

FMO

Entrepreneurial
Development
Bank

FMO INVESTOR PRESENTATION

Enabling entrepreneurs to
increase inclusive and
sustainable prosperity

May 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
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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



803
total number of
employees



72
different nationalities



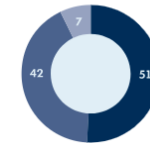
47%
of senior and middle
management are women



AAA rated bank



Ownership structure %



public- private ownership
structure

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

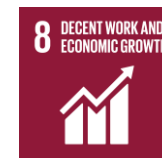


licensed bank, supervised
by the Dutch Central Bank



Industry leading sustainability ratings

Sustainalytics 4.6 (3rd of 1058 banks)
ISS ESG C+ Prime
MSCI AA

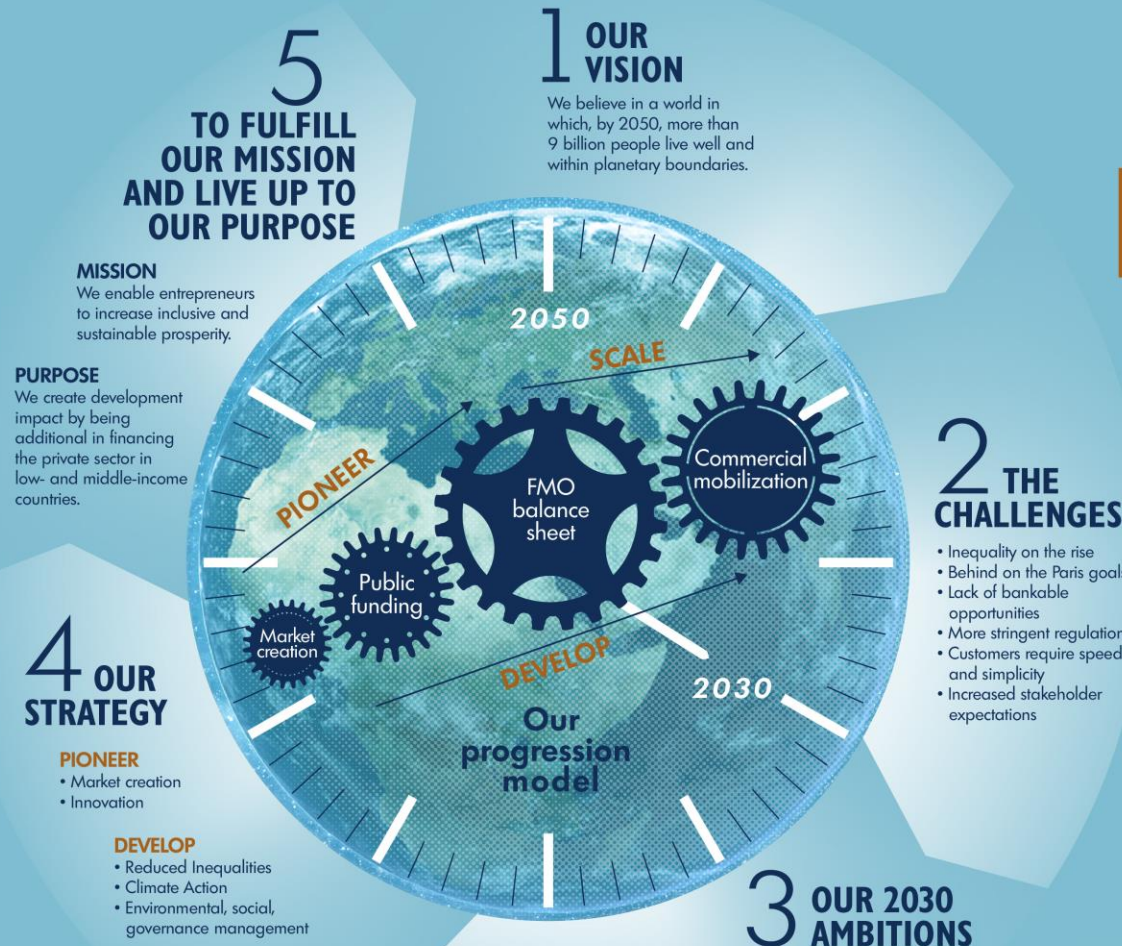


2. FMO STRATEGY

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



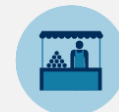
Storage



Financial
Institutions



Banks
(universal/
SME)



Microfinance



FinTech

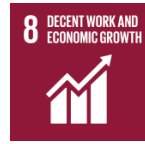


Non-bank financial
institutions

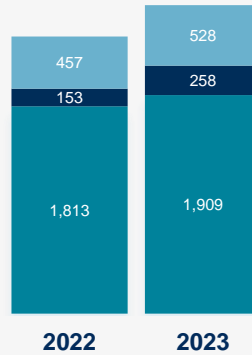
Total new investment volume per Dec-23

42% of the total new investment volume aims to contribute to reduced inequalities and 40% to climate action

