



STATEMENT

Den Haag, July 2nd 2020

FMO gives interim update on impact of Covid-19

Following the outbreak of the COVID-19 pandemic, FMO quickly adapted to a new situation. Employees have been working from home; business continuity plans have been implemented and are working effectively; and FMO is assisting its clients where needed. Yet the pandemic and related economic crisis are also impacting FMO's operations, performance and balance sheet. This creates a level of uncertainty for interested external stakeholders. This statement is therefore meant to give some background to COVID-19 impacts on FMO and how the institution responds to manage them appropriately.

This statement includes unaudited figures and does not replace our H1 2020 financial results disclosure, which is scheduled for the end of August. Nor will it create a precedent for future interim updates or disclosure.

Supporting clients, creating impact

It is precisely now, during these times of crisis, that it is important to continue to invest in developing economies, as they are expected to be hit hard by the pandemic. As they have suffered record-breaking capital outflows, FMO and other DFIs are needed more than ever to assist our client banks and companies to survive the crisis and hence minimizing the negative impact on their employees and other stakeholders. In fact, the Dutch government gave FMO the mandate to create development impact in developing countries.

FMO, the Dutch Development Bank, is an important strategic government vehicle for promoting private-sector growth in developing countries. The Dutch State has formalized its support to FMO in the "[Support Agreement between FMO and the Dutch State](#)" from 1998.¹

Therefore, FMO continues to empower entrepreneurs in developing economies to build a better world and boost resilience post-COVID-19. We are in close contact with our clients all over the world. To understand how they expect to be impacted by the pandemic, and to hear how we can help them deal with the current situation.

FMO has taken several measures to support clients. These include granting payment holidays (temporarily forbearing repayment of notional) to a group of clients with short term liquidity needs. Existing clients can also apply for loans providing additional liquidity. Moreover, FMO is extending grants to a group of clients to enable them to adapt their business models and to support COVID affected communities meet current health and socio-economic challenges.

More information on FMO's measures in response to the Covid-19 pandemic and economic crisis can be found at www.fmo.nl.

¹ See <https://www.fmo.nl/invest-with-us/funding>.



FMO's H1 2020 performance

The volume of new investments in loans and equity has so far been affected to a limited extent. The risk profiles of FMO's sector portfolios – Agribusiness, Food and Water; Energy; Financial Institutions; and Private Equity, have not changed substantially. Non-performing loans (NPLs) are expected in line with the year-end 2019 figure of 9.8% and the level of impairments on our loan portfolio is likely to amount to EUR 100-150 mln. The development of our interest and fee income is expected to remain stable.

In line with emerging market equity prices, the fair value of FMO's private equity portfolio is expected to decline in the first half of 2020. FMO estimates fair value losses to come in at EUR 250 mln to EUR 300 mln per June 30th, 2020; a 12.5-15% decline compared to the fair value of the portfolio at the beginning of the year. FMO's investee companies are still distributing dividends, although some at a lower level.

In view of the impacts on FMO's portfolio, FMO expects to make a net loss of EUR 250-350 mln for H1 2020. While this will have an effect on our capitalization, our capital ratio will remain significantly above the combined ratio of the SREP minimum and FMO's internal buffers. Supervisory guidance following the Covid-19 outbreak allows for the use of regulatory buffers to enable banks to support their clients and the economic recovery.²

FMO was and continues to be well-capitalized. Going into the pandemic FMO had a total capital ratio (TCR) of 22.5% per 31st of December 2019 (CET1 ratio at 21.8%), well above minimum regulatory SREP requirements (respectively 14% and 10.5%). Capitalization levels were in excess of the combined internal and regulatory required buffers at the end of 2019.

FMO's TCR includes EUR 175 mln of Tier 2 capital. FMO intends to replace the current tier-2 capital by issuing new tier-2 notes, subject to approval of the Dutch Central Bank (DNB), our supervisor.

Looking ahead

The global economic outlook and the implications on the performance of FMO for 2020 and thereafter is uncertain, as economic and financial performance remains dependent on the future path of the pandemic. FMO has conducted a scenario exercise to estimate potential impacts on its balance sheet and operations going forward.

In the conservative base case, a deep epidemic and crisis this year, accompanied by a slow recovery in the coming years, the TCR is expected to be above the combined internal buffer requirements and supervisory minimum requirements. The base case includes an annual growth of 4% of FMO's portfolio.

² <https://www.dnb.nl/en/news/news-and-archive/persberichten-2020/dnb387870.jsp>



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About FMO

FMO is the Dutch entrepreneurial development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a 50-year proven track-record of empowering people to employ their skills and improve their quality of life. FMO focuses on three sectors that have high development impact: financial institutions, energy, and agribusiness, food & water. With a committed portfolio of EUR 10.4 billion spanning over 80 countries, FMO is one of the larger bilateral private sector developments banks globally.

For more information: please visit www.fmo.nl

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Important legal information

This statement may contain information about FMO within the meaning of Article 7(1) of EU Regulation No 596/2014.

Some statements in this documented may be deemed to be 'forward-looking statements'. Forward-looking statements include all statements other than historical statements, including, without limitation, those concerning the FMO's financial position, business strategy, plans, goals and objectives of management for future operations (including development plans and objectives relating to FMO's products) and the assumptions underlying these forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of FMO, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding FMO's present and future business strategies and the environment in which FMO will operate in the future. Important factors that could cause FMO's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, changes or downturns in the Dutch economy or the economies in other countries in which FMO conducts business, the effects of the COVID-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which FMO operates, on FMO's business and operations and on FMO's employees, clients and counterparties, the impact of fluctuations in foreign exchange rates and interest rates and the impact of future regulatory requirements. Any forward looking statements made by or on behalf of FMO speak only as of the date they are made, and FMO assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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