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

Full Rating Report

Ratings

Foreign Currency

Long-Term	AAA
Short-Term	F1+

Local Currency

Long-Term	AAA

Outlooks

Long-Term Foreign Currency	Negative
Long Term Local Currency	Negative

Financial Data

FMO

	31 Dec 12	31 Dec 11
Total assets (EURm)	5,561	5,059
Total equity (EURm)	1,822	1,665
Total long-term debt (EURm)	3,291	2,678
Net income (EURm)	146	93
ROA (%)	2.75	1.99
ROE (%)	8.4	5.9
Tier one regulatory capital ratio	26.1	26.7
Impaired loans/gross loans	6.77	5.94
Loan impairment charges/average gross loans	1.7	2.2

Related Research

Netherlands (August 2013)

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Key Rating Drivers

Strong Government Support: The ratings are aligned with those of the Netherlands (AAA/Negative/F1+) because of strong expected support from the state. The Negative Outlook reflects that of the sovereign. State support for FMO was formalised in a 1998 agreement. 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 Fitch Ratings' non-US public sector entities criteria.

State Solvency Guarantee: 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 for the state's obligation in most circumstances to safeguard FMO's solvency. The state's obligation is to FMO, not to third parties.

State Majority Ownership: 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.

Thorough State Oversight: 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.

Strategic Importance: 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.

Strong Financial Profile: FMO's profitability has been solid and resilient. It benefits from a healthy net interest margin because of its low funding costs 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.

Solid Capital Ratios: 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

Reliance on Sovereign: 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.

Company Profile

FMO (*Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.*) is a Dutch bilateral developmental financial institution, providing financing for private companies in developing countries, and primarily in the 55 poorest countries in the world. FMO finances companies, projects and financial institutions through long-term loans and equity investments in those countries, in line with the Dutch government's policy goals on development co-operation. FMO also provides guarantees for third-party investments in developing economies and plays an active role in trade financing and syndicated loans.

FMO was founded in 1970 by the Dutch government, private sector, employers and trade unions as a joint-stock company under the Law of May 1, 1970 with the goal of empowering entrepreneurs in emerging economies. FMO specializes in sectors where contribution can have the highest long-term impact such as financial institutions, energy and agribusiness, food and water. In addition to activities for its own account, FMO acts as an asset manager for several government funds. The risks of these investments are borne by the government funds and therefore do not weigh on FMO's solvency. An exception to these funds is Fonds Opkomende Markten (FOM), which is on average 85% guaranteed by the Dutch state.

Public Sector Entity Support Factors

Legal Status

Fitch considers FMO's legal status is moderately supportive of its credit quality. FMO is a limited liability company with a development bank status, based in The Hague. The Dutch government deliberately created FMO as a private-law company instead of an agency to be more effective in private sector development.

The Dutch state through the Dutch Ministry of Finance has owned 51% of FMO's shares since 1977, in the form of A-shares, which may only be issued to and placed with the Dutch state. The remaining 49% is owned by Dutch banks and Dutch institutions – mainly ABN AMRO, Rabobank and ING - and individual investors in the form of B-shares. Fitch considers it is highly unlikely that the Dutch state would give up its majority stake, given that the state guarantee can only be revoked with a 12-year notice period.

The Dutch state intends to retain its existing majority shareholding in FMO's share capital for as long as it considers that the functioning of FMO in the context of Dutch government policy on development co-operation would be substantially impaired without that majority shareholding.

Strong Control and Oversight by the Dutch State

Fitch considers the control and oversight by the state as highly supportive of FMO's credit quality. Within the mandates assigned to FMO by the 16 November 1998 agreement, FMO has substantial independence to operate although it periodically consults the state on important strategic decisions. In case it becomes likely that FMO will need financial support from the Dutch state, the Dutch state can give 'reasonable instructions' according to article 10 of the Agreement to the management board, under exceptional circumstances.

The Dutch state has a majority in the general assembly of shareholders. All decisions in the general assembly of shareholders need a simple majority except motions to amend the articles of association and dissolve the company and resolutions for a legal merger or divestiture.