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



Decent Work and Economic Growth



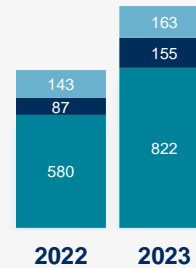
€2,695 million
Total new investment volume



990 thousand
jobs supported



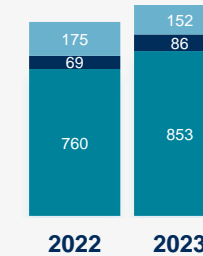
Reduced inequalities



€1,140 million
Reducing inequality-labelled
new investment volume



Climate Action



€1,091 million
Green-labelled
new investment volume



2,061,000 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



Sucafina coffee cultivation in Colombia



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

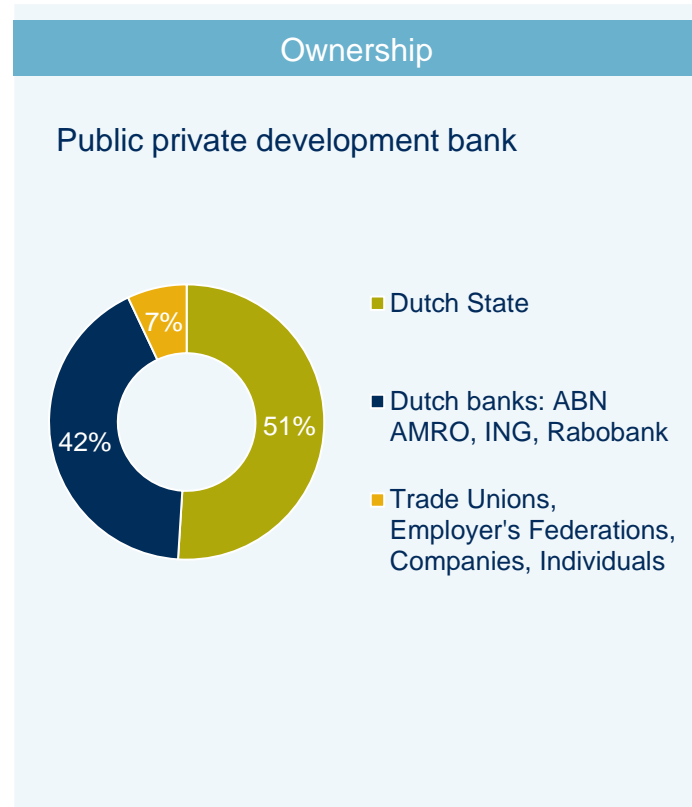
Enabled by:



