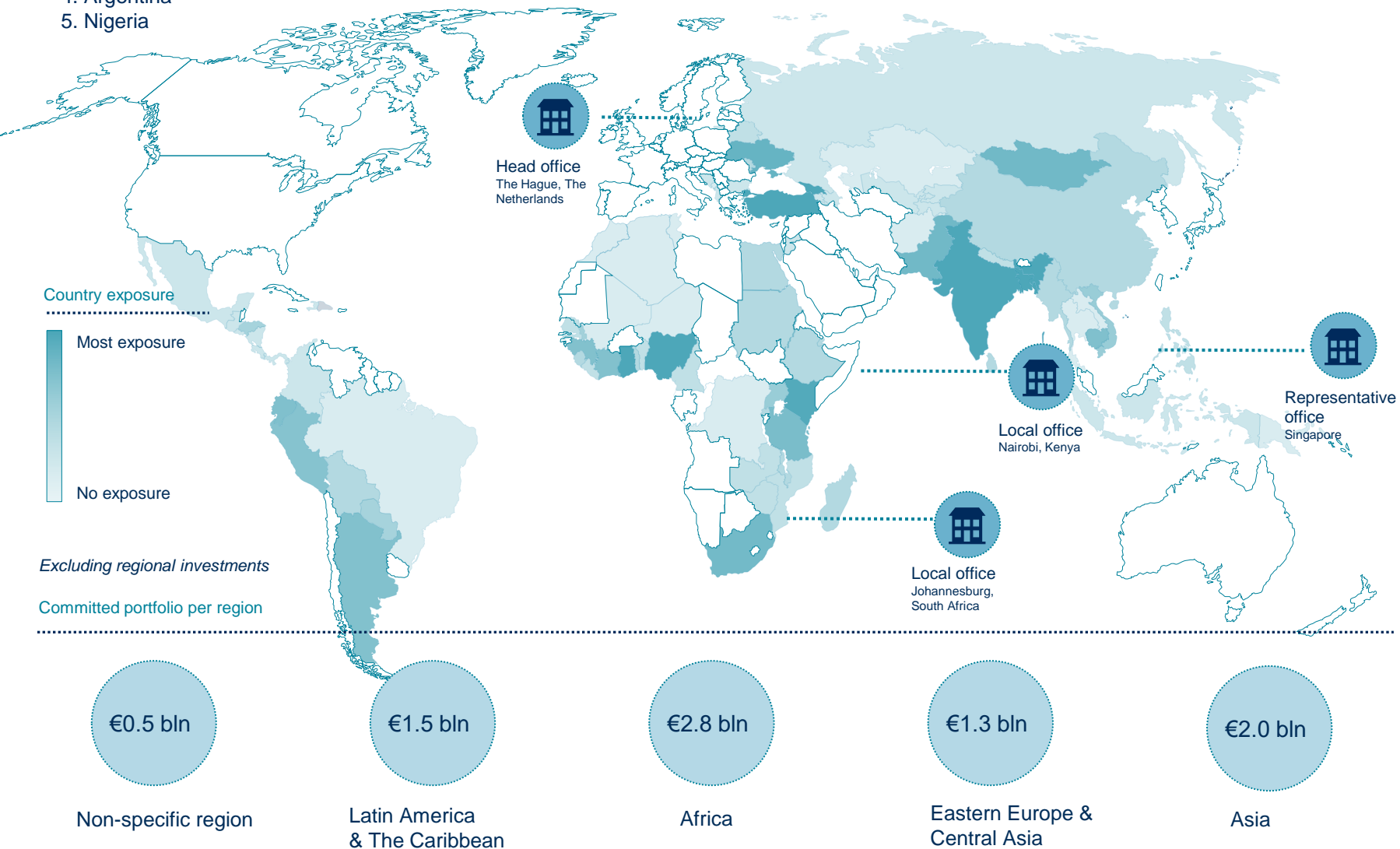
¹ Based on committed investment portfolio of EUR 8.2 bln per Dec2020 (excl. government funds)

