

> REPORT OF THE MANAGEMENT BOARD

FROM THE CHIEF EXECUTIVE OFFICER

The year 2010 was a very positive one for FMO. The quality of our portfolio improved and grew in most of our regions of activity. We made €1,026 million in new commitments in 2010, 48% of them in low-income countries. We more than doubled our net profit to €126 million, increased our ex ante development impact – our average Economic Development Impact Score rose to 67 – and enhanced our focus on sustainability.

FMO turned 40 in 2010 – an anniversary we celebrated with our clients, partners and employees. It was a perfect moment to reflect on how we have evolved and what we have achieved as a development bank since 1970. We continue to create opportunities for entrepreneurs, financing change by driving lasting social and economic progress in developing countries.

FMO has always believed in a thriving private sector as the engine of durable growth. Now, as experience is increasingly showing that profit and development are compatible, that belief is becoming more broadly accepted.

As governments cut budgets and seek more efficient ways to boost prosperity in developing countries, they are emphasizing economic self-sufficiency through employment and looking to the private sector. We are seeing a clear global shift from development aid to private sector investment. We strive to boost self-sufficiency in developing countries, by stimulating business there. The key yardstick is what our activity delivers on a local level.

The realization that sustainable business and development are fundamentally important is also becoming mainstream. After all, the world population will increase to nine billion people in 2050 from seven billion today. The

positive trend is that the number of people living in poverty is declining and that the poor of today will be able to consume more in the future. But our planet cannot cope effortlessly with such a change: we have to change the way we consume and produce, and move to more sustainable methods of production. FMO aims to support companies that have a positive direct or even indirect impact on the reduction of poverty and manage their impact on the environment responsibly.

And as governments fail to agree on global measures, it is business that is taking the lead. Large corporations are setting an example that will reverberate throughout the supply chain and will deliver the sustainable goods end-consumers increasingly demand.

Self-sufficiency, private sector involvement and sustainability are FMO's main themes.

Their move into the mainstream makes our experience and expertise ever more relevant. At the same time, we must ensure that we remain at the forefront of development finance.

The strategy we started implementing in 2009 – focusing on partners, selected sectors and sustainability – really began to bear fruit in 2010. Our greater sector knowledge and networks enabled us to be innovative and offer more added value to our clients. We made great strides in sustainability, actively helping clients comply with international environmental and social criteria as well as improving our own footprint.

As the entrepreneurial development bank, we continued to innovate last year – with initiatives such as offering interest rate incentives on loans to clients that implement environmental, social and governance monitoring systems. Our desire

to be a frontrunner in our field requires us to innovate constantly. As the fast-changing world catches up, we must work even harder to stay at the forefront.

Nanno Kleiterp
Chief Executive Officer