

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)

Update

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AAA
---------------	-----

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Financial Data

	31 Dec 17	31 Dec 16
Interest revenue (EURm)	284.6	282.4
Net operating income (EURm)	345.2	213.8
Loans (EURm)	4,139.4	4,526.7
Total debt (EURm)	5,227	5,220
Total assets (EURm)	8,322.9	8,552.8
Equity and reserves (EURm)	2,830	2,774
Interest rev. on loans/loans (%)	6.70	5.99
Net interest income/earning assets (%)	3.13	3.29
Impaired loans/total loans (%)	5.55	6.82
Liquid assets/total assets (%)	8.34	9.59
Loans/equity and reserves (%)	153.59	174.41

Key Rating Drivers

Public-Sector Entity: Fitch Ratings classifies FMO as a credit-linked entity under its *Government-Related Entities Rating Criteria*. Considering the key rating factors covering the strength of linkage and the incentive to support (discussed below), we believe that extraordinary support from the Dutch government would be forthcoming in case of need. FMO's ratings are aligned with those of the Netherlands due to the solvency and liquidity agreement formalised in 1998 between the state and FMO (the "keep-well agreement").

Status, Ownership and Control: This factor is assessed as Strong. The Dutch state owns 51% of FMO's shares. The remaining 49% is owned by large Dutch banks, Dutch institutions and private individuals. Fitch considers it highly unlikely that the state would give up its majority stake due to the terms of the keep-well agreement. The Ministry of Finance and the Ministry of Foreign Affairs jointly oversee FMO's activity and accounts.

Support Track Record and Expectations: This factor is assessed as Very Strong. The 1998 agreement has an indefinite term and its termination requires 12 years' notice from either party. Under Article 8 of the sovereign support agreement, the state is legally bound to enable FMO to meet its financial obligations on time, notably by providing liquidity. Article 7 of the agreement obliges the state in most circumstances to safeguard FMO's solvency.

Socio-Political Implications of Default: This factor is assessed as Strong. FMO is the operator of Dutch development aid policy towards developing countries. It is a policy instrument of the Ministry of Development Cooperation, providing financing for private companies and financial institutions (EUR4.1 billion of net loans outstanding at end-2017; EUR1.5 billion of equity investments). FMO also manages strategic development funds on behalf of the state; those funds totalled EUR1.2 billion at end-2017, and are accounted for as off-balance-sheet items.

Financial Implications of Default: This is assessed as Very Strong. Fitch believes a default of FMO would have a serious impact on availability financing for borrowers linked to the Dutch development policy and on the reputation of the Netherlands due to the keep-well agreement. FMO is a major Dutch public sector issuer, issuing EUR1 billion-EUR2 billion a year.

Resilient Profitability, Strong Capital: FMO's profitability has been solid and resilient over recent years. FMO benefits from low funding costs and high investment yields generated by business conducted in emerging countries, while executing thorough control over credit risk. In 2017, FMO recorded net income of EUR255 million, up from EUR176 million in 2016.

Non-performing loans decreased to 5.6% of FMO's total portfolio in 2017 from 7.5% in 2016. FMO's regulatory solvency remained strong at end-2017 (core Tier 1 capital ratio of 24.6%, from 23.9% in 2016), with the growth of the loan and equity investment portfolio offset by higher net profit and available-for-sale reserves. Its leverage is low, and the equity/assets ratio was strengthened to 34.0% in 2017 (32.4% in 2016).

Rating Sensitivities

Reliance on Sovereign: Negative rating action could result from: a downgrade of the sovereign rating; a weakening of the key rating factors discussed above; or a weakening of the agreement between the state and FMO, associated with a reduction in FMO's state ownership and control.

Related Research

[Netherlands \(November 2017\)](#)

Analysts

Christophe Parisot
+33 1 44 29 91 34
christophe.parisot@fitchratings.com

Nicolas Miloïkovitch
+33 1 44 29 91 89
nicolas.miloïkovitch@fitchratings.com

Appendix A

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)