Committed portfolio | 2020 €8.2 billion

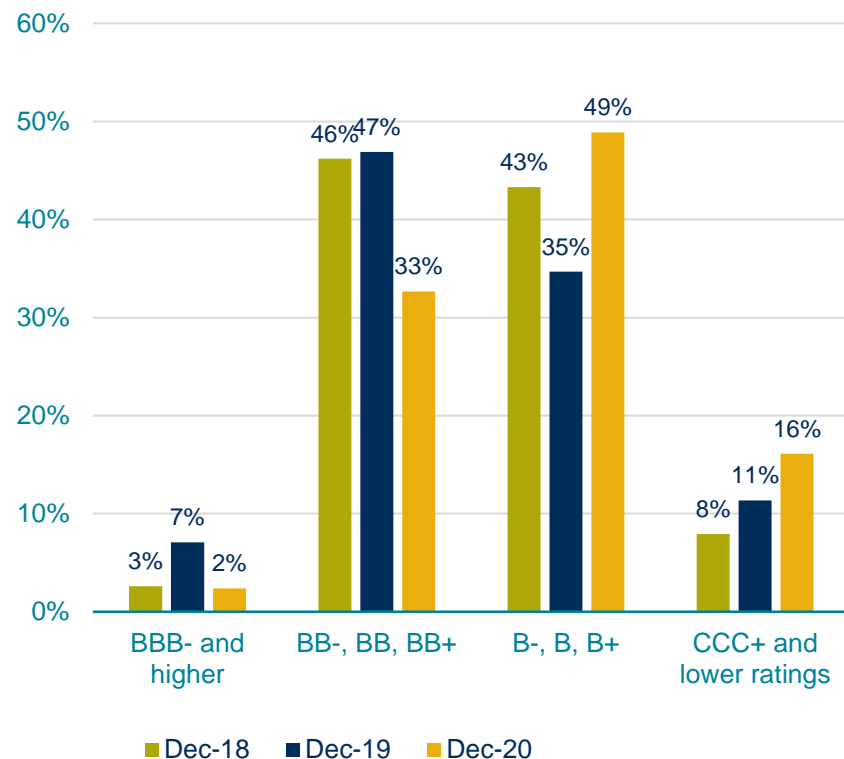
Top five countries

1. India
2. Turkey
3. South Africa
4. Argentina
5. Nigeria

Note: total committed portfolio consists of €8.2 billion for FMO and €1.1 billion for government funds



Loan Portfolio concentrated in BB\B rating*



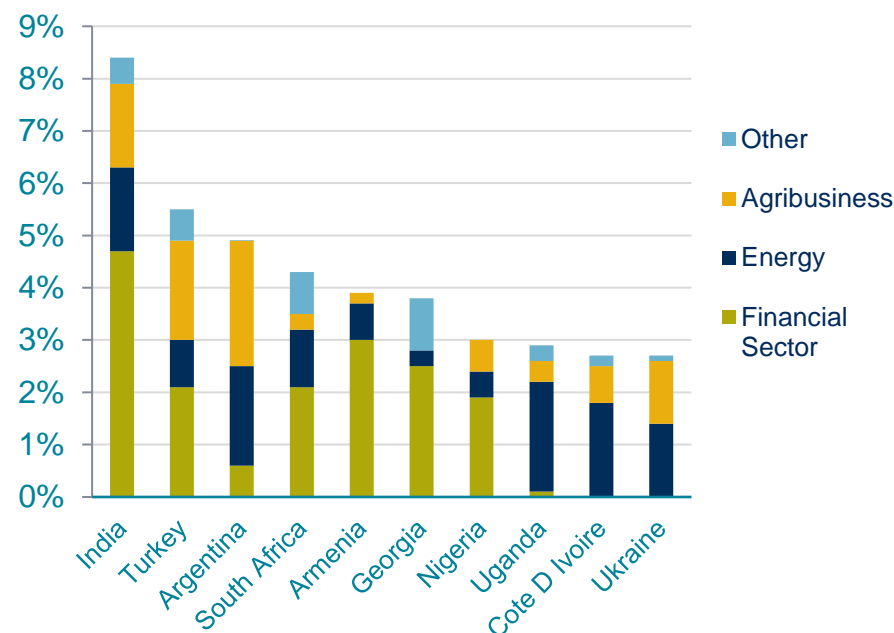
- Per Dec 2020 approx. 450 counterparties with approx. EUR 10 mln average exposure **)
- Credit ratings reflect counterparty credit quality
- Internal credit ratings are mapped versus Moody's
- About 14% of the loan portfolio is guaranteed

*) 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 (per Dec-20)



- Exposure spread over more than 65 countries
- 10 largest country exposures represent approx. 42% of the total portfolio
- Country limits based on country ratings and FMO's capital
- Sector limits capped at 50% of country limit

OUR INVESTMENT PROCESS IS THOROUGH,

and ESG is an integral part of the investment decision

FMO works with its clients to assess their ESG risks, identifies where ESG improvements can be made and agrees on action plans.



SOURCING

We steer our investments towards projects that foster a transition to a more inclusive & greener economy



SCREENING

If the financing opportunity meets our investment & ESG criteria, we continue to analyze potential risks & challenges



DUE DILIGENCE

To fully understand and map the risks & opportunities, we conduct thorough due diligence.