The Ministry of Finance and Ministry of Foreign Affairs and Cooperation Development exercise a supervisory role on FMO, on behalf of the Dutch government through different mechanisms. The Ministry of Finance supervises FMO's financial position and strategy on a quarterly basis through a report by FMO's Chief Risk and Finance Officer. The Ministry of Development Co-operation assesses the alignment of FMO's activities with its general development co-operation

Related Criteria

Rating of Public Sector Entities (March 2013)
Tax-Supported Rating Criteria (August 2012)

policy on an annual basis. Within one month of the end of each quarter, FMO has to provide the Minister of Finance and the Minister of Foreign Affairs and Development Co-operation with a summary for the calendar year including the current quarter on the balance sheet at the end of that quarter and the profit and loss account compared with the budget.

The state and FMO have to meet at least twice each year to enable policy consultation to take place between the Minister of Finance and the Minister for Development Co-operation on the one hand and FMO on the other hand, and to discuss whether FMO activities have been performed in accordance with its activity criteria. Any change in the regulatory framework may be made with the consent of both the state and FMO.

The state also intervenes in FMO’s management and operations as, notably, the state needs to be consulted for exceptional investments higher than 30% of FMO’s capital and FMO’s remuneration policy is subject to a non-binding proposal from the Ministry of Finance.

Although it is not required for the conduct of its business, FMO has voluntarily applied for a Dutch banking licence. It is supervised by the Dutch regulator (De Nederlandse Bank, DNB – the Dutch central bank) and has to abide by banking regulations. FMO is subject to the formal supervision of DNB, and complies with the internationally accepted standards of the BIS (Bank for International Settlements) and other banking requirements. This banking status provides FMO with access to central bank refinancing operations, if it were needed. FMO does report its debt repayment schedule as part of the general ICAAP (Internal Capital Adequacy Assessment Process) report, which is monitored by DNB.

FMO has a two-tier board structure, with a management board and a supervisory board. The management board develops and implements FMO's strategy and is responsible for ensuring that the company complies with relevant legislation and regulations. It comprises three statutory directors: the chief executive officer (CEO), the chief investment officer (CIO) and the chief risk and finance officer (CRFO). The supervisory board appoints the members of the management board and supervises its activities. It advises the management board on the management and strategic development of the company. The supervisory board consists of six members with specific expertise in FMO's primary areas of business. These members are appointed by the annual meeting of shareholders.

Integration With Dutch State

Fitch considers FMO’s integration in the general government accounts as moderately supportive of its credit quality. FMO does not receive state subsidies and FMO’s debt is not consolidated in the general government debt. However, at 1H13, the state has entrusted EUR815m to FMO to manage designated funds. FMO receives fees from the state to manage these funds. This underlines the importance of FMO to the state for the realisation of its development co-operation objectives.

As per the 1998 agreement and FMO’s statuses (“Articles of the Association”) FMO also pays dividends to the state although the amounts are generally minimal as FMO allocates most of its net profit to its legal reserves. FMO's dividend pay-out ratio stands generally at a maximum of 5% of net profit of which 51% is paid out to the Dutch state. There have been discussions with the state with regard to a potential increase of the dividend pay-out ratio to the state but this requires an amendment of the articles of association. Until now there have been no initiatives to implement this amendment.

The Dutch central bank has allowed a 0% risk weighting to all the financial instruments and loans to FMO specified in Article 8 of the 1998 agreement.

Strategic Importance for the State

FMO has a high strategic importance for the state, which Fitch considers highly supportive of its credit quality. FMO implements one of the state's core responsibilities; it is a policy instrument of the Ministry of Development Co-operation and therefore qualifies as a strategically important activity. FMO manages several government funds off-balance sheet, at the state's risk. These funds consisted at end-1H13 of loans and equity investments totalling EUR658m, and accounted for about 11% of FMO's balance sheet. The assignment of FMO to manage these funds illustrates the instrumental role FMO plays in the development co-operation strategy of the Dutch state.

The majority of FMO's financing operations are deals where commercial banks are reluctant to participate. Regular commercial banks without a state guarantee would face difficulties in obtaining funding for the activities FMO is currently involved in. In the run up to Basel III it would also be a huge strain on the capital of a commercial bank. One of the goals of FMO is to involve commercial banks in its deals to improve the development of the financial system in a developing country.

Through its activity, FMO contributes to the Dutch state interests, inter alia, knowledge-sharing through partnerships with relevant Dutch universities, providing finance to or for the benefit of Dutch companies, fund management for Dutch institutional investors who often lack the scale and experience to invest directly in emerging markets - FMO offers a diversified portfolio that smaller investors would be unable to build themselves - and matchmaking between clients and with parties in the Netherlands.