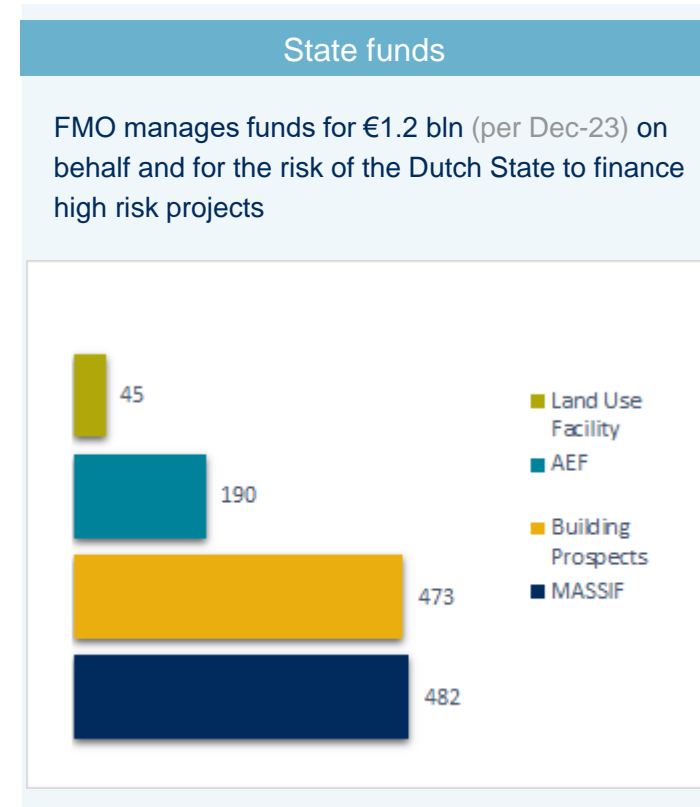
3. RELATIONSHIP DUTCH STATE



- 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**



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



- 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

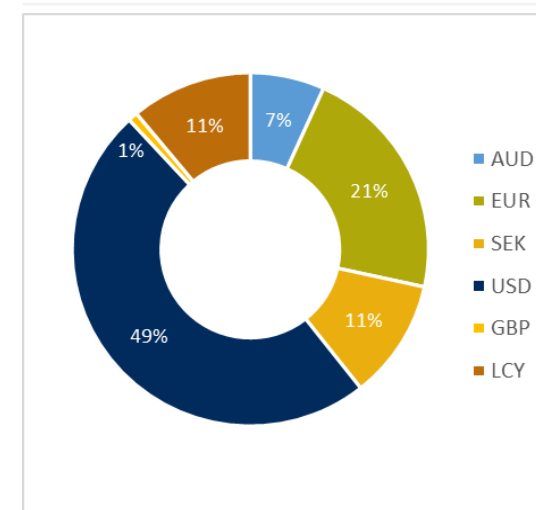
Funding Strategy

- 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

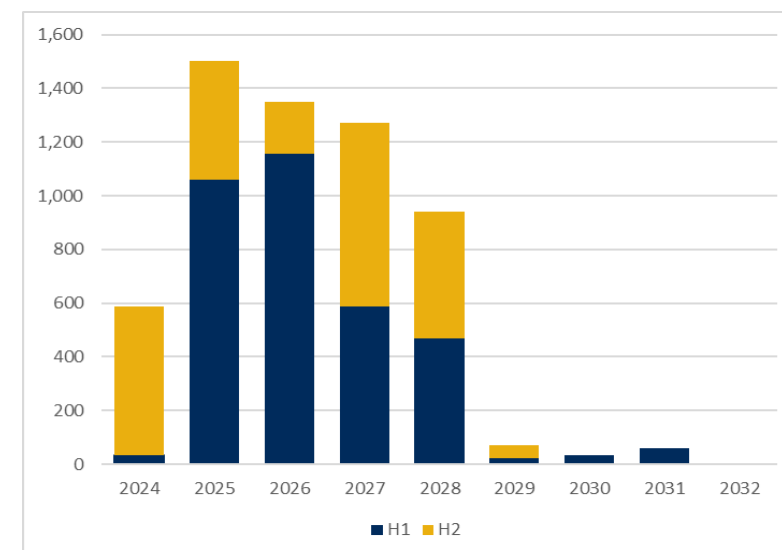
Funding need 2024 of about USD 1.5 bln

1. USD funding (USD 500-750 mln)
 - USD 500 mln benchmark issue (Reg\S)
 - USD 100-250mln Private placements (*Done USD 50 mln*)
 - 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 (*Done USD 147 mln*)
4. Long-term arbitrage funding in other currencies in case of additional funding need (in the second half of 2024)

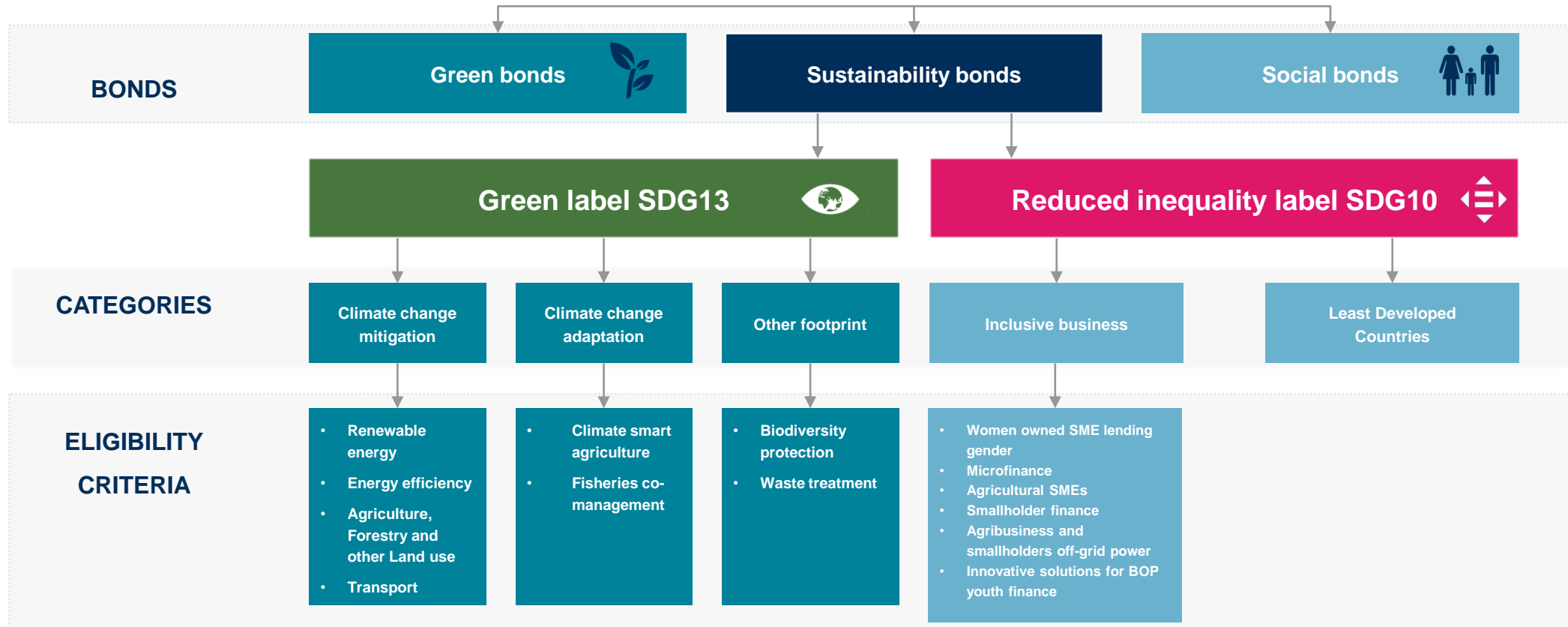
Funding portfolio per currency (per May-24)