STAKEHOLDER ENGAGEMENT

Regular meetings, dialogue sessions, consulting key stakeholders provides essential insight



CONTRACTING

After internal approval, we sign an agreement with our clients and where applicable an ESG action plan



MONITORING

Throughout the lifetime of the investment we monitor performance & progress

Financial indicators

	Dec 31, 2019	Dec 31, 2020
Balance sheet (EUR bln)		
Net loans	5.0	4.8
Equity investments portfolio	1.9	1.9
Total balance sheet	9.4	9.0
Shareholders' equity	3.1	2.9
Debt securities and debentures/notes	5.8	5.5
Net profit*	.120	-.205
Ratios		
Non Performing Loans	9.8%	9.1%
Return on Equity	3.9%	-6.8%
Common Equity Tier1 (CET1)	21.8%	23.3%

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

Covid-19 pandemic affecting financial performance

- Net loss in 2020 due to:
 - ✓ *FV Equity portfolio*
 - ✓ *EURUSD 10% depreciation*
 - ✓ *Increased impairments*
- Fair value *Equity Investments* portfolio dropped by approximately EUR 218m during, in line with global emerging markets
- Higher credit risk in portfolio



Impairments and non-performing loans (NPLs)

- Non-performing loans (NPLs) dropped from 9.8% to 9.1% in 2020
- Impairments cannot be attributed to specific sectors or regions
- No new significant increase in write-offs

VI. CONTACT



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BB ticker: NEDFIN

VIII. APPENDIX

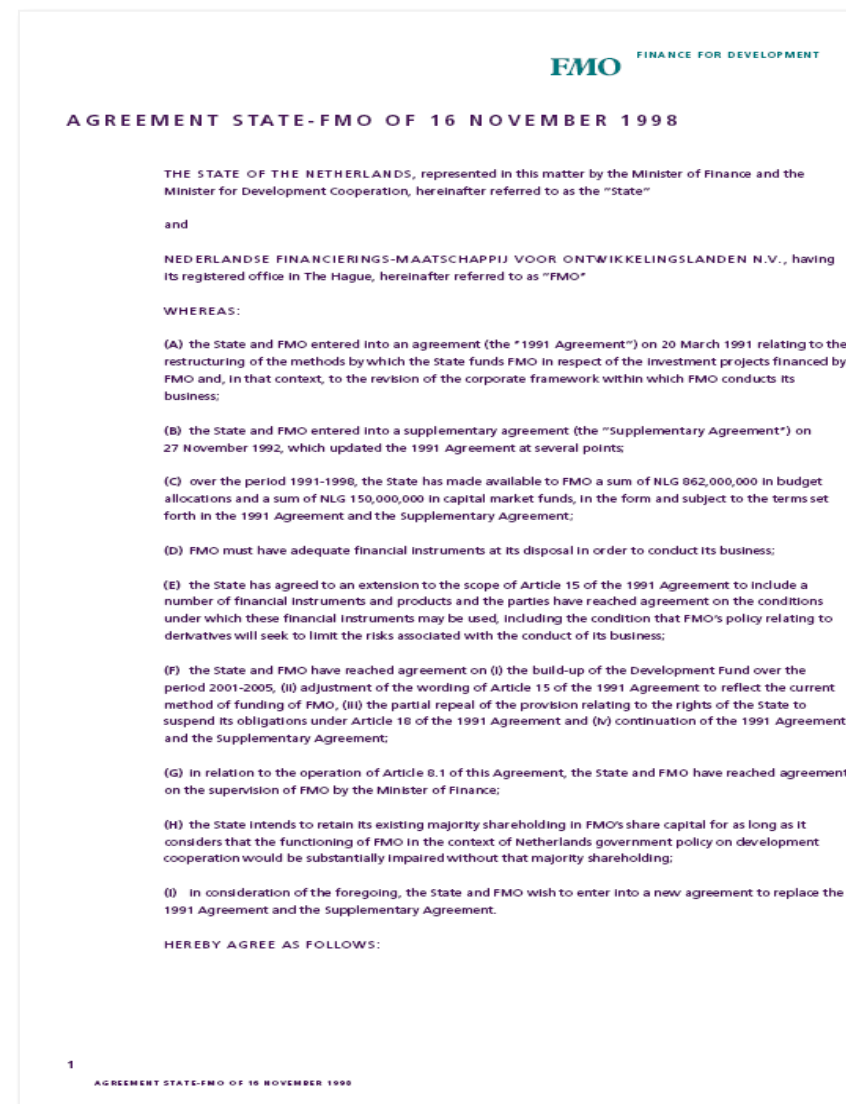
Balance sheet (EUR mln)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net loans	2,585	2,817	2,981	3,860	4,307	4,527	4,139	4,770	5,031	4,758
Equity investments portfolio ¹	795	914	962	1,149	1,500	1,830	1,710	1,798	2,164	1,984
Shareholders' equity	1,665	1,815	1,963	2,138	2,511	2,774	2,830	2,984	3,127	2,897
Debt securities and debentures/notes	2,679	3,292	3,610	4,197	5,348	5,181	5,101	5,140	5,808	5,486
Total assets	5,059	5,564	6,184	7,088	8,421	8,553	8,323	8,490	9,412	8,998
Committed investment portfolio ²	5,874	6,281	6,633	8,013	9,256	9,778	9,155	9,551	10,552	9,318
of which are government funds ³	828	831	844	978	1,194	1,239	1,222	1,119	1,435	1,228
Profit and loss account (EUR mln)										
Income										
Net interest income	147	154	155	169	227	217	200	201	215	241
Income from equity investments	46	89	43	72	44	56	191	41	94	178-
Other income including services	45	28	56	19	49	27	53	44	10	25
Share in the results of subsidiaries & associates										66-
Total income	238	271	254	260	320	300	444	286	319	22
Expenses										
1) Operating expense	52-	57-	62-	62-	79-	86-	99-	107-	129-	144-
Operating profit before value adjustments	186	214	192	198	241	214	345	179	190	122-
2) Value adjustments										
- to loans and guarantees	23-	23-	4	36-	10-	43	15-	12-	92-	78-
- to equity investments	36-	23-	22-	15-	19-	44-	47-	0	0	0
Total value adjustments	59-	46-	18-	51-	29-	1-	62-	12-	92-	78-
Share in the results of subsidiaries & associates	9-	4	5-	2	3	6	3-	2-	20	
Profit before tax (including results from subs./ass.)	118	172	169	149	215	219	292	166	118	201-
Taxes	25-	27-	36-	25-	41-	43-	37-	-15	2	4-
Net profit	93	145	133	124	174	176	255	151	120	205-