Ability and Willingness of Sponsor to Provide Extraordinary Support

Fitch considers the ability and willingness of the state to extend extraordinary support to FMO as very high and it is an important factor in its credit quality. The relationship between the state and FMO is set out in a formal agreement first signed in 1991 and amended in 1998. The agreement has an indefinite term and its termination requires 12 years' notice from either party. According to Article 8 of the 1998 agreement, "The state shall prevent situations arising in which FMO is unable to meet its financial commitments on time."

The article comprehensively lists the types of obligations covered by this undertaking. This obligation exists solely between the state and FMO. In the exceptional case that the Dutch state has suspended its obligations, a third party cannot take legal actions to force the Dutch state directly to honour its payment obligations. However, Fitch considers the state support is to FMO and the pledge from the state effectively ensures FMO's obligations are strongly backed up by the Netherlands credit standing.

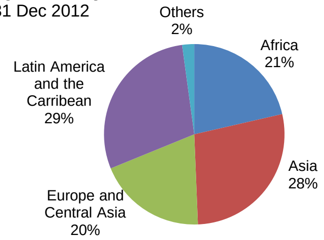
Under Article 7 of the 1998 agreement, the state has a "maintenance obligation" towards FMO, which, unlike the guarantee on the company's financial obligations, can be suspended. Under this obligation, the state is committed to covering all FMO's losses from unforeseen and non-provisioned operational risks that cannot be covered by the general reserve risk fund.

If FMO's financial situation were to deteriorate to the extent that it could be expected to invoke the state's obligations, the Ministry of Finance would be entitled to direct the company's financial and economic policies. Under such a scenario, FMO's failure to comply with the minister's directions could result in the suspension of the maintenance obligation, but the track record of smooth and tight co-operation between the state and FMO is strong and therefore we consider that such suspension is unlikely. If FMO were liquidated, its capital reserves would revert to a state obligation after settlement of the contractual return to shareholders.

State support for FMO is demonstrated by the funding the company has received in the past. During 1991-2005, FMO received annual average capital contributions of over EUR45m from

Figure 1

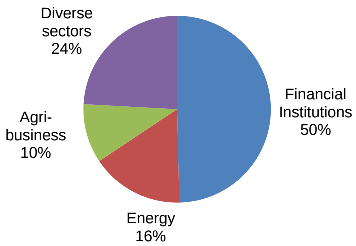
FMO Gross Loans Exposure - by Country
31 Dec 2012



Source: FMO, Fitch

Figure 2

FMO Gross Loans Exposure - by Sector
31 Dec 2012



Source: FMO, Fitch

the state, which are registered in its equity. Given that FMO now has a strong capital base we consider that the state's capital contributions are expected to be more limited in the medium term. However, the Dutch state is committed in principle to future capital contributions if an expansion of FMO's loan portfolio requires it.

FMO does not have access to state treasury lines. Beyond the liquidity support mentioned in the 1998 Agreement, FMO does not have access to additional state liquidity support mechanisms. However, the liquidity support embodied in the 1998 Agreement binds the state to prevent situations in which FMO is unable to meet commitments on time in relation to loans raised in the capital markets, short-term funds raised in the money market, derivatives and guarantees given by FMO to third parties.

Fitch considers FMO's debt is moderate in comparison with the central government's debt (representing just 1% of the latter) and in comparison with Dutch GDP (0.4% of the latter), hence ensuring the state is well able to provide support. The state commitment on FMO is recorded by the Netherlands as its contingent liabilities.

Other parties and in particular other tiers of government beyond the Ministry of Finance and Foreign Affairs and Cooperation Development are unlikely to interfere in the relation between the Dutch state and FMO. Given that almost every member of the EU provides a state guarantee to its own development bank, it is unlikely that FMO's government support would be challenged by other EU members in the context of state aid rules, all the more so as most of FMO's borrowers are located in non-EU countries.

Overall Assessment

In view of the above factors, Fitch has classified FMO as a dependent public sector entity (PSE) under its rating of public sector entities criteria. This is attributable to the entity's strong strategic importance, state's shareholding, and, to a lesser extent to the control and integration with the state. The ratings of FMO are equalised with Netherlands' ratings and are credit linked.