Redemption profile (per May-24)



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”

And a proven track record – outstanding public issuances

Bloomberg Ticker: NEDFIN

G green

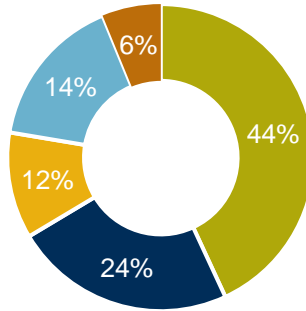
S sustainability

Year	Amount	G	Tenor	
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, 4.750% 11/15/2028	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 1,500 mln, 3.394% 06/22/2028	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	

5. PORTFOLIO

Sector¹ (per Dec-23)

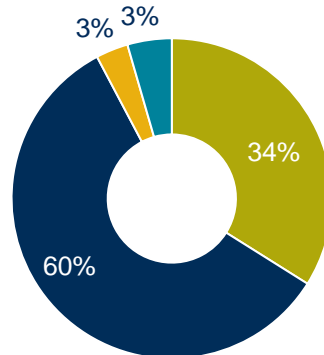
- Financial Institutions
- Energy
- Agri, Food, Water
- Multi-sector Funds
- Others*



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

Product¹ (per Dec-23)

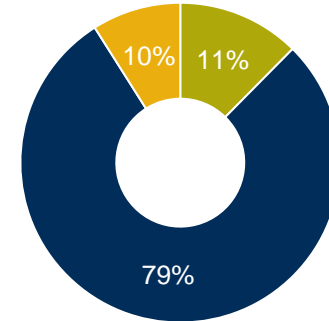
- Equity
- Loans
- Guarantees
- Associates



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

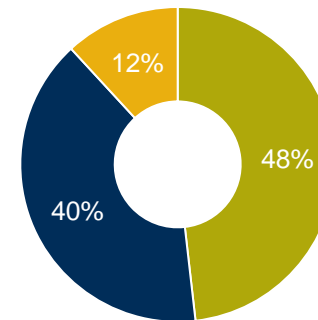
Currency (per Dec-23)