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).

- 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:**
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- Valid for an **indefinite period** and may be cancelled subject to a **twelve-year notice period**

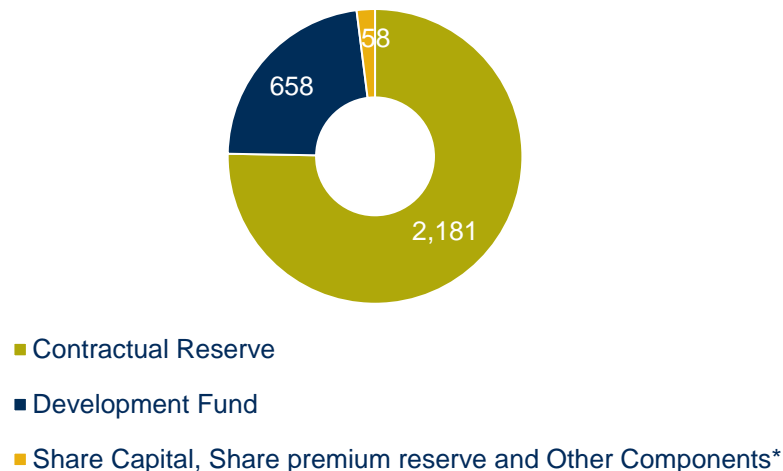


*) <http://www.rijksoverheid.nl/documenten-en-publicaties/notas/2013/10/18/nota-deelnemingenbeleid-rijksoverheid-2013.html>

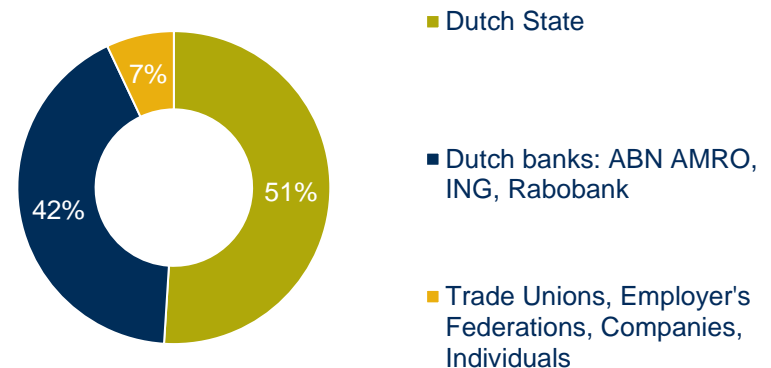
**) This is a synopsis of the actual text. The State Agreement should be fully read for a complete understanding. A full copy of State Agreement available at www.fmo.nl

- 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, 2020)