Operational Profile

FMO's main activity consists of providing loans, mostly with a term of less than five years, guarantees and equity capital to the private sector in developing countries. A minor part of the investment financing is guaranteed by the Dutch state under the Faciliteit Opkomende Markten (FOM), in which FMO participates as a 5% to 20% risk partner.

Apart from the financing it provides from its own resources, FMO offers loans, guarantees and equity finance from special government funds. The funds consist of subsidies provided under the General Administrative Law Act regarding the Infrastructure Development Fund, MASSIF, Access to Energy Fund and FOM OS. The latter was started during 2012. FMO incurs a risk in MASSIF as it has an equity share of 2.55%. For the remaining interest in MASSIF, and the full risk in the other government funds, FMO has a contractual right and obligation to settle the results of the funds' activities with the state. The economic risks related to these funds are predominantly taken by the state.

New financing commitments increased in 2012 and in the first half of 2013, rising by 6.4% to EUR1.4bn following a 27% increase in 2011, commensurate with pre-crisis levels. At end-1H13, new financing commitments equalled the entire production level for 2012.

Projects in Africa account for the largest share of new contracts at about one-third as of year-end 2012. New commitments are evenly split between Asia, Latin America and the Caribbean, and Eastern Europe. In terms of loan portfolio stock, Latin America and the Caribbean account for the largest share (29% of total loan portfolio), followed by Asia (27.9%), Africa (21.4%) and Eastern Europe. In sectors, financial institutions account for the largest share at 42% of new commitments, followed by energy – notably renewable energies, and excluding oil exploration - (26%). Currently, 43% of FMO's committed portfolio consists of investments made in low-income countries and 39% in lower-middle-income countries. FMO's recent rapid loan growth is mostly explained by commercial banks pulling back from emerging markets, particularly for longer term loans, allowing FMO to capture new businesses and to emphasize its relevance to counter-cyclical development.

Together with its financial partners including German and French development financial institutions DEG and Proparco, International Finance Corporation, and others, FMO finances projects outside its main strategic focus sectors. These are aggregated as "Diverse Sectors", and accounted for 20% of the total committed portfolio at year-end 2012. FMO encourages private investors to engage in developing markets through syndicated loans and various risk-sharing agreements.

FMO's equity portfolio grew by 15% to EUR914m in 2012. This was mainly driven by new investments of EUR190m (equity investments and associates), while FMO realized a number of successful exits in 2012, with gross proceeds amounting to EUR131m, of which EUR72m was recognized in the income statement.

Although risk aversion of market participants can benefit FMO, a key challenge is the still volatile demand for FMO's products, especially considering the higher short-term liquidity levels prevalent in low-income countries. FMO's equity portfolio and hence, balance sheet is vulnerable to exchange-rate movements (other operations are effectively hedged against exchange-rate fluctuations): FMO's committed portfolio is mostly denominated in US dollars (about 73%), followed by euros (16%), and other currencies (11%), as per June 2013. FMO does not take active positions in any currency, except for a share of the equity portfolio where the exposure in local currency remains open.

FMO's overall investment decisions must adhere to the principles stated in the Criteria Memorandum, which is an appendix to the 1998 agreement. In addition to promoting economic development in emerging economies, environmental and social factors are key for FMO when it considers investment projects. In addition to these investment criteria, FMO's management has established exposure limits by country, client, sector, and guarantor, to diversify risk.

Strategy

The new strategy defined for 2013-2016 is a consistent continuation of the strategy FMO has implemented so far. It confirms FMO's ambitions to substantially increase its development impact and loan portfolio, in the financial institutions, energy and agribusiness, food and water focus sectors, which are integral to economic development of the poorest countries. Additional components of the strategy include fund management and syndicated loans. FMO's new strategy also entails it tightening its link to the Netherlands by partnering with Dutch companies and making use of the growing network of similarly oriented organizations within the Dutch market. In the coming years, FMO will invest at least 70% in low and lower-middle income countries, and at least 35% in the 55 poorest countries through own financing.

Financial Profile

Performance

FMO's profitability has been 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 compared with total assets.

This wide net interest margin more than comfortably absorbs high impairment charges (relative to the loan book), as could be expected given the volatile environment it operates in. Next to the net interest income, FMO's income mix also encompasses capital gains realised on the disposals of its securities portfolio (the largest part being stake in mutual funds) and commissions (management fees on funds managed by FMO on behalf of the Dutch state). The cost base is thin as FMO's operations are not 'labour-intensive' and do not require a large network.

