



AAA_u*
stable

Rating Committee: 09/05/2018

Strengths/Opportunities:

- Governmental support in case of financial distress, due to guarantees of the Dutch state from the agreement in 1998
- High strategic importance for Dutch development aid policy
- Strong long-term earnings position as well as strong sustained capital position
- Know-how, long-term experience in financing clients in developing countries and networks for additional information of markets, regions etc.

Weaknesses/Threats:

- Loan portfolio consists mainly of non-investment grade loans
- Several volatile income components
- Challenging market environment in developing countries
- Latent reputational risks due to projects with negative social or environmental impact

Financial data:

(EUR thousand)	2017	2016
Gross profit	253,644	217,702
Operating result	292,516	219,074
Net Income	255,235	176,105
Total assets	8,322,929	8,552,765
CET1 ratio	24.6 %	22.7 %
Total capital ratio	25.8 %	23.9 %

Analysts:

Marc Pähler
+ 49 221 912 897 263
m.paehler@gbb-rating.eu

Philipp Krohs
+ 49 221 912 897 257
p.krohs@gbb-rating.eu

Nederlandse Financierings- Maatschappij voor Ontwikke- lingslanden N.V. (FMO)

Rating result

Based on the information available at the date of the rating, GBB-Rating affirms the unsolicited rating* of AAA_u to Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereinafter also referred to as "FMO" or "bank"). The outlook is stable.

FMO's financial profile remains strong; the long-term earnings position has slightly declined, whereas relevant key figures from the profit and loss account have grown. Adjusted gross profit rose by 48 %, particularly due to results from equity investments and financial transactions as well as dividend income overcompensating lower net interest income. Due to higher staff expenses as well as increased other administrative expenses, administration costs rose by 15 %. Additionally, net expenses for value adjustments and impairments increased from EUR 1,007 m to EUR 61,987 m, resulting from substantial additions to value adjustments on loans in 2017 instead of considerable reversals in 2016. In total, the sharp rise of adjusted gross profit overcompensated the higher administrative costs as well as increased impairments and value adjustments. This led to an improvement of the operating result after impairments and value adjustments of 34 %. Earnings position ratios according to GBB-Rating's calculation method deteriorated slightly. One of the main drivers was the sharp increase of impairments and value adjustments.

The sustained capital position remained on a strong level. With a CET1 and a Tier 1 ratio of 24.6 % (22.7 % in 2016) as well as a Total capital ratio of 25.8 % (23.9 % in 2016), the bank further improved its capital position and fulfills the regulatory requirements. FMO's regulatory total capital requirements consist of the total SREP capital ratio of 14.3 % as minimum requirements, the combined buffer requirement of 1.875 % (in 2018) and the Pillar 2 Guidance of one additional percentage point. The improved ratios result mainly from lower risk weighted assets due to the weaker US dollar. The increase of CET1 capital also improved capital ratios.

FMO, as the Dutch development bank, has a sound and sustainable strategy. Its main business is to provide financing to companies and projects in developing countries, which is connected to sustainable development goals, e.g. sustainable social and environmental development. In its strategy

* FMO has not provided any feedback.

Summary:

	Rating
Financial profile	strong
Long-term earnings position	strong
Sustained Capital position	strong
Business profile	strong
Strategy and market	strong
Risk profile	adequate
Capitalization potential	strong

(strong > adequate > acceptable > deficient > problematic > insufficient)

Rating history:

Rating	Outlook	Date
AAA _u	stable	09/05/2018
AAA _u	stable	06.09.2017
AAA _u	stable	02.09.2016

Rating scale:

Rating	Rating categories
AAA	highest financial standing
AA+ / AA / AA-	very high financial standing
A+ / A / A-	high financial standing
BBB+ / BBB / BBB-	good financial standing
BB+ / BB / BB-	satisfactory financial standing
B+ / B / B-	financial standing scarcely adequate
CCC+ / CCC / CCC-	financial standing no longer adequate
CC / C	inadequate financial standing
D	moratorium / insolvency proceedings

2025, the bank updated its strategic focus on energy, financial institutions, and the agribusiness, food & water sectors. The products offered by the bank are loans, equity capital and guarantees including green investments. Furthermore, FMO executes several government funds and programs at the risk and expense of the Dutch state, which can also be used for financing loans, guarantees and equity capital, within the conditions of the respective fund or program. In addition to offering several financial products, the bank also provides access to its networks. In total, FMO's total committed portfolio amounts to EUR 7.9 bn, invested in more than 75 countries.