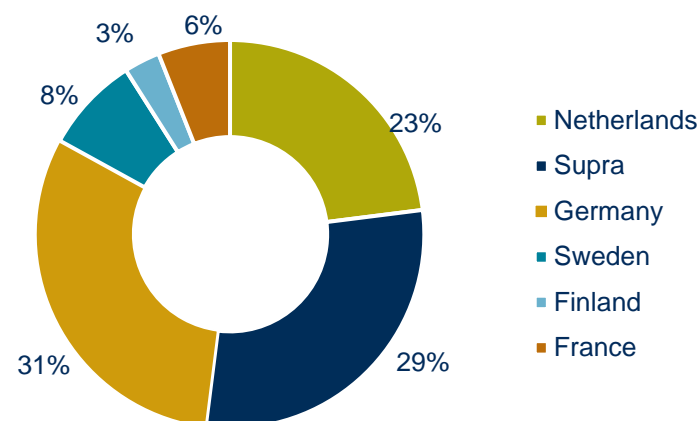
Shareholders (per Dec, 2020)



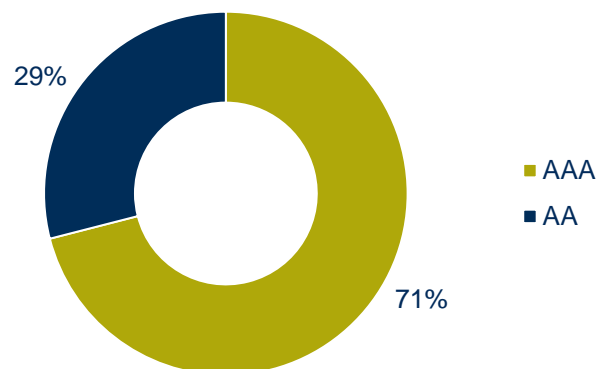
* Other components comprise of available for sale reserve, translation reserve, other reserves and undistributed profit, and minority interest. Differences may arise due to rounding

- To meet conservative liquidity requirements
- Short term investments < 1Y
- Bond portfolio in EUR and USD:
 - Fair value of EUR 371 mln (Dec-20)
 - HQLA Level 1 assets
 - Buy and hold
 - ECB-eligible
- Liquidity Coverage Ratio (LCR) of 1,116%
- Net Stable Funding Ratio (NSFR) of 127%
- Positive and negative ESG screening
- Investments in thematic bonds 53%

Bond portfolio by country (per Dec-20)



Bond portfolio by rating* (per Dec-20)

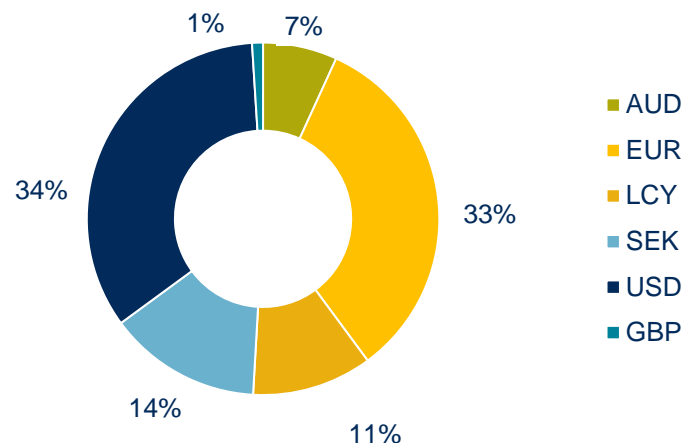


* The lower of Fitch and S&P is used

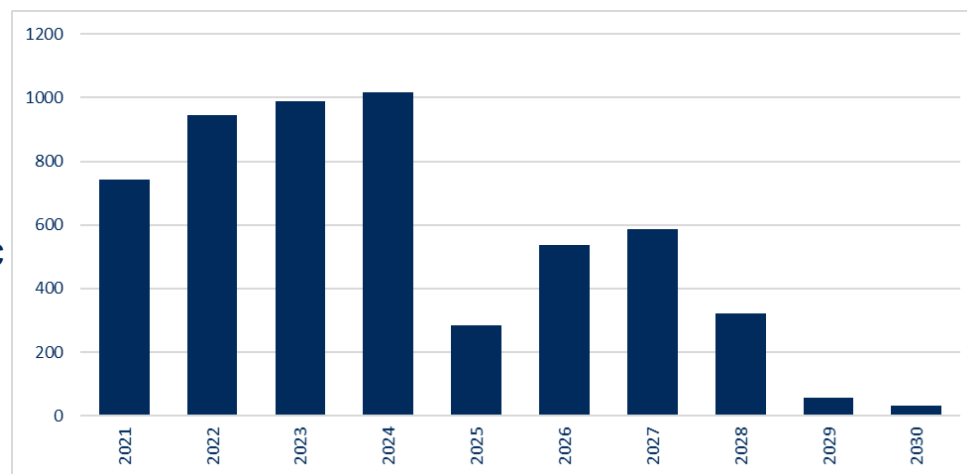
Funding Strategy

- 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
- Green Bonds
- Sustainability Bonds to finance:
 - Green projects
 - Inclusive finance projects
- FMO is an eligible issuer under the Public Sector Purchase Programme of the ECB