Secured Risk Management

Risks appear prudently managed and Fitch considers FMO's risk appetite to be modest. The vast majority of FMO's equity investments and lending is to financial institutions; this significant sector concentration is mitigated by borrower and geographical diversification. Impaired loans represented 5.4% of total customer loans at end-June 2013, a moderate percentage considering FMO operates in volatile operating environments. These impaired loans were only 60.5% covered by specific reserves at the same, but the coverage soars to close to 200% when including collective reserves.

Loan write-offs were marginal in 2012, accounting for just 0.5% of gross portfolio. In the case of loan restructurings, which typically affect between 3% and 4% of loans, FMO normally charges a restructuring fee and increases the rate it charges to clients. FMO has set prudent limits to manage foreign currency risk; FMO intends to fund foreign-currency assets with liabilities in the same currency and residual gaps are closed using derivatives.

The only risk FMO is actively pursuing relates to credit risk stemming from debt and equity instruments and institutions in developing countries. This credit risk profile is supported by holding prudent levels of capital and liquidity and through diversification over sectors and regions. Risk management policies are supported by a governance structure that ensures application of a solid four-eye principle and proper involvement of the Investment Committee (IC) for credit risk and an Asset and Liability Management Committee (ALCO) for market risk. Concentration risk of FMO's investments is mitigated by stringent limits on individual counterparties (single client and economic group limits), countries (from 8% to 20% of FMO's Capital, dependent on country rating) and sectors (50% of country limit).

Strong Capitalization , Good Access to Funding Markets

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.

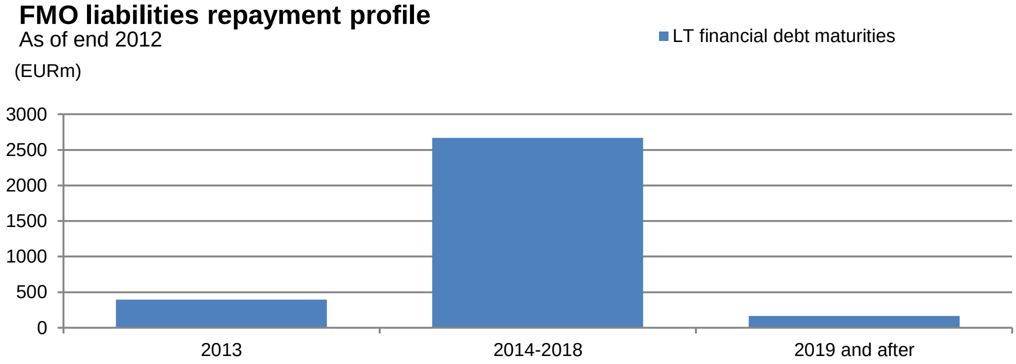
FMO does not take customer deposits and virtually all its funding is sourced on capital markets. The risk associated with FMO's high reliance on a confidence-sensitive funding source is mitigated by a prudent liquidity management (notably through a close monitoring of assets and liabilities maturity mismatches and running a prudent liquidity buffer to withstand a temporary closure of capital markets).

Given its special status, ownership and mission, Fitch does not believe that FMO, albeit licenced as a bank, would be submitted to the upcoming Bank Recovery and Resolution Directive (BRRD) in the same way as any other European privately-owned and commercial bank. The Dutch state's contractual commitment to provide support to FMO if ever required would potentially conflict with any legal limitation imposed by BRRD. FMO's current capital provides a significant buffer to absorb losses and any bail-in before senior creditors could be affected.

The growth of FMO's total assets is mostly financed by long-term funding in the domestic and international financial markets, to which the company has good access through its Debt Issuance programme, with a limit of EUR4bn. In 2012, short-term funding was replaced by long-term funding. In 2012 FMO raised almost EUR1bn, from EUR0.5bn in 2011, from diverse markets and currencies. Tenors vary from two to 10 years. In 2012, FMO successfully issued a benchmark bond of USD0.5bn, three-year floating rate notes, which resulted in an increase of long-term debt to EUR3.3bn in 2012 from EUR2.7bn in 2011.

