

PRESS RELEASE

The Hague, 25 March 2019

FMO in 2018: Solid Development Impact Results and Strong Results Loan Portfolio

<i>Investments made in entrepreneurs in emerging markets in 2018</i>	2018	2017
	<i>(in millions of Euro)</i>	
• Green investments outperformed target	711	735
• Inclusive transactions outperformed target	579	428
• Total investments	1,873	1,737
Agribusiness, Food & Water	334	289
Energy	498	563
Financial Institutions	795	616
Private Equity	230	269
• Capital mobilized from third parties on our projects/clients	629	1,111
• Invested on behalf of government funds	135	210

Peter van Mierlo, Chief Executive Officer of FMO: “As a new member of the FMO team since July 2018, I am very proud of what was achieved over the course of the full year, most notably in terms of the positive impact we made. We performed above target on our green and inequality investments and are on target for our overall volume. Our impact results are primarily driven by solid performance of our three core sectors, Agribusiness, Food & Water, Energy and Financial Institutions. Not as many third-party investments as expected were mobilized, due to the high liquidity in several of our syndicated loan markets.”

“I am deeply impressed with FMO’s brand value in all our operating markets. And equally, with the responsibilities entrusted to us by the European Commission around the NASIRA risk-sharing facility and the role FMO has been asked to play to support the Dutch economy to invest in emerging markets.”

The year 2018 brought more consensus globally that climate change and inequality are among the world’s most pressing challenges. Van Mierlo: “We are running out of time and only doing makes the difference. We need to act decisively on the SDGs and the Paris agreement, and we need to do this in partnership.

FMO will therefore continue to use its convening power to share expertise to mobilize funds and other partners for higher impact.”

Strengthening our role as mobilizer

Milestones 2018

- 49% stake in state-owned company to support Dutch private sector with investments in emerging markets
- FMO's mandate for two Dutch government funds increased and extended for 10 years
- First close of the NN-FMO Emerging Markets Loans Fund, largest fund to date for FMO Investment Management
- Management of NASIRA risk-sharing facility awarded to FMO by European Commission
- Agreement with United Nation's Green Climate Fund (GCF) signed
- Pioneering 1.5°C vision and methodology presented at the COP24 (Poland)

FMO is asked to take a 49% stake in a Dutch state-owned company that will help the Dutch private sector invest outside the Netherlands, provided we can be additional to the commercial banks and other relevant stakeholders. Within FMO we have built a team of 25 people as a start-up for this new entity and are proud of the pipeline they have already developed.

In addition, our mandates for the Dutch state's Infrastructure Development Fund (IDF) and Access to Energy Fund (AEF) were extended for a decade until 2028 and both funds will grow substantially.

FMO Investment Management (FIM) reached its first close of the NN-FMO Emerging Markets Loans Fund (USD 250 million). Its largest fund to date enables European institutional investors to co-invest alongside FMO. Furthermore, the European Commission awarded us the management of the NASIRA risk-sharing facility, which will allow us to finance underserved entrepreneurs in the European neighborhood and Sub-Saharan Africa. And we signed an agreement with the United Nations' Green Climate Fund (GCF), which will enable us to provide blended finance solutions to accelerate climate mitigation and adaptation projects.

Our Future of Finance and Making Solar Bankable conferences attracted each around 500 participants from across the world. By connecting and inspiring our stakeholders, our impact extends well beyond our own investments. Her Majesty Queen Máxima of the Netherlands, in her capacity of the UN Secretary-General's Special Advocate for Inclusive Finance for Development, spoke at the Power of Partnerships. This event brought together female entrepreneurs from emerging markets, financial institutions and women business networks to see how finance can contribute towards gender equality.

We are harmonizing our procedures around impact reporting and, with valuable input from our peers and various subject matter experts, have developed a pioneering vision and underlying accounting methodology for our investment portfolio to steer our commitments to not exceed 1.5°C temperature rise, which we presented at the COP24 meeting in Poland.

Net results in 2018 are lower following favorable exits in the PE portfolio in 2017. Results amount to € 151 million (5.2% return on equity)

	IFRS 9	IAS 39
Financial performance 2018		
	2018	2017
	<i>(in millions of Euro)</i>	
• Interest income	325	285
• Interest expenses	(124)	(85)
• Net interest income	201	200
• Realized results from equity investments (IAS 39)	n/a	155
• Unrealized results from equity investments (IAS 39)	n/a	(47)
• Results from equity investments (IFRS 9)	41	n/a
• Operating expenses	(107)	(99)
• Results from financial transactions ¹	(22)	16
• Impairments on loans	(12)	(18)
• Net profit amounts to	151	255
• Total committed portfolio	9.600	9.200
• CET 1 ratio	24.6%	24.6%

Our net profit in 2018 amounted to €151 million, which is down from €255 million in 2017. The difference is mainly explained by lower results from equity investments and lower results from financial transactions. Net profit was positively influenced by a limited level of impairments (2018: €12 million vs 2017: €18 million). The Common Equity Tier 1 (CET-1) ratio remained stable at 24.6% as the inclusion of net profit of the first half of 2018 in eligible capital was offset by the increase in risk weighted assets caused due to the appreciation of the US dollar versus the euro and the general increase of the portfolio.

Culture of our organization

	2018	2017
Organizational metrics 2018		
• Client satisfaction (NPS score)	69.5	n/a
• Employee satisfaction	7.4	7.4
• Employees	533	492
• Nationalities	50	47
• Women in senior and middle management	39%	40%

¹ Includes changes in the fair value of loans under IFRS 9 (EUR 16.5 million)

All staff were involved in a process that yielded four values that underpin our culture: making the difference, diversity, quality and integrity. These values and the underpinning behaviors will provide a clear guide for FMO on how we make decisions and steer our strategy.

Our team grew and diversified further; with 50 nationalities, we are well on our way to reflect the markets we operate in. Employee satisfaction remained stable at 7.4; in 2019 we will strive for a solid 8.

In 2018 key projects were launched to further professionalize and digitalize our organization; optimizing business processes, improving information management and steering metrics will result in higher quality and more efficient processes.

Outlook 2019

Van Mierlo: “The new year holds an ambitious agenda for FMO. We will continue to invest in making FMO the preferred partner to invest in local prosperity. Partnerships are crucial and much needed to achieve the Sustainable Development Goals. We will further enlarge our mobilizing role and continue to deliver impact results and investment returns.”

For 2019 we have set the following targets:

Budgeted investments in entrepreneurs in emerging markets for 2019

- | | |
|---|---|
| • In green (renewable energy and other green transactions) | 32% of total new commitments
EUR 930 million |
| • In inequality (clients in Least Developed Countries and/or focused on smallholders, youth, women) | 27% of total new commitments
EUR 790 million |
| • Total investments | EUR 1,750 million |
| • Additional capital mobilized for projects/clients | EUR 960 million |
| • Invested on behalf of government funds | EUR 195 million |
| • Employee satisfaction | 8 |
| • Client satisfaction (NPS score) | 70 |
| • CET 1 ratio | 25-26% |

For more information, please see our full annual report (LINK).

-----END OF PRESS RELEASE-----



Entrepreneurial
Development
Bank

About FMO

FMO is the Dutch 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 more than 45-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 9.6 billion spanning over 85 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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