Funding per Currency (per Dec-20)



Redemption profile (per Dec-20)



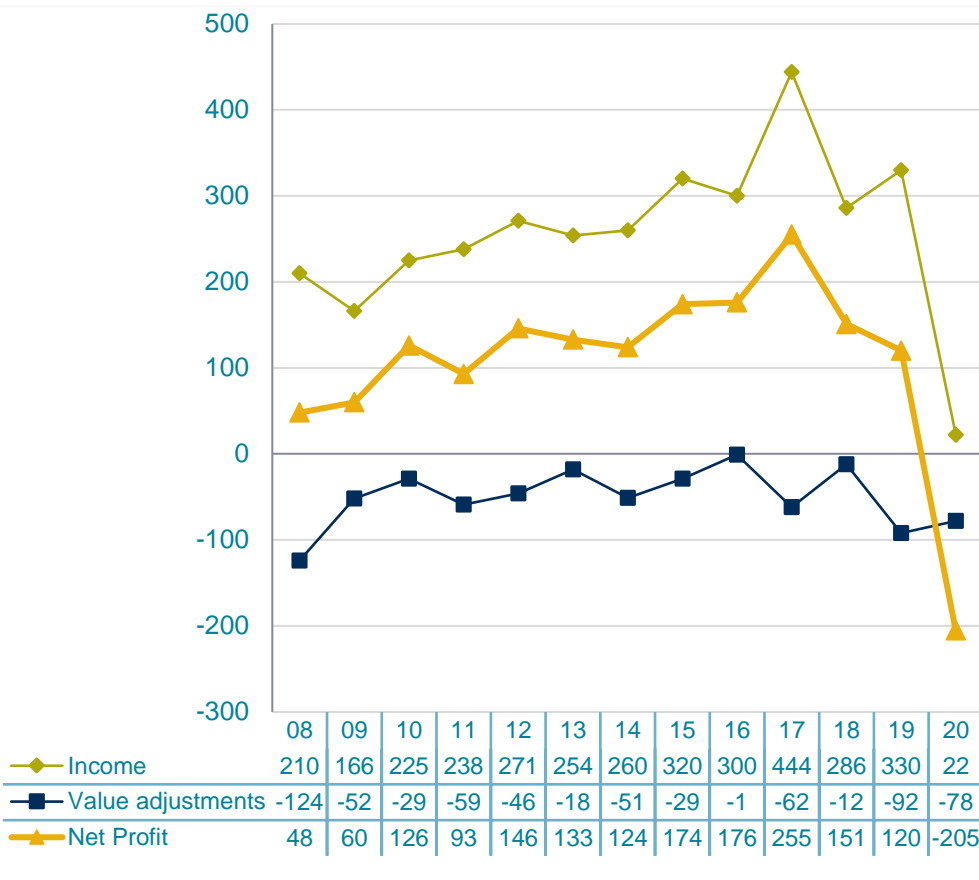
AND A PROVEN TRACK RECORD

Bloomberg Ticker: NEDFIN

Year	Amount	Tenor
2014	USD 500 mln, floater 21/10/2019	5 year 
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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
2019	USD 500 mln, 1.75% 12/12/2024	5 year
2015	EUR 500 mln, 0.125% 20/04/2022 (<i>Sustainability</i>)	7 year 
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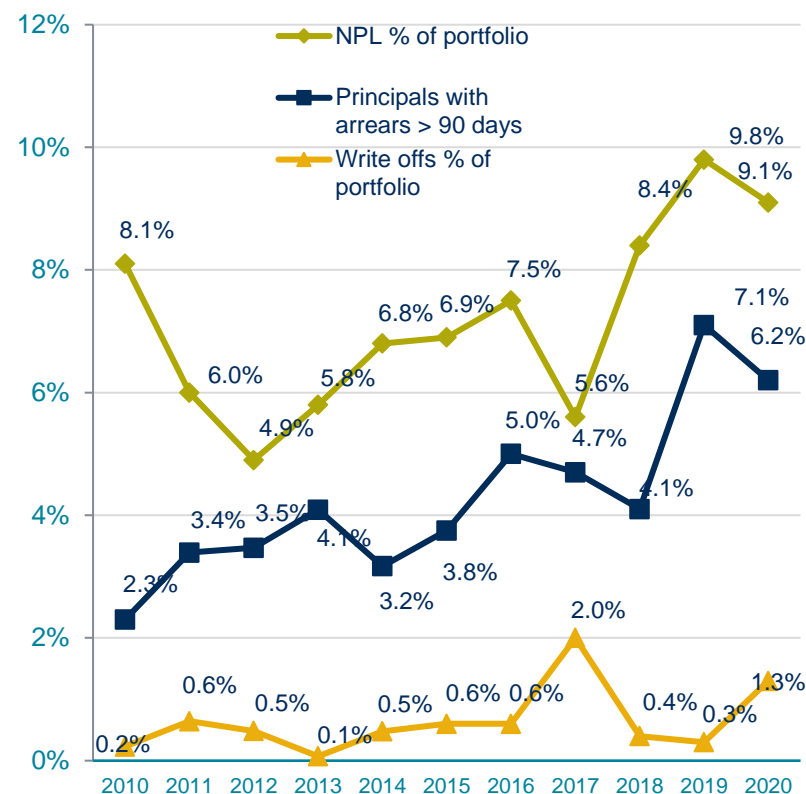
Performance