- Euro
- USD
- Local currency



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

- Private equity funds
- Direct investments
- Associates

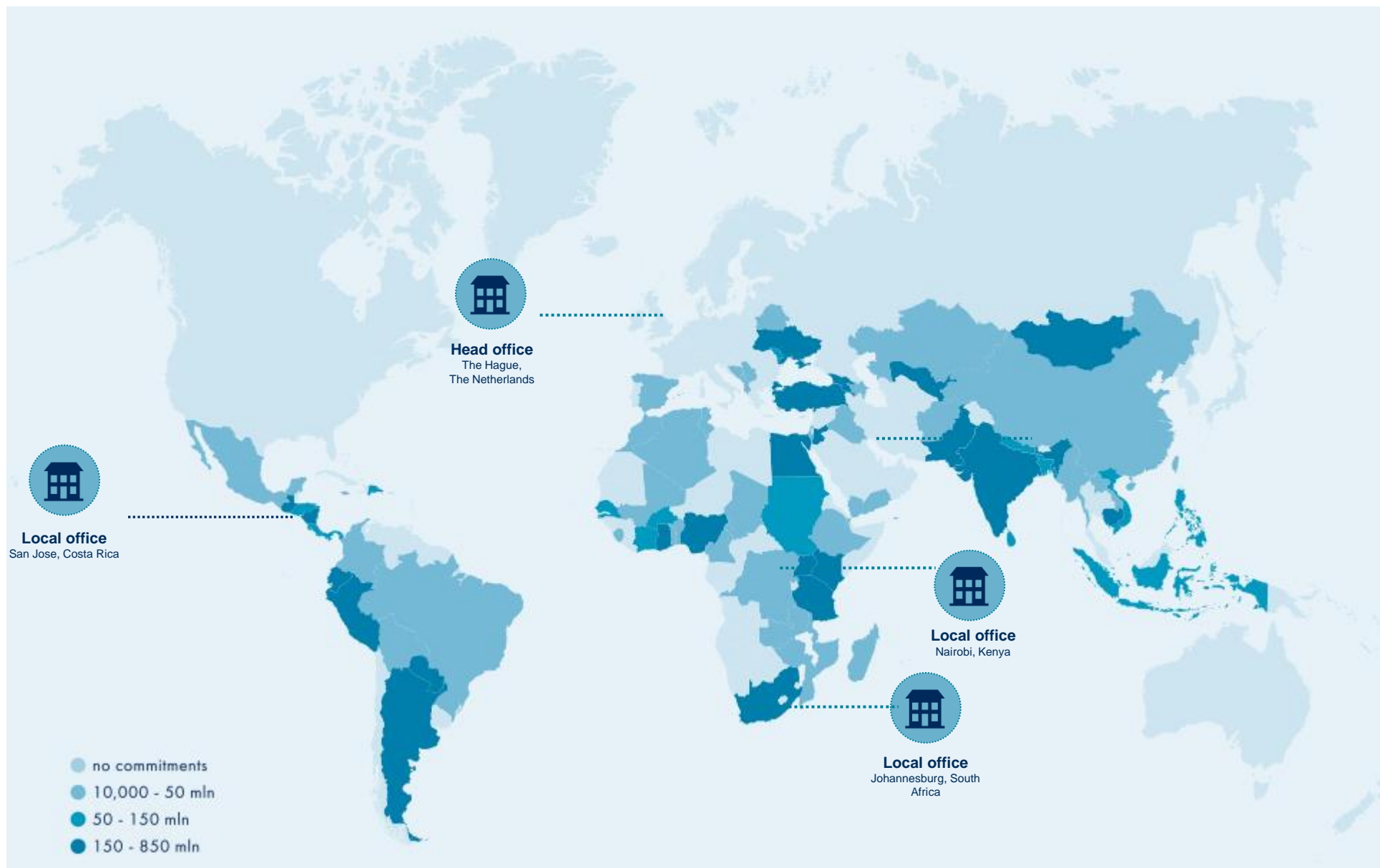


- Typical holding period of 5-10 years
- Focus on direct investments in focus sectors
- Focus on exits

Committed portfolio | YE 2023 €9.1 billion

FMO

Entrepreneurial
Development
Bank



Africa

€3.2 bln

35% of total

Asia

€2.0 bln

23% of total

Europe & Central Asia

€1.5 bln

16% of total

Latin America & the Caribbean

€1.7 bln

18% of total

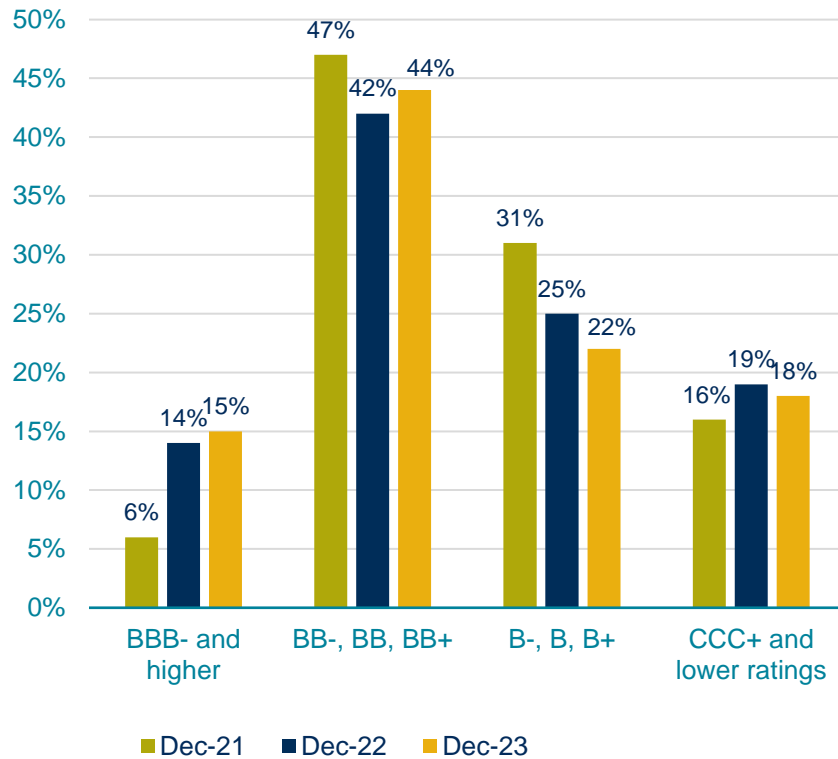
Non-region specific

€0.7 bln

8% of total

→ [Go to interactive world map](#)