Figure 3

FMO liabilities repayment profile
As of end 2012



Source: Fitch, FMO

FMO's liquidity position is well within its limits and even under various stress scenarios the liquidity position remains within limits. Internal liquidity risk guidelines require FMO to hold liquidity sufficient to cover at least six months of payment obligations. If committed bank lines and possible repos are included, FMO currently holds liquid resources sufficient to cover about seven months of its debt payment obligations. FMO has a EUR1.5bn euro commercial paper programme in place, although to date it has not used. More than 90% of the interest-bearing securities that FMO holds on its balance sheet (about EUR730m as of year-end 2012) are eligible for sale and repurchase agreements (repos) at the ECB.

Appendix A Income Statement – Consolidated

Figure 4

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

(EUR000)	31 Dec 12	31 Dec 11	31 Dec 10	31 Dec 09	31 Dec 08
Income statement					
Interest income on loans	205,975.0	173,491.0	159,556.0	151,287.0	140,407.0
Other interest income	21,001.0	21,210.0	21,142.0	25,678.0	34,318.0
Dividend income	17,207.0	13,643.0	15,166.0	10,642.0	8,255.0
Gross interest and dividend income	244,183.0	208,344.0	195,864.0	187,607.0	182,980.0
Interest expense on customer deposits	0.0	0.0	0.0	0.0	0.0
Other interest expense	73,152.0	47,733.0	47,598.0	68,133.0	68,563.0
Total interest expense	73,152.0	47,733.0	47,598.0	68,133.0	68,563.0
Net interest income	171,031.0	160,611.0	148,266.0	119,474.0	114,417.0
Net gains (losses) on trading and derivatives	-4,195.0	12,069.0	9,600.0	5,935.0	1,953.0
Net gains (losses) on other securities	79,088.0	32,193.0	34,981.0	12,437.0	64,992.0
Net fees and commissions	26,287.0	24,918.0	25,841.0	26,623.0	27,867.0
Other operating income	1,961.0	8,121.0	8,695.0	5,946.0	1,456.0
Total non-interest operating income	103,141.0	77,301.0	79,117.0	50,941.0	96,268.0
Personnel expenses	43,249.0	39,074.0	37,243.0	36,726.0	40,629.0
Other operating expenses	15,915.0	12,424.0	14,753.0	19,403.0	16,001.0
Total non-interest expenses	59,164.0	51,498.0	51,996.0	56,129.0	56,630.0
Pre-impairment operating profit	215,008.0	186,414.0	175,387.0	114,286.0	154,055.0
Loan impairment charge	29,123.0	36,901.0	8,709.0	49,654.0	90,344.0
Securities and other credit impairment charges	-6,257.0	-13,791.0	9,784.0	-3,619.0	6,018.0
Operating profit	192,142.0	163,304.0	156,894.0	68,251.0	57,693.0
Equity-accounted profit/loss	-18,764.0	-45,551.0	-5,523.0	-6,971.0	-20,269.0
Pre-tax profit	173,378.0	117,753.0	151,371.0	61,280.0	37,424.0
Tax expense	27,386.0	24,362.0	25,150.0	1,332.0	-10,695.0
Profit/loss from discontinued operations	0.0	0.0	0.0	0.0	0.0
Net income	145,992.0	93,391.0	126,221.0	59,948.0	48,119.0
Change in value of AFS investments	20,952.0	59,349.0	65,202.0	35,722.0	2,309.0
Revaluation of fixed assets	0.0	0.0	0.0	0.0	0.0
Currency translation differences	-3,265.0	1,209.0	1,743.0	3,791.0	300.0
Remaining OCI gains/(losses)	-4,144.0	-1,245.0	-793.0	-4,549.0	-2,048.0
Fitch comprehensive income	159,535.0	152,704.0	192,373.0	94,912.0	48,680.0
Profit allocation to non-controlling interests	73.0	289.0	166.0	-231.0	0.0
Net income after allocation to non-controlling interests	145,919.0	93,102.0	126,055.0	60,179.0	48,119.0
Common dividends relating to the period	6,724	2,142	1,864	1,523	1,206

