

PRESS RELEASE

Dutch FMO reaches USD 500 million milestone in issuing local currency bonds, backing drive for de-dollarization

The Hague, 2 October 2018 - Dutch Development bank FMO has issued USD 250 million of local currency (LCY) bonds this year, bringing the total volume since the start of this funding in 2016 to USD 500 million – a milestone in the development of a new market where FMO intends to drive further dynamic growth in the future.

By providing local currency loans funded by LCY bonds, FMO is able to protect more clients in emerging and frontier markets against volatile fluctuations in exchange rates vis-a-vis hard currencies like the US dollar. When a local currency strongly depreciates, borrowers with dollar-denominated loans often have no other option than to postpone necessary investments or default, with both outcomes harming the national economy.

During the FMO [Future of Finance conference](#) in Utrecht, stakeholders are discussing the need for future development of the LCY bond market, both onshore and offshore. Growing investor appetite for this debt paper is, in turn, generating larger issues of LCY bonds. The first deals in the market were around USD 5 million, and since then average deal size climbed to USD 18 million. At the same time, the number of investors per deal is also steadily increasing.

Linda Broekhuizen, Chief Investment Officer of FMO, said: *“Recent market developments show how vulnerable banks and companies in emerging countries are when their liabilities are in dollars. By issuing local currency bonds, we can tap local savings, or offshore investors. In both cases, this leads to a much needed de-dollarization of the local economy which creates more stability and stimulates economic growth and job creation.”*

FMO is also able to grant local currency loans by hedging the currency risk via Amsterdam-based TCX (The Currency Exchange Fund), which was founded for this purpose by FMO in 2007. By pooling non-correlated frontier and emerging market currencies, TCX has been very successful in managing these risks in challenging market circumstances. Since 2016, FMO and TCX have been closely cooperating in developing a market for LCY bonds, to fund a growing supply of local currency loans.

FMO's largest LCY bond issue to-date took place last August, with the placement of Lari-denominated bonds on the Georgian stock exchange. By raising 160 mln Georgian Lari (USD 65 million), FMO was able to provide local currency funding to the Bank of Georgia Group, backing the country's drive to 'de-dollarize' its economy.



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 9.2 billion spanning over 82 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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