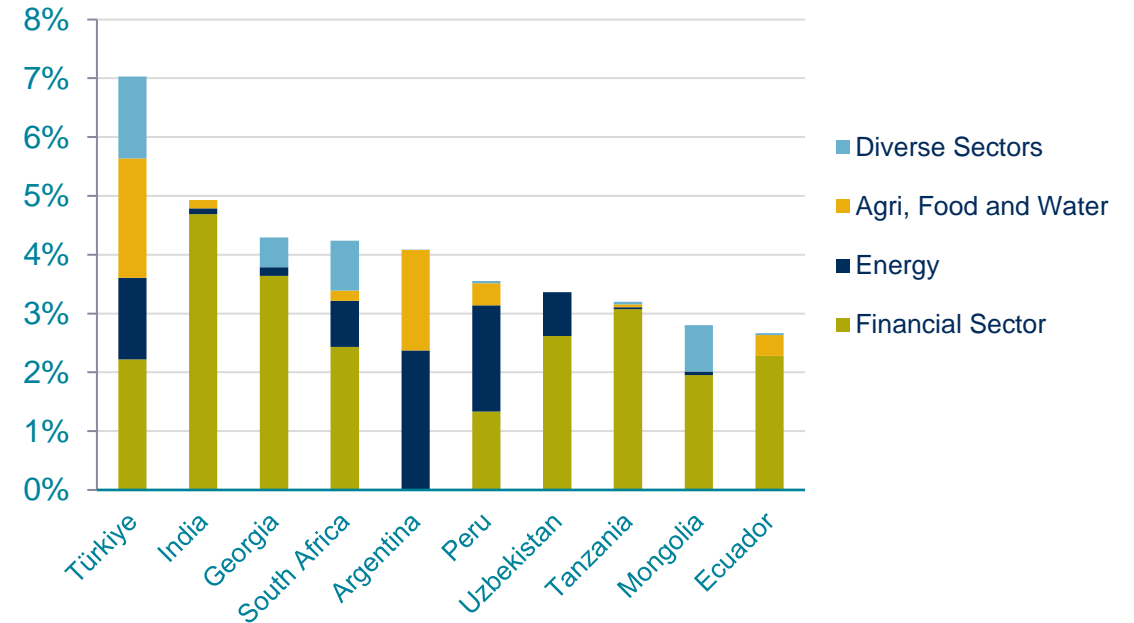
Loan Portfolio concentrated in BB/B rating*



- Per Dec 2023 approx. 314 counterparties with approx. EUR 17 mln. average exposure **)
- Credit ratings reflect counterparty credit quality
- Internal credit ratings are mapped versus Moody's
- Asset quality slightly increased in 2023 vs 2022.

Loan Portfolio breakdown per country and sector

Top 10 countries - Loans (per Dec-23)



- Exposure spread over more than 55 countries
- 3 largest country exposures represent approx. 16% of the total loan portfolio
- Country limits based on country ratings and FMO's capital
- Sector limits capped at 50% of country limit

*) Gross loan portfolio excluding government funds (committed portfolio)

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

Financial indicators

	Dec 31, 2021	Dec 31, 2022	Dec 31, 2023
Balance sheet (EUR bln)			
Net loans	4.8	5.1	4.9
Equity investments portfolio	2.3	2.6	2.7
Total balance sheet	9.3	9.9	10.3
Shareholders' equity	3.4	3.4	3,5
Debt securities and debentures/notes	5.4	5.6	6.1
Net profit*	0.491	0.001	0.065
Ratios			
Non Performing Loans	9.5%	11.9%	9.8%
Return on Equity	15.5%	0.0%	1.9%
Common Equity Tier1 (CET1)	22.5%	23.8%	22.0%

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

Financial performance

- Net profit equals €65 million as per YE 2023, FMO's overall financial performance was impacted by:
 - ✓ Lower loan provisions on investments in Ukraine, Sri Lanka and Myanmar
 - ✓ The EUR/USD exchange rate had a negative effect on the FV of our Equity investments

Impairments and non-performing loans (NPLs)

Non-performing loans (NPLs) decreased from 11.9% to 9.8% by YE 2023

- The largest contributors to the NPL reduction were the positive developments in Sri Lanka and repayments.
- NPLs remain concentrated in a few large facilities, the top-3 NPLs represent 20% of the total
- NPL levels in FMO's portfolio partially reflect long recovery periods, which are inherent in markets in which FMO operates

6. CONTACT



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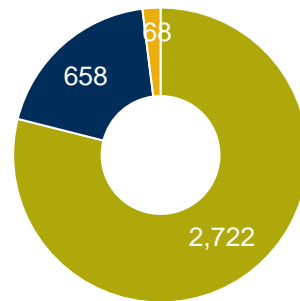


t.de.malmazet@fmo.nl

7. APPENDIX

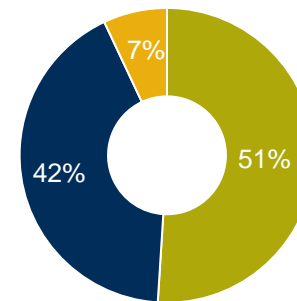
- Public Private Partnership
- The State owns 51% of the shares (A shares). Private sector entities own 49% of the shares (B shares)
- Voting rights for A shares and B shares are equal. A shares may only be issued to the State
- The State has an economic interest of more than 95% of shareholders' equity

Shareholders' equity (in EUR mln, per Dec, 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