Source: FMO, Fitch

Appendix B Balance Sheet – Consolidated

Figure 5

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

(EUR000)	31 Dec 12	31 Dec 11	31 Dec 10	31 Dec 09	31 Dec 08
Assets					
A. Loans					
Real estate related loans	0.0	213,308.0	185,187.0	160,985.0	96,236.0
Corporate & commercial loans	432,684.0	341,462.0	284,307.0	232,479.0	202,440.0
Loans and advances to banks	1,421,497.0	1,164,891.0	932,725.0	815,581.0	733,296.0
Less: Reserves for impaired loans	331,401.0	322,821.0	302,627.0	289,758.0	255,542.0
Net loans	1,395,006.0	1,419,771.0	1,336,280.0	1,126,278.0	1,029,350.0
Gross loans	1,726,407.0	1,742,592.0	1,638,907.0	1,416,036.0	1,284,892.0
NPL included above	116,808.0	103,489.0	64,874.0	270,690.0	263,205.0
B. Other earning assets					
Reverse repos and cash collateral					
Trading securities and at FV through income	642,518.0	483,037.0	333,175.0	339,497.0	450,177.0
Derivatives	315,803.0	349,812.0	316,979.0	173,035.0	210,178.0
Available for sale securities	1,620,346.0	1,424,944.0	1,201,512.0	1,118,799.0	980,731.0
Held to maturity securities					
At-equity investments in associates	23,156.0	42,073.0	50,385.0	41,577.0	45,497.0
Other securities					
Total securities	2,601,823.0	2,299,866.0	1,902,051.0	1,672,908.0	1,686,583.0
Government securities included above	734,423.0	408,585.0	99,314.0	220,887.0	150,000.0
Total earning assets	5,418,326.0	4,884,528.0	4,171,056.0	3,614,767.0	3,449,229.0
C. Non-earning assets					
Cash and due from banks	22,507.0	42,114.0	18,698.0	19,445.0	20,811.0
Mandatory reserves included above	2,460.0	3,205.0	3,954.0	7,474.0	16,557.0
Fixed assets	11,685.0	9,383.0	8,492.0	5,035.0	6,966.0
Current Tax assets		4,560.0	8.0	22,285.0	38,749.0
Deferred Tax assets	3,393.0	3,682.0	4,197.0	4,475.0	50,546.0
Other assets	105,419.0	115,012.0	102,611.0	106,364.0	87,736.0
Total assets	5,561,330.0	5,059,279.0	4,305,062.0	3,772,371.0	3,654,037.0
Liabilities and equity					
D. Interest-bearing liabilities					
Banks and short term credits	268,217.0	557,660.0	278,590.0	147,930.0	1,015,605.0
Total long term funding	3,291,650.0	2,678,540.0	2,365,267.0	2,180,491.0	1,295,174.0
Derivatives	89,560.0	66,038.0	44,431.0	30,995.0	26,611.0
Trading liabilities					
Total funding	3,649,427.0	3,302,238.0	2,688,288.0	2,359,416.0	2,337,390.0

Source: FMO, Fitch

Balance Sheet (Cont.)

(EUR000)	31 Dec 12	31 Dec 11	31 Dec 10	31 Dec 09	31 Dec 08
E. Non-interest bearing liabilities					
Reserves for pensions and other	15,051.0	16,193.0	17,087.0	18,665.0	24,150.0
Current tax liabilities	515.0				
Deferred tax liabilities	8,645.0	4,501.0	3,256.0	2,463.0	235.0
Other liabilities	65,372.0	71,757.0	82,639.0	64,611.0	63,641.0
Total liabilities	3,739,010.0	3,394,689.0	2,791,270.0	2,445,155.0	2,425,416.0
F. Equity					
Common equity	1,628,241.0	1,484,464.0	1,393,226.0	1,268,694.0	1,209,721.0
Non-controlling interest	831.0	421.0	174.0	4,282.0	
Securities revaluation reserves	193,009.0	176,201.0	118,097.0	53,688.0	22,139.0
Foreign exchange revaluation reserves	239.0	3,504.0	2,295.0	552.0	-3,239.0
Fixed asset revaluations and other accumulated OCI	0	0	0	0	0
Total equity	1,822,320.0	1,664,590.0	1,513,792.0	1,327,216.0	1,228,621.0
Total liabilities and equity	5,561,330.0	5,059,279.0	4,305,062.0	3,772,371.0	3,654,037.0
Fitch core capital	1,822,320.0	1,664,590.0	1,512,851.0	1,325,204.0	1,178,310.0
Fitch eligible capital					