(EUR 000)	2013	2014	2015	2016	2017
Profit and loss					
Interest revenue	196,778.0	206,592.0	272,708.0	282,401.0	284,622.0
Interest expenditure	-42,243.0	-37,193.0	-45,506.0	-65,861.0	-84,739.0
Net interest income	154,535.0	169,399.0	227,202.0	216,540.0	199,883.0
Net fees and commissions	29,835.0	31,951.0	33,357.0	34,709.0	35,383.0
Other operating income	50,735.0	76,784.0	48,355.0	57,046.0	192,511.0
Personal expenses	-46,824.0	-45,923.0	-59,642.0	-63,685.0	-71,559.0
Other operating expenses	-15,795.0	-15,801.0	-19,881.0	-21,997.0	-27,111.0
Net gains and losses on securities and trading	18,944.0	-17,833.0	11,044.0	-8,779.0	16,103.0
Net operating income/(loss)	191,430.0	198,577.0	240,435.0	213,834.0	345,210.0
Provisions	4,601.0	-36,566.0	-9,441.0	42,989.0	-15,068.0
Operating profit (loss) after provisions	196,031.0	162,011.0	230,994.0	256,823.0	330,142.0
Other non-operating revenues/expenses	-25,121.0	-12,639.0	-16,038.0	-37,749.0	-37,626.0
Contributions from state budgets	-1,934.0	-	-	-	-
Profit (loss) before tax	168,976.0	149,372.0	214,956.0	219,074.0	292,516.0
Taxation	-35,641.0	-24,996.0	-40,668.0	-42,969.0	-37,281.0
Net profit (loss)	133,335.0	124,376.0	174,288.0	176,105.0	255,235.0
Balance sheet					
Assets					
Cash and cash equivalents	29,042.0	33,743.0	76,966.0	58,178.0	71,763.0
Liquid securities	961,606.0	834,666.0	862,659.0	761,627.0	622,318.0
Deposits with banks	1,102,630.0	1,093,606.0	1,545,384.0	1,242,604.0	1,544,118.0
Loans	2,980,863.0	3,859,840.0	4,307,159.0	4,526,716.0	4,139,381.0
Other earning assets	-	-	724.0	1,901.0	274.0
Long-term investments	962,443.0	1,148,775.0	1,500,268.0	1,828,172.0	1,710,315.0
Fixed assets	7,468.0	7,468.0	7,626.0	9,168.0	12,866.0
Intangible	4,954.0	2,379.0	2,108.0	10,618.0	18,045.0
Other long-term assets	135,337.0	107,167.0	118,388.0	113,781.0	203,849.0
Total assets	6,184,343.0	7,087,644.0	8,421,282.0	8,552,765.0	8,322,929.0
Liabilities & equity					
Customer deposits	-	-	-	-	-
Deposits from banks	76,897.0	81,168.0	0.0	0.0	0.0
Short-term borrowing	-	125,000.0	76,015.0	39,464.0	125,935.0
Other short-term liabilities	-	-	-	-	-
Debt maturing after one year	3,609,796.0	4,196,998.0	5,347,614.0	5,180,977.0	5,101,288.0
Other funding	445,042.0	465,244.0	391,073.0	423,981.0	147,424.0
Other provisions and reserves	22,839.0	12,467.0	1,706.0	45,422.0	46,588.0
Other long-term liabilities	66,812.0	69,207.0	93,958.0	89,386.0	71,741.0
Equity	1,747,712.0	1,869,582.0	2,050,187.0	2,202,460.0	2,429,266.0
Reserves	215,245.0	267,978.0	460,729.0	571,075.0	400,687.0
Total liabilities & equity	6,184,343.0	7,087,644.0	8,421,282.0	8,552,765.0	8,322,929.0
Memo					
Guarantees and other contingent liabilities	1,514,618.0	1,721,581.0	1,943,096.0	1,881,289.0	1,853,288.0

Source: Issuer and Fitch calculations

Related Criteria

[Government-Related Entities Rating Criteria \(February 2018\)](#)

[Rating Criteria for Public-Sector, Revenue-Supported Debt \(February 2018\)](#)

Appendix B

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)

	2013	2014	2015	2016	2017
Ratios					
Performance					
Interest revenue on loans/loans (%)	6.16	5.03	6.13	5.99	6.70
Interest expense/borrowings and deposits (%)	1.02	0.76	0.78	1.17	1.58
Net interest income/earning assets (%)	3.05	2.91	3.34	3.29	3.13
Net operating income/net interest income and other oper. revenue (%)	81.42	71.40	77.83	69.36	80.70
Net operating income/equity and reserves (%)	9.75	9.29	9.58	7.71	12.20
Net operating income/total assets (%)	3.10	2.80	2.86	2.50	4.15
Credit					
Growth of total assets (%)	11.16	14.61	18.82	1.56	-2.69
Growth of loans (%)	4.50	28.26	10.78	3.50	-10.15
Impaired loans/total loans (%)	4.27	7.02	6.88	6.82	5.55
Reserves for impaired loans/impaired loans (%)	220.03	121.29	114.12	94.09	85.85
Loan impairment charges/loans (%)	-0.09	0.80	0.18	-0.79	0.42
Liquidity and funding					
Long-term debt/total equity and reserves (%)	183.90	196.35	212.97	186.80	180.26
Liquid assets/total assets (%)	16.02	12.25	11.16	9.59	8.34
Total deposits and debt/total assets (%)	66.81	68.69	69.05	66.00	64.58
Liquid assets/short-term deposits and borrowing (%)	-	694.73	1,236.10	2,077.35	551.14
Capitalisation					
Equity and reserves/total assets (%)	31.74	30.16	29.82	32.43	34.00
Net profit/total equity and reserves (%)	6.79	5.82	6.94	6.35	9.02
Loans/equity and reserves (%)	167.58	197.38	186.14	174.41	153.59
Regulatory capital adequacy ratio (%)	27.7	21.3	23.6	23.9	25.8

n.a.: Not Available

Source: Issuer and Fitch calculations

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.