

NON-RATING ACTION COMMENTARY

# FMO's Strong State Integration Is Sustained in Revised Agreement

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Fitch Ratings-Paris/Frankfurt am Main-21 April 2023: The Dutch state's amended keepwell agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO; AAA/Stable) is neutral to FMO's ratings, Fitch Ratings says.

The recently announced amendments to the keepwell agreement between the Dutch state and FMO will not weaken Fitch Ratings' present assessment of the linkage, and will sustain FMO's close proximity to the Netherlands' development policy, and its tight financial integration with the state. Based on this, neither the assessment of individual key rating factors (KRFs), nor the overall support score will be subjected to downward re-assessment due to the modernisation of the agreement, leading to continued ratings equalisation.

The re-phrased keepwell agreement is conceptually unchanged, validating the current KRF assessments. Nevertheless, the key amended clauses will be accounted for in the Support Track Record KRF, which is currently assessed at 'Very Strong'. Both indefinite term and termination remain unchanged, with retained requirement of 12 years' notice from either party.

The re-phrased financial security clause confirms the state will remain legally bound to enabling FMO to meet its financial obligations on time, notably by providing liquidity. The amended maintenance obligation continues to commit the state to safeguarding FMO's

solvency, formulating more precisely what maintenance entails and specifying timeliness of support, while explicitly outlining that state commitment comprises direct, unconditional and irrevocable payment obligation.

FMO's unique model will likely prevail, positioning it as a policy instrument for the Ministry of Development Cooperation, tasked with provision of financing for private companies and financial institutions abroad. To fund its operations, FMO on average raises EUR1 billion–EUR2 billion of debt a year on domestic and international markets, hence acting as a proxy funding vehicle for the Dutch government.

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