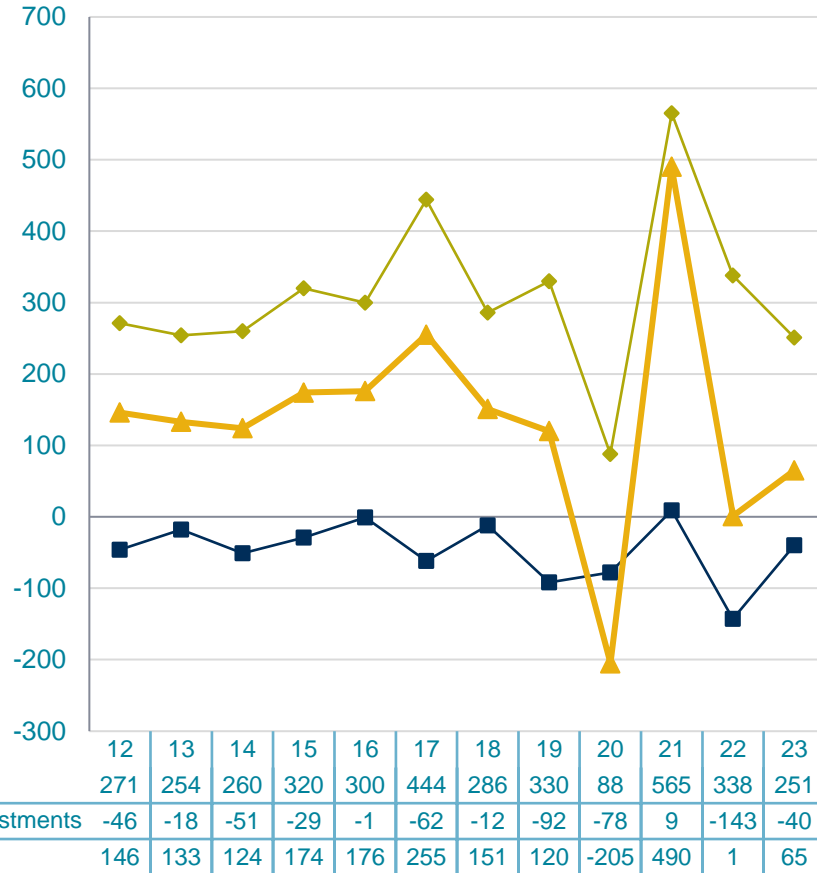
Balance sheet (EUR mln)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net loans	3,860	4,307	4,527	4,139	4,770	5,031	4,758	4,775	5,111	4,884
Equity investments portfolio ¹	1,149	1,500	1,830	1,710	1,798	2,164	1,984	2,316	2,580	2,361
Shareholders' equity	2,138	2,511	2,774	2,830	2,984	3,127	2,897	3,434	3,448	3,513
Debt securities and debentures/notes	4,197	5,348	5,181	5,101	5,140	5,808	5,486	5,426	5,572	6,061
Total assets	7,088	8,421	8,553	8,323	8,490	9,412	8,998	9,303	9,900	10,282
Committed investment portfolio ²	8,013	9,256	9,778	9,155	9,551	10,552	9,318	9,690	10,335	10,457
of which are government funds ³	978	1,194	1,239	1,222	1,119	1,435	1,228	1,352	1,401	1,386
Profit and loss account (EUR mln)										
Income										
Net interest income	169	227	217	200	201	215	241	231	235	221
Income from equity investments	72	44	56	191	41	94	178-	318	91	-5
Other income including services	19	49	27	53	44	10	25	16	12	35
Total income	260	320	300	444	286	319	88	565	338	251
Expenses										
1) Operating expense	62-	79-	86-	99-	107-	129-	144-	114-	152-	178-
<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>251</i>
2) Value adjustments										
- to loans and guarantees	36-	10-	43	15-	12-	92-	78-	9	143-	40-
- 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>143-</i>	<i>40-</i>
Share in the results of subsidiaries & associates	2	3	6	3-	2-	20	66-	63	59-	26
<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>60</i>
Taxes	25-	41-	43-	37-	-15	2	4-	-33	17	5
Net profit	124	174	176	255	151	120	205-	490	1	65

1) Including associates.

