

## FITCH ASSIGNS FMO 'AAA' RATING, OUTLOOK NEGATIVE

Fitch Ratings-Paris-04 December 2013: Fitch Ratings has assigned Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) Long-term local and foreign currency ratings of 'AAA' and a Short-term foreign currency rating of 'F1+'. The Outlook is Negative.

### KEY RATING DRIVERS

The ratings are aligned with those of the Netherlands (AAA/Negative/F1+) due to strong expected support from the State. The Negative Outlook reflects that of the sovereign. State support for FMO was formalised in a 1998 agreement between the entity and the government. The ratings also reflect tight state control and oversight as well as FMO's strategic importance for Dutch development aid policy. FMO is regulated as a bank. However, it is rated according to the agency's non-US public sector entities criteria.

As a development finance institution, FMO's main goal is to support sustainable private initiatives in emerging markets, in accordance with Dutch development aid policy. Its core business is to provide long-term financing (outstanding EUR2.9bn net loans at end-1H13; equity investments EUR973m) to private companies and financial institutions. In addition, FMO manages several strategic development funds on behalf of the Dutch government; these funds represented EUR658m at end-1H13. Through its mission, FMO helps promote the State's financial and political interests.

Under the sovereign support agreement's Article 8, the State is legally bound to enable FMO to meet its financial obligations on time, notably by providing liquidity. The duration of the agreement is indefinite and its termination requires 12 years of notice. Article 7 of the agreement provides State's obligation in most circumstances to safeguard FMO's solvency. The state's obligation is to FMO, not to third parties.

The Dutch State owns 51% of FMO's shares, through the Ministry of Finance. The remaining 49% is owned by large Dutch banks, Dutch institutions and private individuals. Fitch considers it is highly unlikely that the State would give up its majority stake, as the State guarantee can only be revoked with a 12-year notice period.

The Ministry of Finance and Ministry of Foreign Affairs and Cooperation Development oversee FMO's activity and accounts. The Ministry of Finance focuses on risk and financial results of FMO's policy while the Ministry of Foreign Affairs and Cooperation Development assesses its strategic development.

FMO's profitability has proven to be solid and resilient. It benefits from a healthy net interest margin owing to its low funding cost and the typically high yield generated by businesses conducted in emerging countries. In 1H13, net profit rose to EUR63m, yielding an annualised return on shareholders' equity of 6.9% which should be considered in the light of FMO's extensive equity base relative to total assets. Risk management is thoroughly performed.

FMO's regulatory solvency is strong (Core Tier 1 capital ratio of 25.6% at end-June 2013) and its leverage is particularly low (equity/assets of 32.6% at the same date). The implementation of the more stringent Basel III/CRD IV is not expected to have any material impact on its current strong capital ratios.

### RATING SENSITIVITIES

A negative rating action could result from a downgrade of the Netherlands' sovereign rating or an adverse change in FMO's ownership, as well as from adverse changes to the State's oversight and support of FMO.

Contact:

Primary Analyst  
Christophe Parisot  
Managing Director  
+ 33 1 44 29 91 34  
Fitch France S.A.S.  
60, rue de Monceau  
75008 Paris

Secondary Analyst  
David Lopes  
Associate Director  
+ 33 1 44 29 91 45

Tertiary Analyst  
Philippe Lamaud  
Director  
+ 33 1 44 29 91 26

Committee Chairperson  
Guilhem Costes  
Senior Director  
+ 34 93 323 8410

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: peter.fitzpatrick@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, "Tax Supported Rating Criteria" dated on August 2012 and "Ratings of Public-Sector Entities, Outside the United States" dated on March 2013 are available on [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015)

Ratings of Public Sector Entities (Outside the United States) – Effective Apr. 21, 2011 to Mar. 4, 2013

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=611486](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=611486)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '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.