As a public private partnership project, FMO's owner structure comprises the Dutch state (51 %), the large Dutch banks ABN Amro, ING and Rabobank (together 42 %) and diversified holdings (7 %). Regarding FMO, there is no indication for any changes due to the ongoing privatization of ABN Amro. In 1998, the Dutch state agreed on covering all losses from operations that cannot be covered by FMO itself. This agreement can only be terminated with a 12-year notice period. Potential support from shareholders including the AAA rating of the Netherlands is therefore assumed as a strong capital source. Additionally, the bank has access to the capital market as well as a sound internal financing capability, which is underlined by the large amount of retained earnings.

FMO's risk profile remains adequate. The main risks are the credit and counterparty risk related to the loan and equity portfolio as well as country risk, which arises from the bank's original purpose. Due to the challenging markets in which the bank operates, the bulk of the loan portfolio is classified as non-investment grade. The Non-Performing Loans (NPL) ratio dropped from 7.5 % in 2016 to 5.6 % in 2017, which, amongst others, resulted from higher write-offs of older loans.

Rating drivers

Drivers which could negatively affect the rating are a declining country risk rating of the Netherlands, changes in the owner structure leading to other majority shareholders or changes to the state's guarantees. Additionally, changes of FMO's political importance to the Dutch state could lead to a deterioration of the rating.

Regulatory disclosure requirements

Name and function of the analysts:

- Marc Pähler, Lead Rating Analyst, GBB-Rating, Köln
- Philipp Krohs, Rating Analyst, GBB-Rating, Köln

Company address:

- GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH, Kattenbug 1, 50667 Cologne

Members of the Rating Committee:

- Volker Jindra, Head of Team, GBB-Rating, Cologne
- Stefan Groos, Head of Team, GBB-Rating, Cologne
- Klaus Foro, Head of Team, GBB-Rating, Cologne
- Alexander Gouverneur, Head of Team, GBB-Rating, Cologne

Date	Rating Committee	Notification	Issue
▪ First rating	09/02/2016	09/02/2016	09/16/2016
▪ Current rating	09/05/2018	09/05/2018	09/20/2018

Validity:

- Rating: 12 months
- Outlook: 24 months

Subsequent rating changes after notification to client:

- none

Major sources of information for the rating:

- Annual report as at 12/31/2017
- Publicly available information

Statement about the quality of information available (including potential restrictions):

- The quality and extent of information (interviews and documents) were suitable to obtain a comprehensive picture of the bank and to assign an objective, transparent and professional credit rating

Applicable rating methodology, rating type and release:

- Unsolicited rating
- Methodology for Rating 3.0.03 Banks – credit and counterparty credit risk (CCR)
- GBB-Rating, Policy on Performing and Issuing Unsolicited Credit Ratings, 07-2018
- www.gbb-rating.eu/de/presse/eu-veroeffentlichungen/Seiten/default.aspx

Meaning of the rating category:

- www.gbb-rating.eu/en/ratings/ratingskala/Pages/default.aspx

Business relationship:

- There is no further business relationship with FMO

Legal remarks

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Future events are uncertain. Ratings are based on predictions of these and thus inevitably rely upon estimates. Therefore they solely represent statements of opinion rather than statements of fact or investment advice.

Credit ratings are performed with proficiency and due professional care. Ratings are based on the data and information provided by the applicant. This information is used in reaching an opinion about the future viability as well as the strengths and weaknesses of the rated company as of the date of rating issuance.

GBB-Rating puts focus on sustainability and is a signatory of the UN Global Compact since 2018. We support the 10 principles of the UN Global Compact relating to human rights, labor standards, the environment and anti-corruption.



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