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

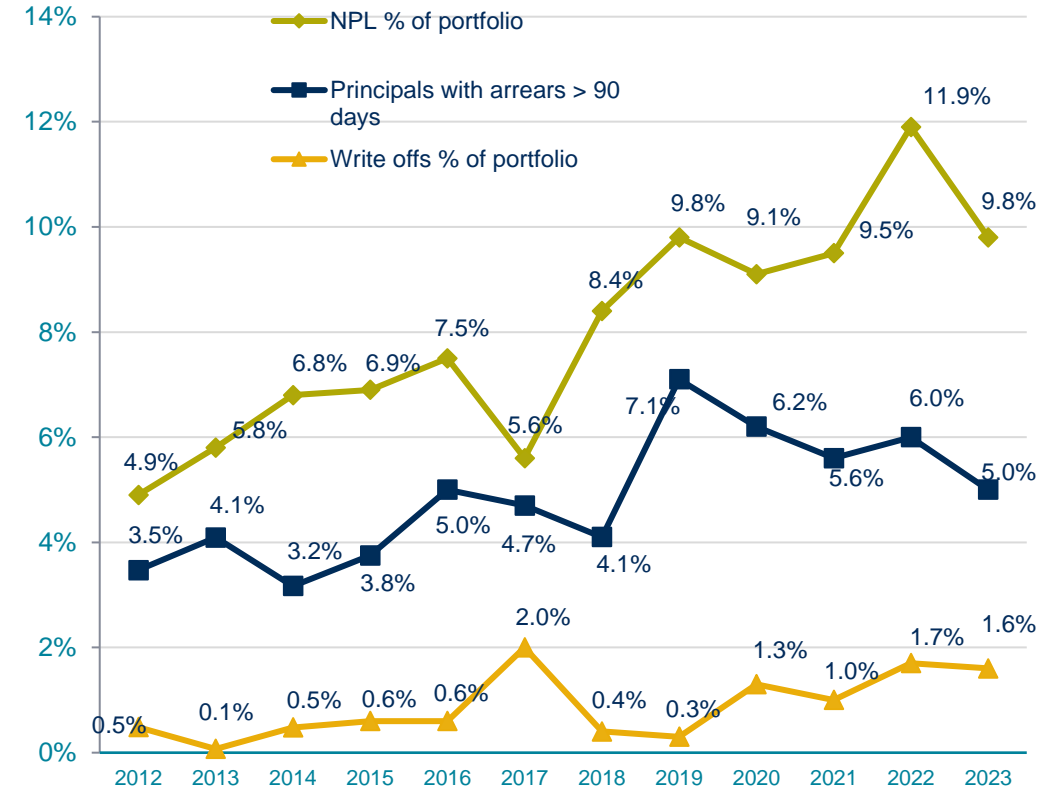
3) The government funds include Massif, Infrastructure Development Fund, Access to Energy Fund and NIMF (until 2007).

FMO Total



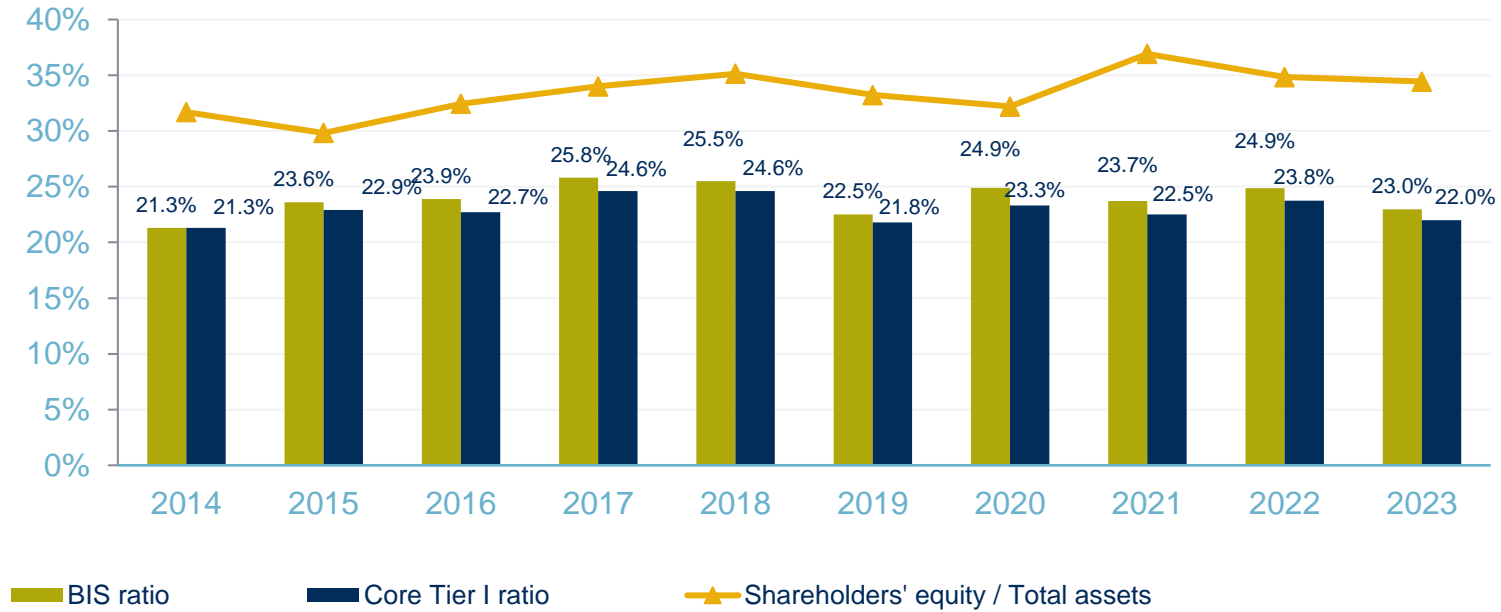
- Drivers: equity exits, interest income, value adjustments

Non-performing loans development



- Low write-downs due to active management and focus on recovery
- NPL increased in 2018 partly due to a methodology change
- The NPL ratio for the lending portfolio in 2023 was 9.8 percent, which decreased from 11.9 percent in 2022

Regulatory Capital Ratios 2014 – 2023



- **Risk Weighted Assets (RWA) = EUR 14.1 bln (Dec-23)**
- **Over 95% of net profit is retained**
- **The Regulatory Capital Ratio is based on a 99.9% confidence level**



Solar farm| Jordan

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