FMO Total



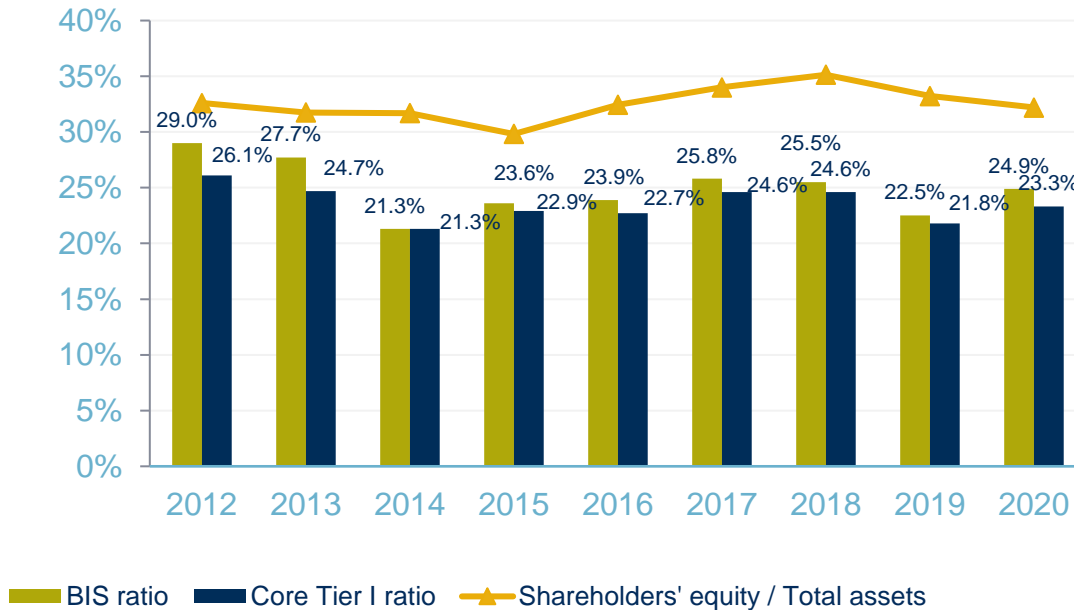
- Drivers: equity exits, interest income, value adjustments

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 – 2020



- Risk Weighted Assets (RWA) = EUR 12 bln. (Dec-20)
- 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 30th 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