Source: Fitch, FMO

Appendix C Summary Analytics – Consolidated

Figure 6

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

	31 Dec 12	31 Dec 11	31 Dec 10	31 Dec 09	31 Dec 08
Profitability ratios					
A. Interest ratios					
Interest income on loans/average gross loans	11.88	10.26	10.45	11.20	n.a.
Interest expense on customer deposits/average customer deposits					
Interest income/average earning assets	4.74	4.60	5.03	5.31	n.a
Interest expense/average interest-bearing liabilities	2.10	1.59	1.89	2.90	n.a
Net Interest income/average earning assets	3.32	3.55	3.81	3.38	n.a
Net int. income less loan impairment charges/av. earning assets	2.75	2.73	3.58	1.98	n.a
Net interest income less preferred stock dividend/average earning assets	3.32	3.55	3.81	3.38	n.a
B. Other operating profitability ratios					
Non-interest income/gross revenues	37.62	32.49	34.79	29.89	45.69
Non-interest expense/gross revenues	21.58	21.65	22.87	32.94	26.88
Non-interest expense/average assets	1.11	1.10	1.29	1.51	n.a
Pre-impairment op. profit/average equity	12.33	11.73	12.35	8.94	n.a
Pre-impairment op. profit/average total assets	4.05	3.98	4.34	3.08	n.a
Loans and securities impairment charges/pre-impairment op. profit	10.63	12.40	10.54	40.28	62.55
Operating profit/average equity	11.02	10.28	11.04	5.34	n.a
Operating profit/average total assets	3.62	3.49	3.88	1.84	
Taxes/pre-tax profit	15.80	20.69	16.61	2.17	-28.58
Pre-impairment operating profit/risk weighted assets	3.53	3.40	3.49	2.64	3.95
Operating profit/risk weighted assets	3.15	2.98	3.12	1.58	1.48
C. Other profitability ratios					
Net income/average total equity	8.37	5.88	8.89	4.69	n.a
Net income/average total assets	2.75	1.99	3.13	1.61	n.a
Fitch comprehensive income/average total equity	9.15	9.61	13.54	7.43	n.a
Fitch comprehensive income/average total assets	3.00	3.26	4.76	2.56	n.a
Net income/av. total assets plus av. managed securitized assets					
Net income/risk weighted assets	2.40	1.70	2.51	1.38	1.23
Fitch comprehensive income/ risk weighted assets	2.62	2.78	3.82	2.19	1.25
D. Capitalization					
Fitch core capital/weighted risks	29.91	30.35	30.07	30.61	30.19
Fitch eligible capital/weighted risks					
Tangible common equity/tangible assets	32.77	32.90	35.15	35.15	32.70
Tier 1 regulatory capital ratio	26.10	26.70	27.30	29.00	28.90
Total regulatory capital ratio	29.00	29.40	29.00	29.70	29.60
Core tier 1 regulatory capital ratio					
Equity/total assets	32.77	32.90	35.16	35.18	33.62
Cash dividends paid & declared/net income	4.6	2.3	1.5	2.5	2.5
Cash dividend paid & declared/Fitch comprehensive income	4.2	1.4	0.97	1.6	2.5
share repurchase/net income	0.0	0.0	0.0	0.0	0.0
Net income - cash dividends/total equity	7.6	5.5	8.2	4.4	3.8

Source: FMO, Fitch

Summary Analytics (%) (Cont.)

	31 Dec 12	31 Dec 11	31 Dec 10	31 Dec 09	31 Dec 08
E. Loan quality					
Growth of total assets	9.92	17.52	14.12	3.24	n.a
Growth of gross loans	-.93	6.33	15.74	10.21	n.a
NPL/ gross loans	6.77	5.94	3.96	19.12	20.48
Reserves for impaired loans/gross loans	19.20	18.53	18.47	20.46	19.89
Reserves for impaired loans/impaired loans	283.71	311.94	466.48	107.04	97.09
Impaired loans less reserves for impaired loans/equity	-11.78	-13.18	-15.71	-1.44	.62
Loan impairment charges/average gross loans	1.68	2.18	.57	3.68	n.a
Net charge-offs/average gross loans	.98	1.12	1.10	1.04	n.a
Impaired loans + foreclosed assets/gross loans + foreclosed assets	6.77	5.94	3.96	19.12	20.48
F. Funding					
Interbank assets/interbank liabilities	5,118.45	446.69	1,977.83	2,330.23	80.09

n.a. not available
Source: Fitch, FMO

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.