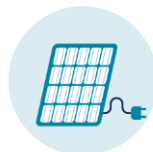


Energy

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**

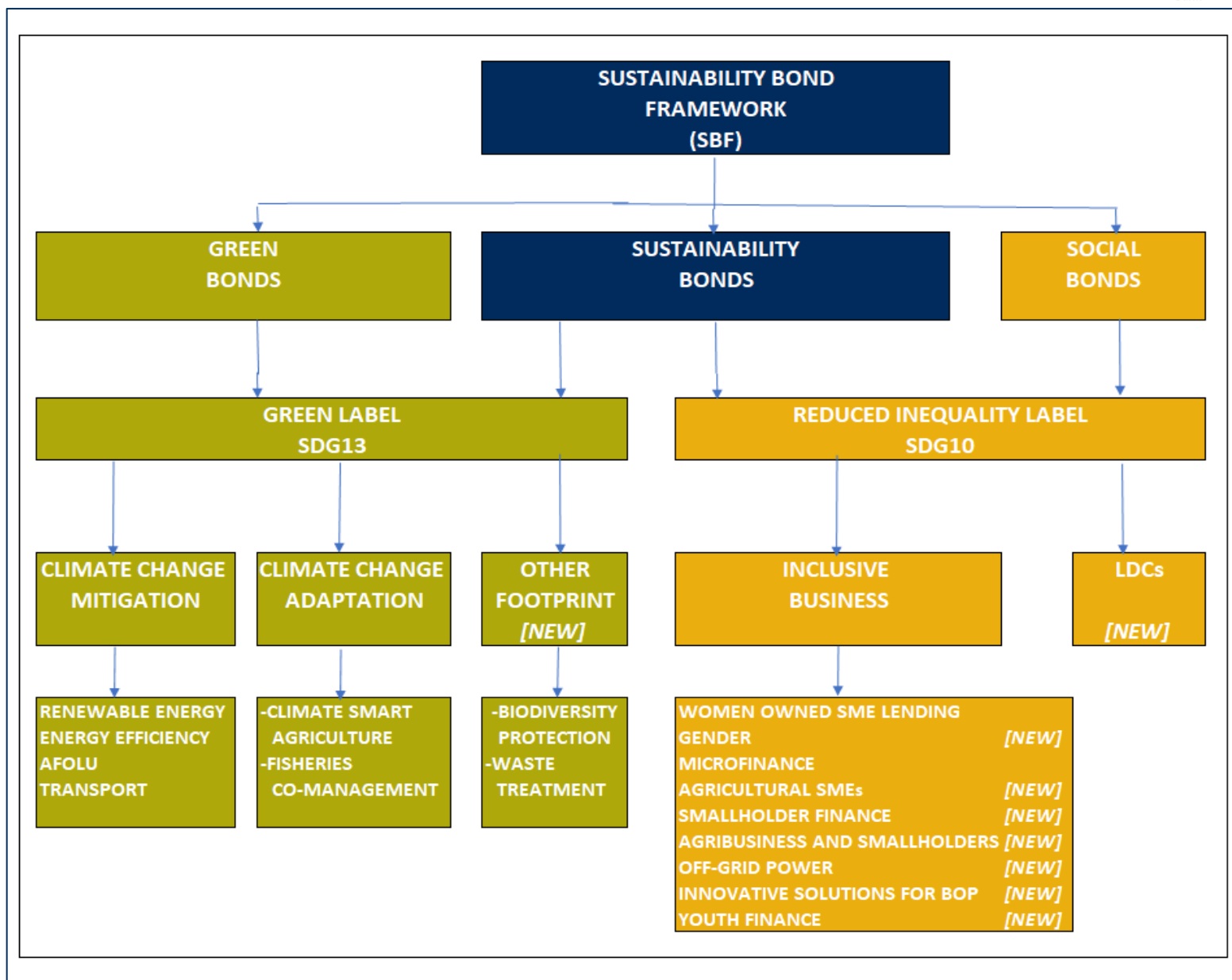
We work with both private and public clients

- 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

BONDS

CATEGORIES

ELIGIBILITY
CRITERIA



Annual Report



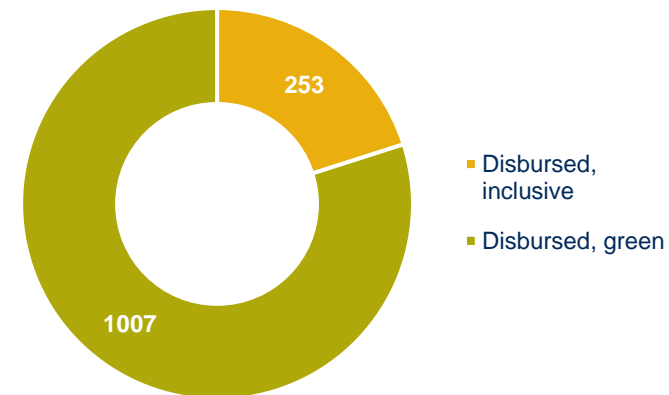
Newsletter



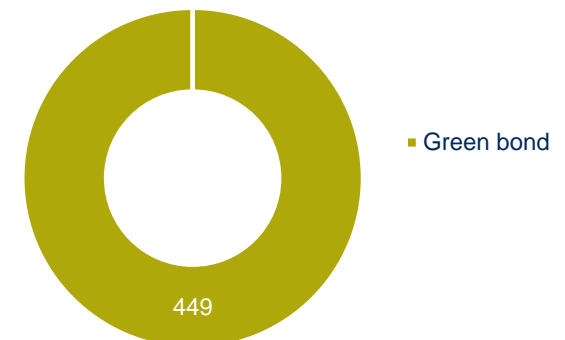
- Industry leading Sustainability Ratings
 - Sustainalytics
 - Oekom Research
- Member of the Green Bond Principles (GBP)
 - Use of proceeds reporting via Sustainability Bond Newsletter
<https://www.fmo.nl/susbonds>
 - IFI working group on Green Bond Impact reporting harmonization
 - Project disclosure 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-20)

Sustainability bonds (100% allocated)



Green bond (100% allocated)





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